

**A GUIDELINE FRAMEWORK FOR TRANSFORMATION TO A LED
APPROACH IN LOCAL GOVERNMENT - THE FRANCES BAARD
DISTRICT**

Milinda Rossouw-Brink



“Thesis presented in partial fulfillment of the requirements for the degree of
Master of Public Administration at the University of Stellenbosch”

Supervisor: Johan Ackron

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DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Signature:
MILINDA ROSSOUW-BRINK

Date: March 2007



ABSTRACT

LED is the encouragement of a greater degree of local economic governance as an integral component of the pursuits of local community goals. It is about a systemic approach that manages community governance in such a way to achieve shared community goals and objectives. The intent to promote LED has become an established feature in the Frances Baard district, but certain constraints such as resource and skills constraints, lack of communication and lack of guidance from the other spheres of government, hinder the delivery of LED at Local Government level. LED is immersed in a line function environment that institutionally cannot support or sustain it, unless broader institutional reform takes place to bring the LED Approach into the mainstream of municipal and community decision making in terms of locating LED higher up in the municipal hierarchy. There is confusion between the roles and responsibilities of the Frances Baard District and local municipalities in terms of who should facilitate and guide the economic development in the municipal area. The assessment of these difficulties and confusions in terms of the institutional operations in the Frances Baard Local Government will identify and develop important operational guidelines for the district and local municipalities to overcome these shortcomings that occur within their organisations.

OPSOMMING

Plaaslike Ekonomiese Ontwikkeling is die aanmoediging in `n hoër mate van Plaaslike Ekonomiese Regering as `n integrale komponent in die soeke na plaaslike gemeenskaps doelwitte. Dit is `n universele benadering wat gemeenskaps regering bestuur in so `n mate om gedeelde gemeenskaps doelwitte en objektiewe te bereik. Die intensie om Plaaslike Ekonomiese Ontwikkeling te bevorder, het `n gevestigde kenmerk in die Frances Baard distrik geword, maar sekere struikelblokke soos hulpbron en vaardigheids struikelblokke, asook `n tekort aan kommunikasie en rigtinggewing van ander owerheid sferre, verhinder die lewering van Plaaslike Ekonomiese Ontwikkeling op plaaslike regeringsvlak. Plaaslike Ekonomiese Ontwikkeling word geabsorbeer in `n lynfunksie omgewing wat institusioneel nie ondersteun of volhou kan word mits breër institusionele hervorming plaasvind om die Plaaslike Ekonomiese Ontwikkelingsbenadering in die hart van munisipale en gemeenskaps besluitneming te bring, en ook nie indien Plaaslike Ekonomiese Ontwikkeling hoër in die munisipale hiërargie geposisioneer word nie. Daar is onsekerhede by die Frances Baard Distrik en plaaslike munisipaliteite in terme van hul rol en verantwoordelikhede ten opsigte van wie verantwoordelik is om ekonomiese ontwikkeling te fasiliteer in die munisipale area. Die assessering van die probleme en onsekerhede, in terme van die institusionele prosedures in die Frances Baard plaaslike regering, sal lei tot die identifisering en ontwikkeling van belangrike operasionele riglyne vir die distrik en plaaslike munisipaliteite om die tekortkominge wat voorkom in hul organisasies, te oorkom.

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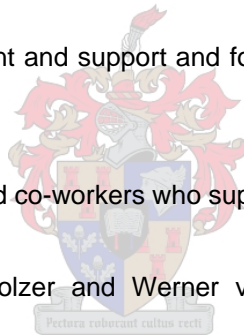


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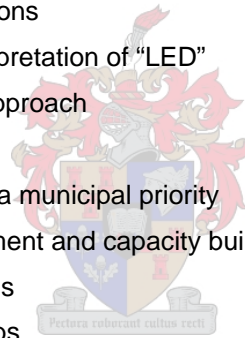


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ABBREVIATIONS

AIDS	Acquired Immuno Deficiency Syndrome
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CBO	Community Based Organisation
CMIP	Consolidated Municipal Infrastructure Programme
COV	Coefficient of variance
CSIR	Council for Scientific and Industrial Research
DBSA	Development Bank of South Africa
DFI	Development Finance Institutions
DOL	Department of Labour
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
ECBPWP	Extended Community Based Public Works Programme
EPZ	Export Processing Zones
ESKOM	South African electricity supply company
FBDM	Frances Baard District Municipality
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GGP	Gross Geographic Product
HIV	Human Immuno-deficiency Virus
HRD	Human Resource Development
IDP	Integrated Development Plan
IDZ	Industrial Development Zones
LED	Local Economic Development
LEDF	Local Economic Development Fund
LEDQF	Local Economic Development Qualifications Framework
LETS	Local exchange and trading systems
LG&WSETA	Local Government and Water Sector Education and Training Authority
MBA	Masters in Business Administration
MDP	Management Development Programmes
M&E	Monitoring and evaluation
MEC	Members of Executive Council
MERS	Micro-Economic Reform Strategy
MIG	Municipal Infrastructure Grant
MINTEK	Council for Mineral Technology

MTSF	Medium-Term Strategic Framework
NAFCOC	National African Federated Chamber of Commerce
NCEDA	Northern Cape Economic Development Agency
NCMMA	Northern Cape Mine Managers Association
NCPGDS	Northern Cape Provincial Growth and Development Strategy
NGO	Non-Governmental Organisations
NOCCI	Northern Cape Chamber of Commerce and Industry
NQF	National Qualifications Framework
NSDP	National Spatial Development Perspective
LBSC	Local Business Service Centres
PAR	Participatory Action Research
PDC	Previously disadvantaged community
PGDS	Provincial Growth and Development Strategy
PHC	Primary Health Care
PIC	Public Investment Corporation
PIMSS	Planning and Implementation Support System
RDP	Reconstruction and Development Programme
R&D	Research and Development
RED	Regional Electricity Distributors
RSA	Republic of South Africa
SAMPPF	South African Mining Preferential Procurement Forum
SDA	Secondary data analysis
SDF	Skills development facilitators
SETA	Sector Education and Training Authorities
SIC	Standard Industrial Classification
SMME	Small, Medium and Micro-Enterprise
SMIF	Special Municipal Infrastructure Grant Innovation Fund
SOE	State-Owned Enterprise
SPM	Sol Plaatje Municipality
STI	Sexual Transmitted Infection
TAC	Tender Advice Centres
WSP	Workplace skills plan

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CHAPTER ONE: INTRODUCTION

1.1. INTRODUCTION

Local Economic Development (LED) is currently a widely discussed issue in South Africa. Local municipalities are legally obliged by the Municipal Systems Act (32 of 2000) to pursue economic development activities. According to Nel and Binns (2001:355), “*LED is an essential part of the developmental process and of the developmental mission of local government and it is linked to the overall approach to planning and public investment, as defined in the Integrated Development Plan (IDP)*”, but nowhere in the Constitution or in other legislation is LED referred to as such. Sections 155 and 156 of the Constitution give municipalities powers and functions related to aspects of LED only. There is an increasing view that the narrow view obliged by the Public Finance Management Act (Act 1 of 1999) threatens to collide with good LED practice at the local government level. According to Meyer-Stamer (2002:3), the municipal administrations tend to be extremely uncertain as to what LED exactly means, what they are supposed to do and how they are supposed to organise LED. The main doubts are the following:

- Is the municipality the driver of the LED process, or are they just a facilitator or an active observer of the whole process, which is then driven by the local business sector?
- Who exactly in the municipal administration is supposed to be in charge of LED?

Various reviews of the status of LED within local government areas indicate that formal LED, as opposed to community-based variations, is still in its initial stages and few local governments or other agencies can be said to be actively engaged in LED at present (Nel and Rogerson, 2004: 7). All municipalities are engaged to a greater or lesser degree with the carrying out of their constitutional functions. The real issue is not whether they are “doing LED”, but it is about the applicability of their constitutional functions and indeed how they are discharging those functions.

A number of studies, reports and policies address and impact upon LED such as the Municipal Structures Act (117 of 1998), the Municipal Systems Act (32 of 2000), the White Paper on Local Government (Act 108 of 1996), the 2002 LED Policy – Refocusing Development on the Poor (Department of Provincial and Local Government, 2002), the 2004 LED Policy – Local Economic Development Policy and Strategy (Department of Provincial and Local Government, 2004) and the 2005 LED Policy – Robust and Inclusive Municipal Economies. This material will be used as a departure point for this study and will also provide guidance for further investigation into this matter.

At the same time, the study provides analysis of problem areas generally besetting the approach to and implementation of LED in South Africa.

Trousdale (2003:1) defines LED as follows:

“Local economic development (LED) is a participatory process where local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. LED is a tool to help create sustainable jobs and improve the quality of life for everyone, including the poor and marginalized. Local economic development encourages the public, private and civil society sectors to establish partnerships and collaboratively find local solutions to common economic challenges. The LED process seeks to empower local participants in order to effectively utilise business enterprise, labour, capital and other local resources to achieve local priorities (e.g., promote sustainable jobs, reduce poverty, stabilise the local economy and generate municipal taxes to provide better services)”.

Helmsing (2001: 64) defines LED as follows:

“Local economic development (LED) is a process in which partnerships between local governments, community-based groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined territory. LED emphasises local control using the potentials of human, institutional and physical resources. Local economic development initiatives mobilise actors, organisations and resources, develop new institutions and local systems through dialogue and strategic actions. “

Nel (2001:1005) defines LED as follows:

“LED, is essentially a process in which local governments and community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each-other, to create new jobs and stimulate economic activity in an economic area.”

Although these definitions cannot be taken as the final statement of what LED is, they do provide a broad insight into the overall orientation of the concept. These definitions are not operational and are merely descriptions of what LED is.

The 2002 LED Policy: *“Refocusing Development on the Poor”* regards LED as follows (DPLG, 2002:15): *“From central governments perspective, the most important objectives for LED are job creation, sustainable urban and rural development, and explicit pro-poor approaches within a*

holistic LED strategy. LED is to be broadened and deepened in order to meet the needs of the poor, women, children and people living with HIV/Aids. Within the newly-demarcated districts, small towns should be given higher priority.”

Meyer-Stamer (2002:5) states that the policy is contributing to the uncertainty at local government level with reference to the application of LED vis-a-vis community development.

The current definitions of LED do not reflect an inclusive operational essence for the concept. Rather they concentrate upon what LED attempts to “do” rather than what LED in actual fact “is”. Evolving good practice suggests a more inclusive definition of LED as a systemic approach to economic development at the local level that incorporates the totality of actions and initiatives that impact upon the local economy (Ackron, 2004; Ackron and Schwella, 2005). LED is in the final analysis not about “projects” at all. It is about a systemic approach that manages community governance in such a way as to achieve shared community goals and objectives (Ackron, 2006).

1.2. BACKGROUND

This study outlines the difficulties and confusion that the Frances Baard Local Government experiences especially in terms of operational implications when delivering and implementing Local Economic Development.

Local Economic Development (LED) is a process based on local initiative, driven by Local Government and stakeholders, to manage resources and stimulate economic activity in a defined economic area. The goal of LED generally is to increase the number and variety of job opportunities for the local community, to alleviate poverty and to redistribute resources and opportunities to benefit all the local residents.

The abovementioned definition is the view that Local Government, LED practitioners and many authors have on what LED entails. This view focuses explicitly on the outcomes of LED and not on the nature of LED interventions. There need to be a more inclusive approach to LED in terms of the way the municipality do things. LED is not a separate function in Local Government but rather an appropriate part of all the community stakeholders and all the departments within local government. A definition such as the following illustrates what LED really consists of:

LED is the encouragement to a greater degree of local economic governance as an integral component of the pursuits of local community goals. It is about a systemic approach that manages community governance in such a way as to achieve shared community goals and objectives. Thus, Local Government, private sector and the community must enter into a

partnership and work collectively together in order to stimulate economic activity in an economic area (Refer to Chapter Two: Section 2.2).

The Frances Baard District Municipality (FBDM) and the four Local Municipalities in the Northern Cape region was researched in order to outline the difficulties that Local Government experience in terms of the roles and responsibilities of municipalities when delivering and implementing Local Economic Development.

A LED strategy is a very important tool used by a municipality in order for them to add value to the area and to facilitate and guide economic development and investments in the municipal area. There is confusion between the roles and responsibilities of the district and local municipalities in the Frances Baard District in terms of who should facilitate and guide the economic development in the municipal area. The assessment of these difficulties and confusions (operational implications) in Local Government will provide important strategies for the Frances Baard District and local municipalities to overcome these shortcomings that occur within their organisations.

In the Frances Baard District there are various opportunities in terms of Local Economic Development, but the main problem remains: *“Who is the driver of the LED process and who is responsible for the planning, formulation and implementation thereof?”* In order to implement the required activities and projects, the capacitation and alignment of the Frances Baard District Municipality and the four local municipalities within the Frances Baard District (See Annexure A: Municipal Categories) is of utmost importance. The roles and responsibilities of these municipalities must be explicitly highlighted.

The intent to promote LED has become an established feature in the Frances Baard District but certain constraints such as resource and skills constraints and lack of guidance from the other spheres of government hinder the delivery of LED at Local Government level. LED in the Frances Baard District is immersed in a line function environment that institutionally cannot support or sustain it unless broader institutional reform takes place to bring the LED Approach into the mainstream of municipal and community decision making in terms of locating LED higher up in the municipal hierarchy and by forming partnerships.

Various other management/operational problems in the Frances Baard District that are also identified and discussed in this study are: Human Resource capacity, Technical skills, Organisation structure, Understanding LED and united LED vision amongst others. If the correct

structures and frameworks are not in place in the Frances Baard District then this study suggests that Local Economic Development as an overall approach of Local Government will not occur.

1.3. RESEARCH PROBLEM AND HYPOTHESIS

According to Ackron (2006) there are a number of factors which are exacerbating the existing levels of low implementation of LED in South Africa (and in the Frances Baard District). These factors are namely:

- Confusion between LED and Community Development
- Limited intellectual and technical know-how in terms of LED implementation
- Political interference in the LED process
- Project picking by politicians
- An unclear national policy framework

Nel (2001:1020) states that LED is a new development strategy which is currently being experimented with in South Africa, but that in most parts of the country, local governments are dealing with an '*unfunded mandate*' which lack the power, resources and capacity to implement. This is also the case for the Frances Baard District where they have various constraints such as resource and skills constraints and lack of guidance from the other spheres of government which hinder the delivery of LED at Local Government level (Refer to Section 1.2).

Against the background of LED the following problems are highlighted which are also applicable to the Frances Baard District:

- The LED framework does not provide appropriate guidelines in terms of the formulation and implementation of LED activities (Meyer-Stamer, 2002:3-8).
- Local government is faced with internal, as well as external, pressures when they deliver LED in their local constituencies (Nel, 2001:1005).
- The Integrated Development Plan (IDP) is merely the government's response to a joint community stakeholder strategy and the other stakeholder collectives should also in the final analysis have something similar to guide and regulate their respective activities in serving the overall LED strategy (Ackron, 2005).
- Institutional uncertainties within the local government delivery system are constraining the deployment of LED activities (Sapula *et al*, 2003:8)

The aim of this study is to investigate the assertion that:

- LED is not just about projects and programmes but about building the total institutional capacity for economic governance at community level of which projects form part. LED interventions comprise every intervention that has an impact on the local economy.
- LED is not the sole responsibility of Local Government, but should be a partnership between all the stakeholders (including Government, private sector and the community) in order for the community to function as an economic unity in a specific area.
- LED is not a separate line function, but it should be the function of the whole municipality. LED should be moved higher up in the hierarchy to the centre of the municipality, due to the fact that it encompasses everything the municipality does.
- LED should not be seen as only an outcome and particularly a solely pro-poor outcome. The LED Approach requires a joint approach of the municipality, stakeholders and individuals to take ownership of their own economic development and to strive to improve their economic status by combining skills, resources, ideas and effort.
- Institutionalisation must be viewed in a different way. Institutionalisation should be seen as the activity of drawing a particular approach into the centre of the decision-making process. The way people think should change; local government, the community and stakeholders must renew their mindsets. The institutional structure should always follow the strategy and it should be integrated into the operational norm. Institutionalisation is thus important to effectively implement, manage and facilitate the adoption of the LED Approach. Thus in order to have an effective LED Approach, the institutionalisation of a LED strategy within the IDP is necessary.

1.4. AIM AND OBJECTIVE

The aim of this study is to develop integrated coordinated management guidelines for the Frances Baard District. The long-term aim is that national, provincial and local government, the private sector and the community should in terms of the evolving LED policy enter into a partnership and work collectively in order to stimulate economic activity in the Frances Baard District.

From the preceding, the following objectives have been formulated for this study:

- To review the current LED frameworks employed to guide LED in the local government context.
- To review and compare the 2002, 2004 and 2005 LED Policies expounded by Central Government and to identify the key shifts in the policy alignment.

- To identify and evaluate the operational implications for local government of those key shifts.
- To provide a brief overview of the Frances Baard District in order to examine the need for of local government involvement in the LED field.
- To investigate the status quo of LED management and operations in respect of the Frances Baard District.
- To provide guidelines based on the identified operational implications and the status quo of LED management in the Frances Baard District Municipality.

In order to achieve the purpose and the individual objectives of this study, the following methodology has been used.

1.5. RESEARCH DESIGN AND METHODOLOGY

This study will be using both empirical and non-empirical research methods. Multiple methods of data collection, which will include both structured and less structured research methods and an analysis of existing documentary sources, will be used during this study.

The research design of this study consists of the following, namely: Participatory Action Research (PAR) and Secondary data analysis (SDA).

According to Mouton (2001:150), **Participatory Action Research** involves “*studies that involve the subjects of research as an integral part of the design. Use mainly qualitative methods in order to gain understanding and insight into the life-worlds of research participants. Most types of PAR have an explicit commitment to the empowerment of participants and to changing the social conditions of the participant.*” The Analysis is “*Qualitative forms of data analysis. In certain forms of PAR, the data analysis is viewed as a collaborative effort between the researcher and the participants.*” The strength of PAR is that “*PAR involves participation and involvement on the part of the subjects, which enhances chances of high construct validity, low refusal rates and ‘ownership’ of findings.*”

The researcher of this study uses PAR as a research design to the extent that the Frances Baard District Municipality (FBDM) and the four local municipalities in the area have been involved and have participated in the research as an integral part of the design. In the process, the Frances Baard District has been empowered by helping them to develop operational guidelines to overcome potential shortcomings.

According to Mouton (2001:164), **Secondary data analysis** (SDA) “*aims at reanalysing existing data in order to test hypotheses or to validate models.*” Typical applications are “*Analysis of census data; secondary analysis of survey data and market analysis.*” The Mode of observation/sources of data is “*the primary data for SDA are survey data as census information.*” The strengths of SDA are “*Savings in time and costs because of the use of existing data or the possibility of reanalysing previous findings.*”

The researcher of this study uses Secondary data analysis as a research design. The researcher analysed existing data by comparing the 2002, 2004 and 2005 LED Policies in order to identify the shift in the policy and to highlight the operational implications for local government.

The **Methodology** that has been used in this research was:

- Interviews
- A case Study (Frances Baard District)
- Questionnaires
- The development of operational guidelines for the Frances Baard District.

The **Interviews** have comprised Basic Open Individual Interviews with various role-players in the Frances Baard District, where interviewees have been free to speak their minds. The aim of individual interviews has been to determine relevant perspectives on the objectives of this research in terms of the shift in policy and the management of LED in their environments. The interviews were held during February and March 2006 with all the LED practitioners of the Frances Baard District and Local Municipalities as well as with a few random residents in the local areas.

The Frances Baard District Municipality and the four Local Municipalities in that district have been used as the **case study**.

The perspectives provided by the interviews described above were utilised as a primary input into the empirical research. The research was undertaken through the use of a structured **questionnaire** that has been distributed to the LED departments of the district and local municipalities situated in the Frances Baard District (Refer to Annexure B). This gave guidance to the researcher in the development of the operational guidelines for the Frances Baard District.

Guidelines were developed to help the Frances Baard District to overcome various managerial and institutional constraints in order to empower them and to change their social and internal conditions so that they can have a strong economic environment.

1.6. CHAPTER OUTLINE

The thesis is structured as follows:

Chapter Two provides an overview of LED, as well as the legislative requirements guiding LED. This chapter introduces the concept of LED and provides a brief history of LED in South Africa. The current South African LED framework, guiding LED activities is also described. The emphasis is placed on the legislative framework (policy context) that has an impact on LED. The Integrated Development Plan (IDP) is introduced, as is the LED Fund and other recent developments are highlighted in this chapter. This chapter analyses in-depth the current situation of LED and identify what need to change in order for LED to be successful in South Africa (which will thus contribute to the Frances Baard District).

Chapter Three examines the Department of Provincial and Local Governments' 2002 LED policy and compares it with their 2004 and 2005 LED policy. The shift in the policy framework is identified and briefly described. The chapter concludes with the identification of the operational implications which are then ranked in terms of their importance. The interviewees were asked to rank each of the implications on an ascending scale from 1 to 10 in terms of how important they perceive it to the management of LED at the local level. The mean of the scores attributed by the interviewees to each implication was utilised as the instrument of ranking. The coefficient of variance (COV) was utilised as a measure of variability.

Chapter Four analyses the Frances Baard District and presents a brief overview of the focus areas in this chapter which include:

- The location of the Frances Baard District.
- A brief overview of the Frances Baard District in terms of economic and socio-economic dynamics.
- The various problems that are experienced by the Frances Baard Local Government in terms of economic development in order to highlight the importance of a LED Approach in the Local Government of the Frances Baard District.

Each of these elements serves to provide a different dimension on the challenges facing LED in the Frances Baard District and serves to inform the conclusions as to what constitutes an indicated set of interventions in support of LED.

Chapter Five analyses the Frances Baard District and its sub-components and presents a synoptic overview of the current approach to LED followed by this administrative area. This is augmented with an investigation into the institutional arrangements relating to LED within the municipalities. The outcomes of the questionnaires that were conducted in the LED departments of the municipalities and the results of the interviews conducted with the LED practitioners are presented and discussed in this chapter. The inferences regarding the management implications and the questionnaires for the local municipalities are presented here.

Chapter Six concludes with recommendations for the Frances Baard District that will assist the municipalities to address the challenges of LED by developing integrated and coordinated guidelines based on the outcomes of the previous chapters.



CHAPTER TWO: Local Economic Development Defined

2.1. INTRODUCTION

The purpose of this chapter is to review relevant literature and policies in order to identify objective criteria which could be utilised to evaluate Local Economic Development (LED) performance and to make recommendations in the selected case study area of the Frances Baard District. This chapter analyses in-depth the current situation of LED and identify what need to change in order for LED to be successful in the Frances Baard District. This chapter consists of three main sections that respectively:

- Determine the operational essence of LED through an examination of definitions and the derivation of a working definition for the purpose of the study, and the analysis of the proposed LED planning process and relevant guidelines for implementing LED in South Africa.
- Identify the roles and responsibilities of Local Government in LED. This section examines the roles and responsibilities of local government in LED and the anomalies associated with them in the context of the developmental role of local government. It also discusses briefly the legacy and implications of the anomalies attending the role of local government in LED.
- Analyses the 2002 LED Policy – Refocusing Development on the Poor (DPLG, 2002) and the 2004 LED Policy – Local Economic Development Policy and Strategy (DPLG, 2004), to identify the shift in the policy and to highlight the resulting management implications for local government, in order to formulate management guidelines for local government.

2.2 LOCAL ECONOMIC DEVELOPMENT

Local Economic Development (LED) can be defined in Section 2.2.1 as follows (compiled from Nel, 2001:1005; Helmsing, 2001:64; Trousdale, 2003:1):

LED is a participatory process where the local role-players interact to develop, grow and strengthen the economic base of a geographic locality. These activities are focused at improving the business environment which will result in the identification of barriers to spontaneous economic growth, formulating and implementing measures to overcome the barriers while exploiting economic and business opportunities. Thereby reducing transaction costs and

improving the quality of local production factors in a manner through which employment opportunities are created and sustained.

According to Ackron (2003), there are two broad perspectives on LED that need to inform the way we define it, namely:

- **The LED approach** (“*a way you do things*”)

The LED approach being the collection of policies, strategies and other instruments that are applied as tools to achieve LED outcomes. The LED approach can be seen as a partnership between all players having an impact on the local economy including local government, the community and the private sector in order to stimulate the economy in a local area. To this extent “LED” is not a separate function in Local Government, but rather in appropriate part the responsibility of all community stakeholders and of all departments within local government. It is thus not merely the responsibility of an LED department in local government, although such “department” may serve as a focal point for energising and facilitating it.

- **The LED outcome** (“*a thing you do*”)

Economic development in the local community is the outcome pursued by the LED approach. There are various outcomes of LED, such as to create employment opportunities for local residents, alleviate poverty and redistribute resources and opportunities to the benefit of all local residents. The outcomes sought by various communities and Local Governments can change over time and can be served by the same essential features of LED approach toward community cohesion.

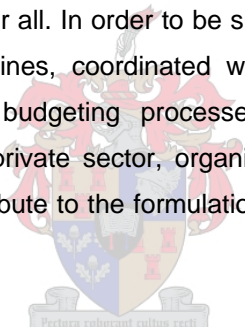
It is important to realise that the LED approach is an ongoing process, rather than a single project or a series of steps to follow. LED is thus everything that impacts on economic development and growth at a local level. LED encompasses all departments, stakeholders and the community in a local area, involved in various different initiatives aimed at addressing a variety of economic needs and imperatives in that community.

The LED approach manifests when national, provincial and local authorities, business, labour, NGO’s and most importantly individuals, take ownership of their own economic development and strive to improve their economic status by combining skills, resources, ideas and effort.

Local economic development initiatives always take place in the context of the national and global economies. Changes in the national and global economy impact on local economies in different ways. For example, a fluctuation in mineral prices may mean that local mines, which are the main employers in the Frances Baard municipal area (Refer to Chapter Three), are closed down resulting in increased unemployment. To this extent, LED thus has national and even global dimensions. LED initiatives need to take account of the national and global context and be designed in a way that assists local areas to respond creatively to those contexts.

2.2.1. DEFINING LED

The Provincial Growth and Development Strategy (PGDS) facilitates harmonized planning between the three spheres of government and consists of the formulation of a comprehensive, multi faceted strategy for the economic and social development of a province. Planning for the promotion of economic growth and social development lies at the core of government's responsibility to provide a better life for all. In order to be successful, it is essential to ensure that planning is integrated across disciplines, coordinated within and between different planning jurisdictions and aligned with the budgeting processes of national, provincial and local government. Stakeholders from the private sector, organised labour and civil society must be provided with the opportunity to contribute to the formulation of the PGDS in order to make them full partners in development.



To the extent that the PGDS represents an inclusive approach to achieving provincial growth and development, the LED approach can also be viewed as the extension of the local level of that approach and in turn of the National Growth and Development Strategy (NGDS) at national level.

Zaaijer and Sara (1993:129), state that LED *"...is essentially a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area"*.

According to the World Bank (2000:1): *"LED is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all"*. A subsequent World Bank document asserts that *"LED is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life to all in the community. 'Community' here is defined as a city, town, metropolitan area, or sub-national region"* (World Bank, 2002).

These two quotations clearly identify the core focus of LED, namely an emphasis on the concepts of partnership, economic sustainability and improvement of community well-being.

“LED is also about the competitive advantage of local firms as well as the competitive advantage of the locality. Through the creation of competitive conditions at a specific locality, investment may be attracted which otherwise would go elsewhere and create jobs and income in another locality. Local economic development is different from regional/national economic development in several respects.” (Meyer-Stamer, 2003:3). Meyer-Stamer (2003:4) identifies three broad approaches at attempting to define LED:

- One approach is to view LED as the same as national economic development, but in a downscaled way. Such an approach would be inadequate as a regional/national economic development policy includes several activities, which are beyond the scope and reach of any LED initiative, and vice versa.
- A second approach to defining LED would be to relate it to activities that aim at promoting investment in the locality. Such an approach implies an exaggerated focus at investment attraction activities.
- A third approach at defining LED would be to include all activities which aim at improving the well-being of the local population.

Meyer-Stamer (2003:4) states that because the different types of initiatives follow different logics, pursue different goals and operate with different incentive structures, it is important to make a clear distinction between them in terms of *instruments, role-players and governance*.

- *Instruments*: There are numerous instruments available to government to promote economic development which are beyond the reach of local initiatives, such as:
 - The exchange rate
 - The tax rates
 - Legal frameworksAt the same time, many instruments of LED are not viable for national or regional government, such as:
 - The development of real estate
 - Business coaching programs.
- *Role-players*: Economic development is formulated and implemented by government with non-governmental organisations (NGO's) being involved in the policy process, for instance in terms of lobbying or by sharing information and

knowledge. But in terms of policy execution, there are more targets than executors. At the local level, and in particular in the context of LED initiatives, things are dissimilar. In extreme cases, LED initiatives can be designed and executed by private sector role-players without any participation of government and under normal conditions.

LED initiatives should thus involve close cooperation between government and non-governmental role-players (chambers and business associations, trade unions, universities and research institutes, companies, NGO's) during diagnosis, planning, implementation and evaluation.

- *Governance*: Economic development programs involve a clear definition of roles between the legislative and the executive branch of government. At a local level, role definitions are generally unclear and the definition of roles for the different role-players is one of the main challenges.

From the preceding, LED as a development approach is based on the central idea of stakeholder mobilization (including and especially local stakeholder mobilization), building the competitive advantages of the locality and enabling local role-players to capture and exploit market opportunities (GTZ, 2002). Such an approach coincides with a global trend towards decentralisation of powers from national to local government. LED is decidedly interventionist, but the interventions themselves are of enabling nature founded upon the economic approach of achieving greater self-reliance in the local sphere, in communities and in individuals themselves.

According to Ackron (2003), LED is a "Way you do things" and not a "Thing you do". The essential LED approach is one that draws economic development considerations to the heart of all decision making. To this extent even overtly welfare interventions need to take account of the imperatives of LED and need to be undertaken in a way that promotes increasing self-reliance and the efficient use of economic resources. To thus extent the LED Approach is pervasive in the same way, for example, that the requirement of economic efficiency pervades all areas of our national life.

Based on the preceding, the following definition of the LED approach is employed for the purposes of the present study:

The LED approach comprises the harnessing and focusing of all resources and interventions that potentially impact upon the economic development of a local area in order to better serve local economic imperatives.

- It manages local community governance in such a way as to achieve shared community goals and objectives. Thus, Local Government, private sector and the community must enter into a partnership and work collectively together and with others outside of the community in order to stimulate economic activity within the community.
- It must inform all decision making on the part of stakeholders impacting on the local economy. Whilst explicit programmes and projects are a means to implementing the LED approach, the approach is not confined to such interventions but should inform all decisions with economic implications within the local community.

The next section presents an overview of international approaches to LED.

2.2.2. OVERVIEW OF LED INTERNATIONALLY

Nel (2001:365) states that in recent years, LED has been recognised, internationally, as a key response to major contemporary trends, such as:

- Increasing decentralisation of power and decision-making to the local-level, which parallels the neo-liberal era reduction in the role of the central state in the economy.
- Globalisation forces, which in a context of the diminishing importance of the nation-state compel a local-level response.
- Economic change within localities, varying from de-industrialisation to local innovation which requires local leadership initiative, response and direction.
- The dubious results achieved by macro-level planning and regional development interventions.

These trends are not unique to any portion of the globe. Though occurring at different rates, the effects of globalisation and global economic crises have helped to ensure that local economic initiatives and self-reliance are a discernible trend around the world. This has been particularly noticeable for example in the United States of America. There local communities and “neighbourhoods” have developed a particular and fiercely individualistic approach that can be very valuable for the South African context in the medium to longer

term, when levels of local entrepreneurship have been elevated beyond the extremely low (poor) current levels (Global Economic Monitor, 2001).

The goals of LED tend to revolve around issues of job creation, empowerment, the pursuit of economic growth, the restoration of economic vitality and diversification in areas subject to recession and establishing the '*locality*' as a vibrant, sustainable economic entity (Nel, 2001).

2.2.3. BROAD STRATEGIC APPROACHES TO LOCAL ECONOMIC DEVELOPMENT

Whilst the phenomenon of LED might be taking place around the world, its focus according to which it is pursued, differs fundamentally from place to place. Two broad orientations have been identified:

- A market-led approach, based on business development (Rogerson, 2000:3),
- A bottom-up or market-critical approach, based on community development (Scott and Pawson, 1999:189).

Whilst the former focuses on the pursuit of economic growth, investment attraction and courting the high-profile business sector, the latter tends to be associated more with support for emerging micro and community businesses. In general terms, both foci are equally valid and it can be argued that both should be pursued in conjunction with each other in order to meet the needs of a wide spectrum of stakeholders. This provides for balanced growth and ensures that capital-generating large businesses can generate meaningful spin-offs for the small and emerging business sectors (Rogerson, 2000:3; Scott and Pawson, 1999:189).

Micro-business needs to be market driven in the same way that "high profile" business is. Otherwise it is not "business" and cannot survive. That is one of the difficulties with micro-business at the present in that its proponents in an exclusively bottom-up or market-critical approach very often ignore the equally vital market element there. Viable and sustainable micro-business operates in markets and not on charity and handouts just as other businesses. In fact, in this sense, there is only one catchall "business" class, namely comprising those economic activities that are inherently self-sustaining.

2.2.3.1. Categories of LED interventions

In order to pursue either market-led or market-critical development, implementing agencies (such as local governments or development associations) generally tend to pursue fairly standard intervention measures which address the needs for financial, infrastructural, informational, planning and training support. In all cases support varies from measures designed to support large enterprises, such as tax rebates, to support measures for micro-enterprises, such as training, job-banks and equity participation. Nel (2001:1010) identified five major LED interventions:

- Financial support
- Land and building development
- Information and marketing assistance
- Organisational structures
- Training and employment

2.2.3.2. LED Programs

According to the above, LED interventions, be they market-led or market-critical, tend to focus on achieving set goals related to economic development and empowerment. In order to achieve such goals, support agencies conventionally pursue a fairly definable range of programmes. The World Bank (2002) lists the most common programs as comprising:

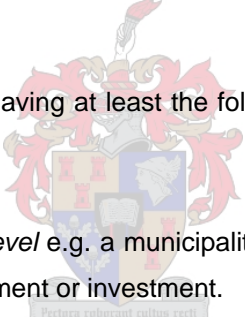
- Encouraging local business growth
- Support for new enterprises
- Improving the local investment climate
- The promotion of inward investment
- The provision of both hard and soft infrastructure
- Sector support for identified lead sectors
- Area targeting to address unique challenges
- Poverty reduction to ensure equity
- Regeneration endeavours in areas subject to economic change.

2.2.4. LED IN THE SOUTH AFRICAN CONTEXT

In South Africa, the practice of LED has become associated with a more distinctive pro-poor orientation and the degree of national state endorsement of local-level action is particularly noteworthy. In the South African context LED usually refers to actions initiated at the local level, typically by a combination of partners, to address particular socio-economic problems or to respond to economic opportunities (Nel, 2001).

Many of the core competencies of LED lie beyond local government. A credible LED approach is therefore in its very essence a joint initiative and responsibility of all spheres and players. LED encompasses all the relevant activities and interventions necessary to encourage development at the local level. A core difficulty that will be adduced for the limited success of the LED approach in South Africa, is that the local approach does not address the very significant economic externalities affecting local communities, but tends to promote an isolationist view of LED in communities, concluding that LED is a responsibility of local government alone, albeit with the involvement of the local community.

The LED approach may be seen as having at least the following core dimensions individually or in combination:

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- It can manifest at the *policy level* e.g. a municipality's decision to be more business-like, or to encourage local procurement or investment.
 - It can manifest at an *institutional level* e.g. having a Job-Centre, LED office, Section 21 Company or the operation of independent / private *support centres* (e.g. LBSCs, local banks with community support programmes).
 - It can manifest at the *project / programme level* i.e. it operates as a defined, focused explicit LED undertaking e.g. a chicken co-operative; a tourism promotion strategy; an LED Fund project, a private sector initiative or support for *survivalist or livelihoods* programmes.

In its application LED can either have a '*pro-poor*' focus (i.e. seeking poverty alleviation) as encouraged by the Department of Provincial and Local Government, or a '*pro-growth*' focus (i.e. seeking economic growth) as encouraged by the Department of Trade and Industry (Tomlinson, 2003). These two divergent approaches respond to very real needs in the country. But they can also lead to divergences of opinion on the ground and Tomlinson (2003) has raised the concern that the '*pro-poor*' variant of LED may well, albeit inadvertently, be marginalised in the country at the present by the focus on GEAR-related initiatives. However, a distinction needs to be made

between the “pro-poor” focus and a “welfarist” focus. The latter is preoccupied essentially with short-term interventions toward alleviating the symptoms of poverty. Pro-poor LED approaches are not necessarily welfarist at all, to the extent that they are informed by the need for encouraging self-reliance and economic efficiency and for drawing the poor into the productive mainstream of local economic activity.

With this in mind, it is critical that development interventions in South Africa (and in the Frances Baard District of the Northern Cape in particular that is the subject of the recommendations generated in Chapter Five) prioritise the needs of the poor in a manner that is consistent with the achievement of self-reliance, sustainability and the inclusion of the poor into the local economic mainstream.

The experience of LED in South Africa started with limited cases of applied LED in small towns, in the early 1990s, and rapidly accelerated through the activities of the ‘forum’ movement. The concept of community- or locality- based development, implicit in the 1994 RDP, was effectively enshrined in the 1996 Constitution (in terms of the developmental role of local government) and has since been supported by a range of policy and legal measures (Tomlinson, 2003).

Applied LED within the municipal environment has evolved apace, such that by 2001 all major urban centres had initiated LED Units or Economic Development Departments, whilst a range of NGOs-, community- and private sector-led initiatives have also evolved. These have variously included Local Economic development agencies in the form of public-private partnerships through the medium of corporate and other arrangements that have taken LED out of the more limited realm of local government and effectively elevated it to the community level as a tangible manifestation of the inclusive approach that views LED as the province of all stakeholders and not of local government alone (Tomlinson, 2003).

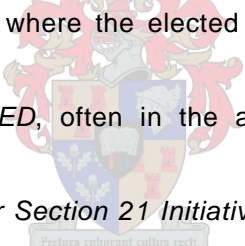
According to Rogerson (2000) the most prominent current initiatives suggest that LED in South Africa clearly tends to be an urban-focused activity. Despite this, at the micro-level a range of NGOs and CBOs are clearly pursuing very valuable training and job creation strategies in rural and urban areas throughout the country.

Applied LED initiatives range from ‘market-led’ initiatives pursued in the large cities to draw in big business, to build sports stadiums and convention centres and to ‘re-image’ cities in a global era, through to small-scale, but carefully targeted poverty relief, training and job-creation schemes which focus on areas such as crafts, sewing, brick-making etc. (Rogerson, 1997).

Durban has set up an Economic Department and Cape Town has created an Economic and Social Development Directorate. Both cities are seeking to achieve global competitiveness and poverty relief and are focusing on tourism, place promotion, business attraction, support for small and micro-projects, community projects, and support for flagship projects.

Some of the most critical LED endeavours are being pursued in towns subjected to severe economic stress. These include mining towns, such as in the Free State, North West Province and KwaZulu-Natal and also in fishing villages, such as Lamberts Bay and Stilbaai that have been subjected to the loss of their previous economic mainstay. In places such as Kimberley and the rest of the Frances Baard Municipal area, urban farming, tourism promotion and small business support are some of the more prominent strategies that are being pursued. In rural areas, farming ventures and poverty relief interventions, often led by NGOs, tend to be a common trend (Nel, 2001).

Nel (2001) has identified four variants of LED as it is currently applied in South Africa, namely:

- 
- *Local Government-led LED* where the elected local authority becomes the active change agent.
 - *NGO- or Community-led LED*, often in the absence of other logical economic leaders.
 - *Development Corporation or Section 21 Initiatives* – there are several examples of development agencies which have been specifically established, often by local governments, to pursue LED-type activities. Examples include the Northern Cape Economic Development Agency (NCEDA) and Lephalale Development Agency.
 - *'Top-down' LED* – this refers to instances where significant government or external resources are specifically targeted at an area in an endeavour to catalyse LED. Though somewhat contrary to the conventional notion of spontaneous, community-based development, such support has a role to play in catalysing or “quick starting” LED at local level, particularly in disempowered communities lacking leadership capacity and resources.

A recently undertaken national survey of the practice of LED within local municipal areas sheds light on the situation on the ground (Nel and Binns, 2002). The survey revealed that South African local authorities are conscious of the need to embark upon '*developmental local government*', and more specifically to initiate defined LED programmes. Of the 87 local authorities around the country that responded to the survey, 73 (84%) had either initiated LED

programmes or were in the process of doing so. The balance (16%) had yet to do so, largely due to funding and capacity constraints, but was nevertheless aware of the new developmental mandate and, to a limited degree, was implementing some LED-type strategies.

Those local authorities, who said they were implementing LED programmes, identified the primary reason (51%) as a response to prevailing levels of unemployment. Other reasons included business closures (18%) and the need to stimulate the local economy (23%). Less frequently cited reasons included economic decline, poverty and the need to co-ordinate local initiatives.

All 87 local authorities surveyed, are to varying degrees implementing a range of definable LED strategies. The most popular strategies mentioned were public works projects (promoting job creation) and tourism, each with a score of 72% of responding local authorities, and 71% each for infrastructure provision and poverty alleviation. The range of strategies pursued clearly reflects the national government's priority according to poverty alleviation and job creation programmes in terms of both policy and targeted funding support, such as the LED Fund (Refer to Section 2.4.3.1). All local authorities now appear to be involved in some form of development and job creation, representing a marked improvement compared to the past.

At the same time small business support (47% of responses) reflects the priority accorded to this sector by the Department of Trade and Industry. In terms of more market-driven approaches, the current fixation with the perceived potential of tourism (72%) as a major growth area is abundantly clear. Traditional western-style LED approaches, such as industrial recruitment (47%) and incentive provision (39%), did not score as highly as poverty relief interventions. This indicates the different development trajectory being followed by local authorities in South Africa compared with western nations (Clarke and Gaile, 1998). South African local governments show limited compliance with the neo-liberal orthodoxy of the government's current macro-economic GEAR programme, with its advocacy of market facilitation by local authorities (RSA, 1996b). The relatively low score recorded for privatisation (16%) in spite of GEAR policy objectives, is noteworthy and reflects a seemingly limited focus on this issue. It is really only in the larger cities, such as Johannesburg, that serious attempts at privatisation have been embarked upon. Infrastructure provision (71%) is evidently very significant and would seem to be a response to the large infrastructure backlog and the availability of targeted central government funding. Issues such as support for urban agriculture (7%) were rarely mentioned in the survey, despite much government rhetoric suggesting its significance in addressing the country's very real development challenges. The latter may well reflect 'urban bias' on the part of municipalities, as well as the

reality that such activity has tended to have been supported by NGOs in various centres and not local authorities.

When asked to evaluate their ability to implement LED, almost all respondents expressed very negative sentiments, with hardly any positive comments being made. Municipal officials expressed concern over their lack of funds, limited support and guidance from national and provincial government, together with serious personnel constraints (Nel and Binns, 2002).

The key constraint noted was the shortage of funds for LED projects (90%), despite the existence of the LED Fund. This reflects the reality that over 50% of local authorities are experiencing severe financial difficulties in terms of generating adequate revenue (Nel, 2001) and the very limited support provided by central government. It also reflects the narrow view of LED as in essence an explicitly project-based activity to be funded separately from the totality of the activities of local government. This view is contrary to the definition of LED developed in Section 2.2.1. The unfortunate situation has arisen in South Africa and elsewhere that, whilst significant powers have been decentralised to local authorities, the accompanying resources to implement them have just not followed, creating a situation which Stockmayer (1999:3) has referred to as the '*decentralisation of poverty*'. Other significant constraints on the implementation of LED in the municipal sphere include personnel constraints (53%), insufficient training (43%), poor support from government (30%) and legal constraints (23%). The very high scores recorded in response to this question are indicative of the very real operational constraints which local governments are experiencing in their quest to implement developmental local government. These constraints are arguably further impacted by the rigid and literal interpretations of municipal functions imposed by such financial controls as imposed by the Local Government: Municipal Finance Management Act (Act 56 of 2003) (Nel and Binns, 2002).

2.2.5. CRITIQUE OF LED ON A NATIONAL BASIS

Indications of the widespread failure of LED in South Africa are starting to emerge indicating the limitations of current approaches. It has been observed recently that: "*it appears that the results have generally been disappointing*" (Hindson, 2003:4) with capacity and resource constraints being the key hindrances in many local authority areas (Nel, 2001). In a critical commentary, Meyer-Stamer (2003:4) argues that "*LED in South Africa tends to be confused and highly selective. Adding to this the limited capacity and experience local governments tend to have, in terms of promoting economic development, it is unlikely that LED will make much of a difference*". Accordingly, Meyer-Stamer contends that LED should focus on markets and that competitive business and community

development interventions should be used to deal with social problems. This viewpoint echoes the critique offered by Hindson that by focusing on poverty, albeit valid and justifiable, questions of economic growth are left either largely unanswered or sidelined.

In contrast to the pro-poor stance adopted by the Department of Provincial and Local Government, is the view espoused by the Department of Trade and Industry which links LED more firmly to mainstream economic development and to small business promotion in particular (Rogerson, 2002). Nevertheless, the disappointments associated with a decade of policy initiatives to support the Small, Medium and Micro-enterprise (SMME) economy is reluctantly being acknowledged by national government (Nel, 2002). Tomlinson (2003) has examined the reality of policy conflicts in the country and argues that, in contrast with international experience, South Africa's focus on small businesses and poverty relief only parallels international experience in terms of community-based LED rather than more mainstream varieties. Within this same context he also finds that LED is being marginalised by the lack of available resources, the dominance of large scale state interventions such as in new programmes for Industrial Development Zones, the narrow conceptualization of what LED is, and the rather unfortunate reality that "*LED is increasingly being used by central government, to shift to local government some of the responsibility for dealing with unemployment and poverty*" (Tomlinson, 2003:113).

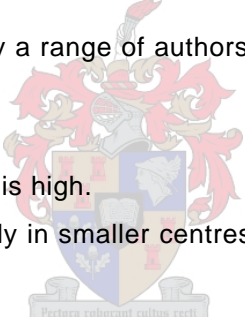
Despite these contextual factors, LED is nonetheless still taking place on the ground in South Africa with varying degrees of success. It is perhaps appropriate to argue that South African LED officials and policy makers need to take stock of the deep-rooted structural constraints which are inhibiting their actions, to learn from successes where they have occurred, and to re-conceptualise their roles, targets and strategies to ensure that appropriate and meaningful development is achieved.

What is needed is probably not the refinement of the current system of understanding and applying LED but, perhaps, a complete re-think of what it means, its goals and how to achieve them. Within this context, some of the most critical issues include re-defining what LED is and what strategies should be pursued, taking LED out of the narrow confines of the local government mandate into the arena of true partnerships and ensuring that there is more than the tokenistic support for the strategy which currently exists. A key concern which Hindson (2003) and Rogerson (2003) both identify is the current marginalisation of non-local government actors in the South African variant of LED and, by implication, the failure to adhere to the internationally recognised belief that partnership formation and collaboration is one of the most critical ingredients in LED. This however appears to be a

logical consequence of DPLG's own preoccupations with local government as the engine and conduit for LED at the expense of other more inclusive approaches that exemplify an inclusive definition of LED as developed above in Section 2.2.1.

In an unpublished document of Nel and Rogerson (2004), DPLG conceded that there is currently a range of policy initiatives, such as pro-poor LED, the Urban Renewal Strategy, SMME development, and economic empowerment, "...that impact more or less directly on local economic development and [that] have yet to be assimilated into a coherent LED framework that addresses the aims of economic growth, employment creation, equity and poverty alleviation". In addition, this self-critical evaluation acknowledges that the "current state of the policy environment calls for increased conceptual coherence" which requires potentially "differentiated policy approaches to address LED aims under the conditions pertaining in the economy". More specifically, DPLG suggests that a key "challenge is to bring about increased policy convergence aimed at re-connecting the globally connected and locally marginalised sectors of the (South African) economy".

Some of the key issues identified by a range of authors (Nel *et al.*, 2002; Tomlinson, 2003) are:

- 
- The failure rate of initiatives is high.
 - In many ventures, particularly in smaller centres, there is only limited private sector involvement.
 - What is being achieved is the provision of facilities of a global standard in certain localities versus constrained achievements in the poorer areas.
 - The 'politicisation' of development is an issue, where individual interests override the greater common good.
 - Projects appear to move through a 'life-cycle' which often sees the demise of once-promising endeavours.
 - There is a clear problem of grant dependence and the limited sustainability of many projects.
 - The economic aspects of projects, especially the marketing of products, are often neglected in planning and often threaten project sustainability.
 - A question needs to be raised as to whether local authorities should be driving economic development and job creation, or whether local governments should rather be facilitating it.
 - Many regard LED as 'unfunded mandate' i.e. local governments are required to pursue it, but lack the necessary funds and staff.

- There is a clear need for more training, facilitation and funds.
- In Rogerson's view, '*...the most distinguishing feature of South African Local Economic Development policy is the new emphasis on a strong pro-poor focus in rhetoric, albeit if not always in practice*' (Rogerson, 2000:408).
- There is currently inadequate facilitation and support.
- There is a possible ideological conflict between GEAR and socially responsible programmes.
- Community-focused programmes are often difficult to sustain, because of high staff turnover, limited resources and capacity.

These considerations reflect the very real challenges which applied LED has faced in South Africa in recent years. These issues must be addressed in the undertaking of future LED initiatives.

Finally, the DPLG's own critical assessment of the performance of LED in South Africa (Nel and Rogerson, 2004) draws attention to a series of important institutional issues that require attention, *inter alia*:

- The problem that the decentralisation of powers from national government to the local tier has placed "*huge additional LED responsibilities on a sphere of government which often has very limited capacity to implement them effectively*". The extent of these "additional LED responsibilities" is a moot point however to the extent that the main burden of the LED approach on local government in accordance with the Constitution is that it perform its constitutional functions in such a manner as to promote local economic development. It can therefore be argued that if local government has acquired additional responsibilities they are not LED responsibilities *per se* but rather general developmental governmental responsibilities.
- The frequent lack of coordination between different government actors and private sector, donor and NGO LED initiatives leading to often fragmented and uncoordinated initiatives at local level.
- The imperative to link LED taking place within municipalities to other regional and national initiatives, including sectoral programmes.
- The lack of clear understanding and/or agreement at local level of what LED actually means.

The above discussion indicates the need for caution when applying LED approaches and indicates that in efforts to refine LED policy and practice in the Frances Baard Municipal area (see Chapter Five), cognisance should be taken of the bigger, national picture: firstly to identify difficulties (potential and actual) and secondly, to help chart the way forward in terms of putting mechanisms and guidelines in place which can ensure the success of LED on the ground.

In the remainder of this section, the evolving LED policy in South Africa is reviewed.

2.2.6. POLICY CONTEXT

As noted above, the 1994 Reconstruction and Development Programme (RDP) made implicit references to the notion of LED through overt support for community-based development and locality based initiatives (African National Congress, 1994).

In 1996, the Constitution (RSA, 1996) mandated local governments to pursue '*economic and social development*'. This concept was taken significantly further in 1998 when the Local Government White Paper was released (RSA, 1998). This document introduced the notion of '*developmental local government*' defined as '*...local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives*' (RSA, 1996a:17).

In addition, local government should take a leadership role, involving and empowering citizens and stakeholder groups in the development process, to build social capital and to generate a sense of common purpose in finding local solutions for sustainability. Local municipalities thus have a crucial role to play as policy-makers and as institutions of local democracy, and are urged to become more strategic, visionary and ultimately influential in the way they operate. Local Government, private sector and the community must enter into a partnership and work collectively together in order to stimulate economic activity in an economic area (Refer to Section 2.2.1).

In this context, the key thrust of such development strategies in post-apartheid South Africa, according to Minister Mufamadi is that, "*...The very essence of developmental local government is being able to confront the dual nature of our cities and towns, and to deal with the consequences of the location of the poor in dormitory townships furthest away from economic opportunities and urban infrastructure. The solutions to these problems are complex and protracted.*" (Mufamadi, 2001:3). As Rogerson comments, "*...In terms of the*

mandate of developmental local government, the establishment of pro-poor local development strategies is therefore critical and central for sustainable urban development as a whole, particularly in dealing with the apartheid legacy of widespread poverty” (Rogerson, 2000:405).

In essence LED is not just about the poor but rather about a systemic approach that manages community governance in such a way to achieve shared community goals and objectives, including goals and objectives reflecting imperatives for addressing the plight of the poor in communities (Refer to Section 2.2.3).

The statutory principles for operationalising these concepts of development are contained in the Municipal Systems Act (RSA, 2000a). The Act devotes a great deal of attention to the notion of Integrated Development Plans (IDPs). In essence, according to the Department of Provincial and Local Government, the IDP is, “...conceived as a tool to assist municipalities in achieving their developmental mandates” (DPLG, 2000:21), and as a planning and implementation instrument to bring together the various functions and development objectives of municipalities. Ackron (2006) stated that the relationship between the IDP and “LED” in the legislation however remains somewhat of an anomaly. Whilst the IDP is presented as a “community plan” it in fact has the hallmarks rather of a government plan formulated with community inputs. As such it must have an LED component that manifests in either or both of two ways:

- In terms of explicit economic development programmes and projects aimed at achieving the objects of LED.
- In terms of LED considerations underpinning the planning and implementation of all its Constitutional functions in terms of inclusivity, sustainability and the efficient employment of all available resources in the pursuit of community economic objectives.

To this extent, and though not explicitly so stated in policy, the inference can be made that LED should be viewed at the same level as IDP, “as a tool to assist municipalities in achieving their developmental mandates”. Since both the IDP and the LED strategy of local government lie at the core of determining local government’s programmes affecting all its Constitutional functions, it follows that organisationally both should be located close to the centre of municipal executive decision making. In other words, the decision node for LED must be allocated higher up in the hierarchy close to the Chief Executive with sufficient organisational authority to impact the totality of the municipality’s activities. The close

interrelationship between the IDP and LED at the municipal government level suggests that the two need organisationally to be co-located. To the extent that the inclusive definition of the LED approach adduced in Section 2.2 above sees LED as less “a thing municipality does” but rather as a “way the municipality does things” it may be inferred that organisationally LED activities cannot be confined to a single line department in municipal government. Rather what is required is a locus of control, oversight and influence over the LED activities of municipal government in its entirety.

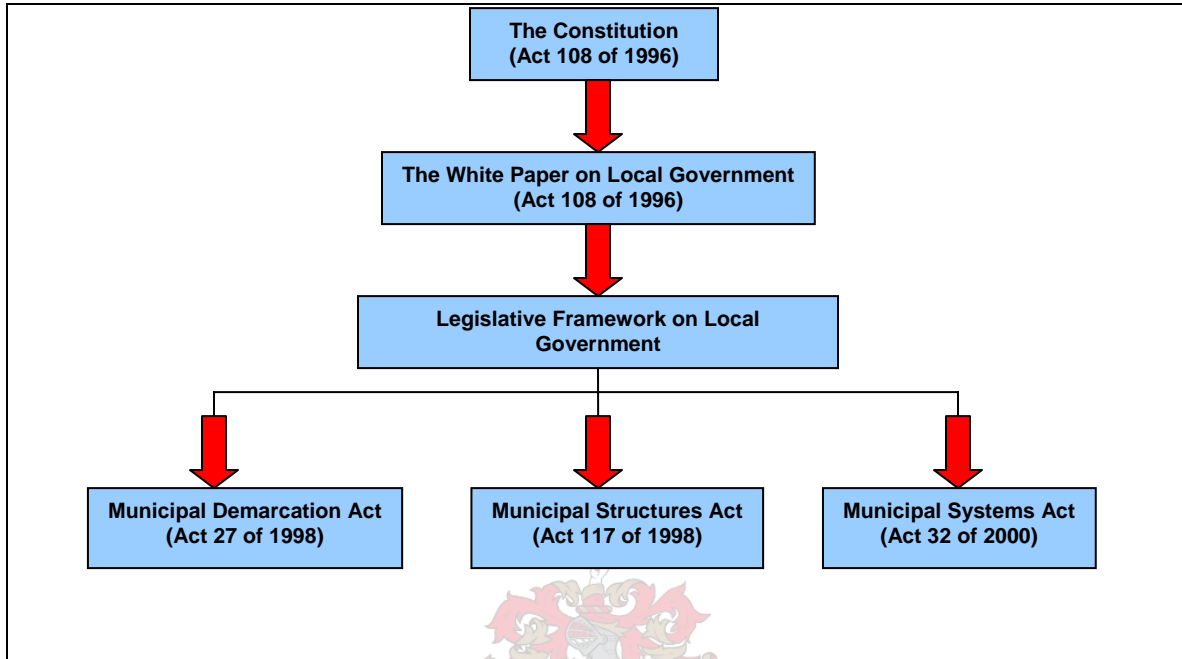
In 2002, a LED Policy Document, entitled *‘Refocusing Development on the Poor’* was compiled (DPLG, 2002). This document clearly argues that government policy must focus on *‘pro-poor’* LED, which explicitly targets low-income communities and the marginalised. Another emerging policy of note, the 2004 LED Policy, is the government’s *‘Urban Renewal Strategy’*, which has a clear focus on issues of urban regeneration and targeted support for township areas. The 2005 LED Policy entitled *“Robust and Inclusive Municipal Economies”* aims to influence the way government practitioners in all three spheres understand, approach and implement Local Economic Development in South Africa. The 2002, 2004 and 2005 LED Policies will be analysed in more detail in Chapter Three.

In order to support LED, the government introduced a LED Fund in 1999 which, though only providing support for poverty relief schemes, *“...is clearly having some impact across the country”* (DPLG, 2002).

A key drawback with South African policy thus far, is that despite its sophisticated focus and nature, it tends to implicitly suggest that LED is a local government prerogative, providing little recognition or incentive to support the often critical role played by the private sector, NGOs and CBOs in the development process. This is a critical deficiency given that municipal government has relatively limited economic developmental competencies and cannot itself and in isolation in terms of its Constitutional functions address the full spectrum of activities necessary to achieve accelerated local economic development. In terms of the inclusive definition of LED adduced in Section 2.2.1, LED should be facilitated by local government together with the private sector and community partners in order to make it more balanced and realistic. However, the national policy has not been prescriptive on the question of the institutions needed to pursue LED and particularly it has not provided guidelines on the relative roles and responsibilities of the various role players within and outside of government.

The current legislative framework affecting local government (with reference to LED) as indicated by the Department of Provincial and Local Government (DPLG) is indicated in **Figure 2.1**.

Figure 2.1 LEGISLATIVE FRAMEWORK



(Source: DPLG, 2004:27)

The diagram itself is indicative of the emphasis placed by DPLG on municipal government as the vehicle for LED. Not reflected on the diagram, but of key importance in the context of economic development at local level, are such pieces of legislation as the Labour Relations Act (Act 66 of 1995) and the National Small Business Act (No 102 of 1996) to name but two whose omission can only be justified on the basis that they are not municipal legislation *per se* or do not have a bearing upon the LED role of municipalities. Yet their importance in LED and that of the agencies outside of local government that administer them is fundamental. The preoccupation with local government in the current policy discourse in government on LED serves to contribute to the preoccupation with local government as the conduit of LED and with LED as in essence a preoccupation of local government in South Africa.

2.2.6.1. The Constitution

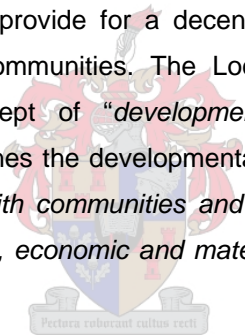
The ***Constitution of the Republic of South Africa (Act No 108 of 1996)*** establishes local government as a separate sphere of government responsible for service delivery and imposes a specific set of responsibilities on national and provincial spheres of government to support and strengthen the capacity of municipalities. Section 152 and 153 of the Constitution (Act 108 of 1996) defines one of the objectives of local government (both District and Local Municipalities) as

follows: “to structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote social and economic development of the community”. Several ‘basic need rights’ of the community are stipulated by the Constitution, which have to be addressed or ensured by government.

One interpretation, that is consistent with the above, is that local government’s obligation in respect of LED extends to the performance of all its Constitutional obligations in a manner that is consistent with social and economic development of the community. Thus, as mentioned earlier (Section 2.2.1), LED is not a “thing” that local government does but a “way in which local government does things”.

2.2.6.2. The White Paper on Local Government

The **White Paper on Local Government** established the basis for a new developmental local government system that is committed to working with citizens, groups and communities to create sustainable human settlements that provide for a decent quality of life and meet the social, economic and material needs of communities. The Local Government White Paper (RSA, 1998:23), which defines the concept of “developmental local government” refines the constitutional principles and also defines the developmental local government concept as, “local government committed to working with communities and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”.



The White Paper on Local Government of 1998 redefined the objectives of local government to focus on development, including its social and economic dimensions. The White Paper was consolidated and systematised within the Municipal Structures and Municipal Systems Acts that laid the foundation for the local government system implementation in 2000.

2.2.6.3. The Municipal Systems Act & the Municipal Structures Act

The **Local Government: Municipal Structures Act (117 of 1998)** clarifies the status of municipalities and provides the framework for the establishment of municipalities in accordance with the requirements and criteria relating to categories and types of municipalities. The Act further determines the appropriate division of powers and functions between categories of municipalities and regulates governance structures and electoral systems for newly demarcated municipalities.

The **Local Government: Municipal Systems Act (32 of 2000)** sets out the internal systems of municipalities that enable municipalities to operate in such a way that they move progressively towards the social and economic upliftment of local communities and ensure universal access to essential services that are affordable to all. In Section 26 of Act (32 of 2000) it is stipulated that each local municipality must formulate an Integrated Development Plan (IDP). *“LED is one of the dimensions within the IDP and therefore local municipalities are legally obliged to plan and pursue LED activities”* (DPLG, 2002:15).

The abovementioned pieces of legislation were developed with the aim of further clarifying the role, structure and form of local government and to facilitate and accelerate the establishment of local government that is customer centered, accountable, developmental, financially sustainable, performance oriented and committed to improving the quality of lives of the people it serves.

2.3 DEVELOPMENTAL LOCAL GOVERNMENT

As discussed in Section 2.2.6.1, the South African Constitution requires local government to be *“developmental”*. According to the DBSA (2000:15) different individuals and groups, in support of different objectives, have used the phrase *“developmental local government”* in different ways. The DBSA (2000:17), Bond (2000:17) and Nel and Binns (2001:35) define developmental local government as follows:

“It is a vision of local government in South Africa. It points to a system of democratic local government in which the needs of all, but especially those of poor and vulnerable communities, are met by efficient and effective municipalities.”

The White Paper on Local Government (1998:23) defined developmental local government as follows:

“Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their lives”.

According to Parnell and Pieterse (1998:1) developmental local government is an official policy objective and broad strategic framework and represents the first sign of the second wave of post-apartheid reconstruction. The first wave was characterised by various attempts that represented a vague understanding of how to institutionalise development policy. The new vision is a more pragmatic approach, relating to synergies between sectors, issues and institutional processes

across ministries, with the intention of maximising impact on local communities. Within this revised tactic for building equitable communities the developmental role of local government is central. Developmental local government is discussed in the subsequent section.

2.3.1. DEVELOPMENTAL LOCAL GOVERNMENT: THE GLOBAL CONTEXT

The challenges confronting municipalities must be viewed in the broader context. State reform, including local government reformation, has been a response to changing forces within national political economies and within the global political economy (DBSA, 2000:25). Globalisation has created new opportunities for public management and governance, but has also imposed new constraints on the role of the state. Local government, the element of representative government closest to the people and responsible for delivering primary public service, has been at the forefront of restructuring localities and local economies (DBSA, 2000:26).

Municipalities around the world are confronting new developmental challenges, with amended roles, new operating environments and new sets of role-players. Significant new roles are being added to their already extensive functions and local government officials are expected to perform more efficiently and creatively in this new environment. (DBSA, 2000:26).

2.3.2. INTERGOVERNMENTAL RELATIONS

The Constitution makes provision for developmental local government operating within a new system of intergovernmental relations. In terms of the Constitution, the three “spheres” of government are “distinctive, interdependent and interrelated”, with the national level retaining the oversight role. The spheres are meant to function in a mutually supportive fashion and the national and provincial spheres are obligated to support local government.

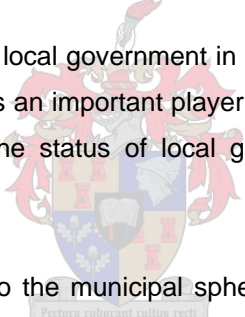
A distinction has to be made between “sphere” and “tier” in relation to the discussion of local government as the difference has important ramifications for developmental local government. Whereas, in the previous dispensation in South Africa, local government was located on the third “tier” implying an hierarchical relationship and subordination both to the national and provincial “tiers” above it, the new dispensation in South Africa has established local government as a “sphere” of representative government in its own right. Rather than being administered as a subordinate *tier* of national government, local government has a degree of autonomy from both provincial and national government. However, the national level has overall responsibility for ensuring that national policy priorities are addressed.

National government is undertaking efforts to create a strong and quasi-independent local sphere but the efforts must be underlined by commitment by the other spheres to ensure its success. The response to the development of the local sphere has been a mix. During the transitional period, when legitimate local government had yet to become fully functional, national and provincial departments developed delivery mechanisms that tended to bypass the municipal structures. This institutionalised national programmes that require limited involvement by municipalities. It is argued that the successful decentralisation of activities to municipalities requires the creation of financially and socio-politically sustainable municipalities (DBSA, 2000: 5).

The drive towards developmental local government has a number of specific implications for local government and the local governance system in South Africa which will be discussed in the following section.

2.3.3. IMPLICATIONS OF DEVELOPMENTAL LOCAL GOVERNMENT

The shift in the focus and mandate of local government in South Africa and throughout the world which establishes local government as an important player in local development activities implies at least four structural changes to the status of local government. According to the DBSA (2000:35) these are:

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- Functions are decentralised to the municipal sphere to ensure that local councils have the necessary power and responsibility to support development.
 - The demarcation of new municipal boundaries must overcome the structural weaknesses of the transitional phase.
 - Municipalities should have appropriate administrative capacity to reach their developmental goals. This can be achieved through restructuring the existing staff to ensure that municipal posts (particular managerial posts) are filled with appropriately trained and experienced staff. Higher spheres of government should recognise that, as powers and functions are devolved to the municipal sphere, the specialised staff that previously performed those duties on behalf of the national or provincial sphere should be transferred, together with the necessary funding, to strengthen the administrative capacity of the municipal sphere.
 - Developmental municipalities need to be fully funded. Their efforts to obtain income from their local communities should be supplemented with sufficient income from national and provincial spheres through the equitable share (equitable share is an unconditional allocation to provinces and municipalities of nationally collected revenues). It is consistent

with the notion of autonomous administrations with the constitutional responsibility to govern in certain areas and through grant mechanisms.

For the preceding structural changes to occur at the hand of effective service delivery, the local municipalities must become the country's primary developmental agents which are supported and strengthened by provincial and national departments (DBSA, 2000:49). However, several of government's initiatives aimed at supporting and strengthening local government, have been ambiguous in terms of promoting the devolution of functions. An intergovernmental system that will enable the municipalities to fulfil their developmental role and attain developmental status will include the following elements:

- Municipalities demarcated as "*developmental units*", large enough to have sufficient resources and small enough to be accessible by citizens and responsive to their demand
- The devolution of appropriate powers and functions to the municipal sphere to enable coherent LED interventions aligned and co-ordinated close to the point of implementation.
- Adequate revenue at local level to perform all allocated powers and functions, including those devolved from national and provincial spheres; this require the restructuring of the equitable share system and other financial mechanisms such as grants and government transfers.
- Appropriately trained (and funded) frontline development staff relocated from national or provincial spheres of government.
- Multi-sectoral training for councillors and municipal staff.
- Mentoring and ongoing support for municipalities from national and provincial departments (through departmental helpdesks and advisory teams).

2.4. CURRENT DELIVERY OF LED

This section reviews the current status of LED delivery in South Africa. The Integrated Development Plan (IDP) (Refer to Section 2.2.6) is viewed as the prescribed instrument available to local government to deliver LED, thus specific emphasis is placed on the linkage between the IDP and LED. The section presents an overview of the LED-planning component as contained in the IDP, together with an evaluation of the LED Fund and other current developments.

2.4.1 LED & THE IDP

The Integrated Development Plan (IDP) is the key instrument in the local government system and is a legal requirement for all municipalities in South Africa (Msegana-Ndlela, 2002:2). Municipalities have to prepare 5-year strategic plans (IDP's) linked to the term of office of an elected council and have to be formulated in consultation with communities and key stakeholders. The IDP is a process through which a municipality can establish a development plan for the short, medium and long term.

The IDP essentially recognises the complex inter-relationship between various aspects of development: political, social, economic, environmental, ethical, infrastructural and spatial. Given the inter-relationships, it is impossible to address only one dimension and expect to make a developmental impact. The IDP recognises that any sustainable and successful strategy must address all of the elements in a coordinated way, based on an analysis of the underlying structural factors that sustain economic growth, poverty and inequality (DPLG, 2003:15).

Planning for LED should be part of developing an IDP. When municipal councils adopt an IDP, they formulate a vision, development objectives and strategies aimed at realising their objectives. The IDP provides an action plan that is linked to a specific 5-year timeframe which is reviewed annually. Municipal development objectives may include elements such as addressing unemployment in the local area, widening the local tax base, alleviating poverty, enhancing economic growth or redistributing wealth and opportunities. To realise these development objectives, municipalities will need to formulate strategies consisting of LED programs and projects. In addition, in accordance with the obligation imposed upon it by the Constitution and as discussed in Section 2.2.6 above considerations of promoting the economic development of the local community must inform and influence the decision making of the municipality in respect of the conduct of all its constitutional functions.

In the final analysis the IDP is a local government plan informed by inputs by other stakeholders. It serves in the final analysis to guide the activities of local government. Indeed it is not statutorily binding on any other stakeholders outside of government. Yet, LED requires the engagement and commitment of non-local government role-players many of whom control the levers of the local economy that lie beyond the powers of local government. Whilst the IDP as the overall local government plan reflects explicit and implicit actions and priorities of local government in support of LED it can at best only represent part of the picture. Its capacity to serve as the vehicle for inclusive LED within the community must be regarded as limited. According to Ackron (2006), a far more self-consistent view of the planning hierarchy would be provided by an interpretation that

recognises LED strategy in essence as a community instrument for economic development reflecting a consensus of all stakeholders, with the IDP constituting local government's planned response to it.

According to DPLG (2003), "...the IDP essentially recognises the complex inter-relationship between various aspects of development..." The reality is however that in practice IDP's and the processes leading up to them are deeply flawed. In many, if not most cases, IDP's are uninformed by comprehensive consensus LED strategies at local community level. To this extent they frequently represent wish lists of totally disjoint and often inconsistent actions where no effort has been made to link them to a strategy or indeed to anything but simple financial affordability in terms of the availability of budget funding.

The subsequent sections provide an indication of municipal capacity to formulate and implement IDP's and further provides an indication of the quality of the LED dimension of the IDP's.

2.4.2. MUNICIPAL CAPACITY TO FORMULATE AND IMPLEMENT IDP

The Department of Provincial and Local Government (DPLG), in moving towards a differentiated, targeted and direct intergovernmental planning support approach, has undertaken a study of the specific needs of different municipalities and provinces. The study covered all provinces and all municipalities and the results are presented in the Development Planning Indaba Report (DPLG, 2004:9). The report indicates that:

- 28% of municipalities in the country currently require additional capacity (financial, human resources and human capital) to be established and strengthened before they are able to undertake, manage and drive their IDP-processes. These municipalities are dependent on consultants and do not own the process due to lacking capacity and they do not have the capability to engage in intergovernmental discussion and activity that would enhance their planning and delivery.
- 35% of municipalities have the basic capacity but require support in formulating and implementing their IDP. These municipalities utilize and manage consultants as resources but typically have IDP's that do not inform implementation. The development strategies outlined in the IDP are sub-standard and do not meet the minimum requirements as determined by the DPLG.
- 28% of municipalities are able to complete an acceptable IDP, but require support with implementation. These municipalities have IDP's that support a practical programme of implementation but these municipalities are not in a position to deliver more than thirty-

percent of their planned programmes because of a lack of capacity to manage the implementation.

- 9% of municipalities have the necessary capacity (financial and human resources) to formulate and implement a good basic IDP. These municipalities drive and manage the process and display high levels of ownership of the process. Their IDP's are mainstreamed into the working of the municipality and decisions are based on the IDP. Consultants are used for parts of the planning and limited implementation takes place.

It is evident that most (91%) local municipalities do not have the requisite capacity to formulate an IDP and to implement it. The Resource Handbook for Municipal Councilors & Officials (DPLG, 2003:74) states that it is important to note that the IDP process is the single, inclusive planning process within which other processes must be integrated while informing the activities of the other government spheres. To the extent that valid municipal LED initiatives to support community LED initiatives and promote accelerated economic development in local communities need to be coordinated within local IDP's, the failure of IDP processes and the capacity and other limitations associated with by implication necessarily also reflect upon the scope and quality of municipal LED (DPLG, 2003:74).



2.4.3. THE LED FUND

The DPLG commissioned an evaluation into the Local Economic Development Fund (LEDF) in mid-2002. A brief overview of the LEDF is provided below:

2.4.3.1. Overview of the LED Fund

The LEDF is regarded as a key instrument within the DPLG and was launched in 1999 with a total budget of R42 million (Refer to Section 2.2.4). The LEDF provides financial support, up to a maximum of R1.5 million over 3 years, to municipalities engaging in projects that will lead to job creation, poverty alleviation and redistribution.

All spheres of government are integrally involved in the implementation of the Fund. While local government is responsible for the management and delivery of projects, the provinces and national government will assist in project monitoring and evaluation. The vision of the LEDF is to support partnerships that generate sufficient innovation and energy to build a strong and sustainable national economy, based on thriving and diversified local economies. According to the DPLG (2003:5) the specific objective of the LEDF is to support local municipalities in:

- Facilitating job creation and job retention within localities.
- The creation of sustainable local economies.
- Ensuring that local economic growth and activity benefits the poor and disadvantaged.
- Rural development, particularly in areas affected by backward migration from urban areas.
- Targeting sectors or geographic spaces addressing urban renewal.
- Ensuring women participation at all levels.

The fund provides funding to successful municipalities for the provision of infrastructure and building up of capacity of communities to operate businesses in the sectors identified. Where applications are unsuccessful, LED initiatives frequently do not take place due to lack of alternative sources of funding.

2.4.3.2. Evaluation of the LED Fund

According to the DPLG (2003:14) the LEDF has failed both conceptually and practically. The *practical failings* of the fund relate to the limited ability of the program to promote competitive enterprises, job creation and financial independence among its beneficiaries. Financial dependence is a feature of most projects, which is in part caused by a lack of consistency (i.e. funds are not always awarded on economic project-based outcomes) as to how the grant funding is used. In some municipalities, the funding has been used to provide infrastructure while in other cases, it has been used to purchase materials, equipment and inventory and in yet others both infrastructure and operating capital have been funded.

The *conceptual failings* of LEDF can be attributed to the fact that the existence of LEDF has resulted in the concept of LED becoming synonymous with a grant driven program and with a project-based approach. Accordingly, LED planning has become focused on accessing funds for projects as opposed to the formulation of strategies for improved local economic governance or economic regeneration. Conceptually, the fund has also entrenched the notion of LED as a local government activity, exacerbating the marginalisation of the private sector and civil society.

The general experiences of the LEDF show that whilst the supply of grant funding to aspirant entrepreneurs is relatively straightforward, the ability of these entrepreneurs to become financially independent, create sustainable jobs and to survive the vagaries of market cycles is far more difficult. Other findings of the evaluation, according to DPLG (2003:13-18), are presented below:

- There is confusion as to who the beneficiaries of LEDF funding are.

- A number of projects have realised the whims of local politicians or officials and are anomalous within the context of local opportunities and needs.
- The majority of projects remain financially dependent on grant funding.
- The program has not resulted in systematic capacity building or training programs either among beneficiaries or among officials.
- Cost effectiveness has not informed the working of the fund.
- Very few business plans give any indication of internal rates of return, expected profits, net present value, jobs created per investment and potential risks.
- Very few projects included strategies outlining how the project would become independent of local government support.
- There are very few examples of LEDF projects being implemented collaboratively by different departments.
- No account is taken of the indirect costs associated with personnel time, subsidized access to water and electricity and environmental damage that LEDF projects place on municipalities.
- Local government capacity shortcomings have been exposed by the tendency for municipalities to take up key roles in the formulation and management of LEDF projects.
- Failures to align projects to local resources and local opportunities and to ensure collaboration between programs reflect the limitations in coordination and integration capacity. Arguably, some blame for the lack of integration can be attributed to the problems that have accompanied the formulation of IDP's.
- Very few municipalities have established the requisite development units to administer LED responsibilities.
- Whilst all LEDF projects are required to be part of an IDP, in some instances inclusion in the IDP appears to have become the definitive motivation for funding a project.
- The lack of objective and stringent project selection criteria has contributed to an environment in which political patronage by councilors has influenced the allocation of LEDF funds in some cases.
- The involvement of the private sector in LEDF tends to be on a contractual basis.
- Beneficiary communities appear to have been cast as the passive recipients, as opposed to the agents of projects.
- The locus of control in most LEDF projects lies outside of the beneficiary community - a total contradiction to the widely acknowledged best practice principle that beneficiaries should be integral to the development process.
- The LEDF is intended to be implemented locally and form one of the key instruments by which Local Municipalities become "developmental". Paradoxically, skills, capacity and

the prestige attached to the programs are located within Provincial and National government.

- The level of functional integration between provincial and local government is poor.
- The higher spheres of government have become hurdles to be cleared or circumvented.
- There is a major incompatibility between tasks required of provincial government and the authority, budget and status accorded to them within the program. The ambiguous identity of provincial government, in the implementation of LEDF, has contributed to inadequate provincial support for the program at a local government level.

The evaluation revealed confusion as to which sphere of local government should identify projects, submit funding applications, receive and administer funding, manage implementation and take the responsibility for monitoring and reporting. Most critically, provincial and national governments have not contributed to the development of LED as a leading edge principle within municipalities. The LEDF evaluation report provides a detailed evaluation of the status quo but does not continue to propose solutions and recommendations.

“The process by which LED has become synonymous with LEDF projects can be attributed to the lack of clear LED principles emanating from national and provincial government. The confusion surrounding what LED does – and does not – involve has impeded the uptake of LED as the organising principle for economic development programs at the local level” (DPLG, 2003:21). The national imperative to spend budget, and the annual budget cycle exert a strong influence on LEDF projects. In many instances this pressure has translated into expedient implementation with neglect for community participation, sustainability and the undertaking of feasibility assessments.

2.4.3.3. Recent Developments

The Municipal Infrastructure Grant (MIG) implemented on 1 April 2004 signalled an attempt on the part of DPLG to realign its funding of LED activities. According to DPLG (2004:3) the MIG rationalises nationally managed capital expenditure programs directed at building municipal-service infrastructure and consolidates various other programs, such as the Consolidated Municipal Infrastructure Programme (CMIP), the LEDF and the Extended Community Based Public Works Programme (ECBPWP).

A Special Municipal Infrastructure Grant Innovation Fund (SMIF) has been established to encourage and support innovative projects in municipalities. The SMIF has been established to:

- Actively support innovation in local government.
- Enable municipalities to implement projects that are linked to, but not currently part of, their Integrated Development Plans.
- Identify cutting edge projects that carry acceptable levels of risk and which will result in sustainable benefits in the municipal area.
- Encourage municipalities to work more effectively with a wide range of stakeholders, including the private sector (corporate and SMMEs), community based organisations, organised labour and other spheres of government.
- Facilitate lesson-learning and knowledge sharing across projects, to enable successful innovations to be replicated and policy and procedures to be informed by outcomes on the ground.
- Promote a culture of pride and confidence in the ability of South Africans, and the public sector in particular, to innovate and create a better life for all South Africans (DPLG, 2004:3).

Whilst the above adjustments represent an attempt to rationalise LED funding, the programme still represents a grant-based approach. Such programmes generally do not effectively promote self-reliance in that there generally is no *quid pro quo* required of the beneficiary in terms of performance against predetermined self-reliance or other performance targets. To this extent such programmes are inherently welfarist. Against this loans-based programmes providing for interest incentives or forgiveness of debt against satisfactory performance arguably provide a superior vehicle for encouraging and rewarding increased self-reliance on the part of beneficiaries (DPLG, 2004:3).

2.5. LOCAL GOVERNMENT: RESPONSIBILITIES AND CONFUSIONS

2.5.1. INTRODUCTION

This section attempts to identify where further clarity is required regarding the allocation as between the spheres of government of functions and responsibilities relevant to LED.

The Constitution of South Africa defines the functions of local government and its relationship to other spheres of government i.e. provincial and national. It caters for a dynamic relationship and entrenches the “*Principle of Subsidiary*” which reflects the principle of devolving powers to the lowest possible level capable of satisfactorily exercising those powers effectively. This clearly does not in all instances refer to local government.

“In addition to the three spheres of government recognised in the Constitution, there is provision for the existence of three categories of local government, namely metropolitan municipalities (Category A); district municipalities (Category B) which share responsibilities with several local municipalities within their jurisdiction; and local municipalities (Category C). The two-tier system comprising local and district municipalities were promulgated to take advantage of economies of scale, in order to avoid duplication and to improve coordination between local municipalities” (<http://www.idasa.org.za>, 2005).

2.5.2. DEVELOPMENTAL ROLES OF LOCAL GOVERNMENT

The Constitution promotes the improvement of living environments and livelihoods for all constituents by means of a developmental approach to local governance. The developmental role of local government can be understood through the consideration of four basic drivers i.e. planning for development, governance and administration, regulation, and service delivery.

2.5.2.1. Planning for Development

a) Developmental Local Government (Refer to Section 2.3.1)

Development facilitation relates to the creation of conditions for development to flourish and includes planning, land administration, local economy and environmental management. The objectives (these should be functions of the constitution) set out in the constitution for local governments are as follows:

- Provide democratic and accountable government.
- Ensure the provision of sustainable services to local communities.
- Promote social and economic development.
- Provide a safe and healthy environment.
- Encourage involvement of community organizations in local governance.

The characteristics of developmental local government identified in the White Paper on Local Government (RSA, 1998) are:

- Maximising social development and economic growth.
- Integrating and coordinating.
- Democratizing development.
- Leading and learning.

The White Paper lists three key outcomes:

- Provision of basic household infrastructure and services.
- Creation of liveable, integrated cities, towns and rural areas.
- Promoting local economic development (<http://www.idasa.org.za>, 2005).

b) Integrated Development Planning

The Integrated Development Plans (IDPs) are central to the planning process, around which the full range of municipal functions are coordinated and integrated with provincial and private sector initiatives (Refer to Section 2.2.6).

c) Land Development

Constitutionally, land administration and reform is not a local government function, but municipal planning does include spatial planning and land use. It seems that all three spheres of government and traditional authorities have specific roles and responsibilities with regard to land administration. The White Paper on Spatial Planning and Land Use Management (July 2001) determines that national legislation and the Minister of Land Affairs will prescribe planning requirements for local government to comply with. It further states that responsibility is best exercised on a local scale with the ultimate goal being a legislative framework which allows local government to formulate policies and plans for land use and development that will resolve spatial, economic, social and environmental issues.

The Municipal Systems Act (32 of 2000) requires that the IDP incorporates a spatial development framework and guidelines for a land management system. This will provide the means for making decisions regarding land development, development applications, land-use and land-use change by the municipality for land in its jurisdiction.

d) Economic Development

The mandate to promote Local Economic Development (LED) is covered in Section 153 of the Constitution where it states that:

“A municipality must structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.”

The White Paper (108 of 1996) obligates local government to pursue this development through its core functions and the IDP. Its role is to provide an enabling environment, rather than being responsible for economic growth and job creation. While it is theoretically possible for municipalities to play a major role in economic development, there are serious capacity and funding constraints.

As mentioned in Section 2.2.1, LED thus comprises the establishment of processes of local economic governance to provide for greater leverage in pursuing local community goals. It is about a systemic approach that manages community governance in such a way as to achieve shared community goals and objectives.

e) Environmental Development

Although Schedule 4A of the Constitution lists environmental management as a national and provincial function, a number of functions in Part 4B and 5B may be considered environmental in nature. These include municipal planning, regulation of air and noise pollution and various services such as storm water management, water and sanitation, refuse and solid waste disposal, beaches, parks and other recreational facilities. Despite most municipalities having limited environmental management capacity (only a few have dedicated staff or budgets), the National Environmental Management Act (No 107 of 1998) requires that they incorporate measures prescribed in the provincial integrated environmental plans and produce an integrated waste management plan (<http://www.idasa.org.za>, 2005).

2.5.2.2. Governance and Administration

Governance and administration refers to how the local council organises itself internally and externally in relation to constituents and service providers. This driver includes the powers that the municipality uses to manage its functions, which include decision-making and legislation through by-laws. Good governance is built upon an effective interface between councillors and officials, strong links between financial and technical divisions, and an appropriate organisational structure.

2.5.2.3. Regulation

The municipality needs to apply certain controls on the activities of its citizens to ensure that its developmental objectives are achieved. This process will involve the identification of activities and

the target group requiring regulation, setting constraints, monitoring and intervention to adjust behaviour appropriately.

Other functions in Schedule 4B that can be regarded as regulatory include: Building regulations, trading regulations, air pollution and child care facilities. In addition, regulatory functions from Schedule 5B include beaches and amusement facilities, billboards, cemeteries and crematoria, control of public nuisances, liquor licensing, boundaries and fencing, noise pollution, street trading, traffic and parking.

According to IDASA (2005), a major problem still facing many municipalities is that there are so many by-laws, some outdated but all needing to be merged and transformed in the context of new legislation and the amalgamation of municipalities through the demarcation process (<http://www.idasa.org.za>, 2005).

The major difficulty is that in most municipalities the regulatory aspect is dealt with by line departments outside of the overall oversight of the LED section and generally outside of the context of LED considerations. The result is by-laws that clash with key development policy and in fact can erode attempts to mobilise LED.

2.5.2.4. Service Delivery

Service delivery refers to the provision of municipal services to citizens and businesses directly or indirectly through external service providers, both public and private. This includes services provided on behalf of other spheres of government as a result of delegation. These services are categorised by sector which enhances policy and legislative alignment across spheres of government.

a) Health Services

Municipal Health was initially introduced in Schedule 4B of the Constitution and this has subsequently been redefined as Environmental Health, which means that Primary Health Care (PHC) is now the sole responsibility of the provincial government. All authorisations, with regard to PHC given to local municipalities, have been withdrawn.

However, municipalities are compelled to continue existing PHC under a new service agreement with provincial government. There are concerns over the inequity of the provision of PHC due to a

lack of a single integrated health service. There are also practical difficulties with integration and serious financial implications with regard to subsidies (<http://www.idasa.org.za>, 2005).

b) Housing Services

Many of the larger municipalities do take on aspects of this function, although it is not a municipal one, and no municipalities have been accredited to operate housing programmes, despite there being provision in the Housing Act. These activities include the identification of land and beneficiaries for low-cost housing, developing housing projects, internal infrastructure and, lastly, owning and renting houses.

The role of municipalities has increased while that of the provinces has become regulatory and chiefly focused on resource allocation. This raises concerns regarding who should have the authority function for housing and the lack of coordination between the spheres and between the various local municipality departments such as planning, engineering and community services (<http://www.idasa.org.za>, 2005).

c) Water Services

Historically, the water services sector has had a well-developed legislative and institutional framework which focused primarily on technical aspects. Recently this orientation has been shifted to a more developmental approach with emphasis on decentralising delivery and operational responsibilities to local government with national regulation. Further attention has been given to providing a free basic water and sanitation service to the poor, while still maintaining financial viability for service providers through grants and a sound tariff policy. Resolution is required to establish the appropriate subsidy flows to the actual water service providers.

d) Electricity Services

The electricity sector has been stuck in a great deal of uncertainty through restructuring of the electricity distribution industry and the establishment of its six Regional Electricity Distributors (REDs). The main issue is how the REDs will relate to local municipalities in respect of authority, shareholding of RED assets, levies for loss in surplus revenue, subsidies and billing systems. Currently local municipalities are the authority for the electricity function, which means they have the power to appoint and negotiate with the service provider (RED). However the new set up will

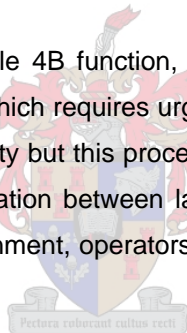
mean a loss of revenue and possibly assets, while still being the channel for national funds from the fiscus.

e) Roads and Transport Services

Local municipalities are responsible for the provision and maintenance of local streets as stipulated in Schedule 5B of the Constitution. In addition, municipalities have undertaken provincial road repairs as an agent funded by the provincial government.

The establishment of new and district municipalities, has necessitated a road classification process to clarify jurisdictional responsibility, which is likely to increase the burden of maintenance on local municipalities. The newly-introduced Municipal Infrastructure Grant (MIG) is designed to improve the national shortfall in road funding, but increased road responsibility may adversely affect the financial sustainability of municipalities who will have to depreciate the asset and in doing so increase their expenditure.

Municipal public transport is a Schedule 4B function, but there is still contradictory legislation relating to the identity of the authority which requires urgent attention. The transport plan is a key component of the IDP for the municipality but this process is hampered by a lack of capacity and funding. Most IDPs have limited integration between land use and transport planning and little coordination between spheres of government, operators and authorities (<http://www.idasa.org.za>, 2005).



f) Solid Waste Services

The local municipalities are responsible for cleansing, refuse removal, dumps and solid waste disposal. Although not specified, this function does entail waste minimisation and recycling. In this arena there is a substantial role for provision of services by the private sector and district municipality in terms of landfill management.

g) Community Services

The community services provided by local municipalities, often referred to as amenities, take a small part of the budget but are of great value to the public through improving social conditions and the well-being of the community. These services include community halls, sport and recreational facilities, bathhouses and toilets, libraries, arts and culture, resorts, beaches and pools, child care, old age homes, cemeteries and crematoria.

The provision of these services has a positive impact on poverty reduction, employment creation, quality of life, civil society, social problems (such as crime and drug abuse), education and training, recreation and leisure. The only concern in this sector is about the provision of library services, which is currently a provincial function that could be better managed by local municipalities through the assignment of function and funds (Palmer Development Group, 2000).

h) Emergency Services

Emergency services are the responsibility of national and provincial government where ambulance and disaster management are concerned. Fire fighting remains a municipal function which has led to its fragmentation, specifically in regard to district municipalities. A further inconsistency relates to the preparation of disaster recovery plans that have been assigned to local government, which means that municipalities are also required to coordinate, align and regularly review these plans with other organs of state.

i) Security Services

The constitution states that:

“The national police service must be structured to function in a national, provincial and where appropriate, local spheres of government”.

Self-funded municipal police services are allowed by the South African Police Service Amendment Act. The functions of municipal police services are road traffic policing, policing of municipal by-laws and the prevention of crime. Not many municipalities provide such a service. Local policing is extremely costly and has a variable track record. It can be argued that focusing on developing and maintaining community infrastructure and facilities would be a far more effective manner in which to prevent crime than policing (Mc Kenzie, 2003).

j) Public Works

Municipal public works is listed as a function in Schedule 4B but can in fact be regarded as an internal support service geared towards construction and maintenance of public infrastructure and facilities. An expanded view of public works is associated with the government Growth and Development strategy which advocates the use of public expenditure to increase employment through the use of labour-intensive projects.

In regards to the above mentioned roles and responsibilities of Local Government, which seems to be very practical and straightforward, where and when did things start to go wrong? The next section discusses the Municipal Structures Act and the amendment thereof, which led to confusion between District and Local Municipalities.

According to the above mentioned, service delivery refers to the provision of municipal services to citizens and businesses directly or indirectly through external service providers. These services should not be viewed in isolation, but should be seen as part of the LED approach. Services must be seen as a “way to do things” with regards to stimulating the economy. Services, although not recognised by Local Government as part of LED, should form an integral part of the LED process. For example, solid waste (which is only recognised as a service) can be transformed into energy and contributes directly to economic development. Another example is road building - this also contributes directly to the local economy due to the fact that it attracts tourists and makes trading (exporting) more viable.

2.5.3. MUNICIPAL STRUCTURES ACT

The Municipal Structures Act of 1998 (hereafter "the Structures Act") made provision for the division of powers and functions between district and local municipalities. It assigned district-wide functions to district municipalities and most day-to-day service delivery functions to local municipalities. The provincial MECs were empowered to adjust these powers and functions according to the capacity of municipalities to deliver services.

The Act was amended in October 2000 through the Municipal Structures Amendment Act (hereafter "the Amendment Act"). The main changes were as follows:

- The functions of municipal health, potable water supply, distribution of electricity, and sewage disposal systems were transferred from local to district municipalities.
- The assignment of health, water, electricity, and sewage disposal can be adjusted by the national Minister (that is, s/he can assign a function to a local municipality).

The authority to adjust the remaining municipal functions still lies with the provincial MECs. The transfer of the four major municipal services has significant financial implications for non-metropolitan municipalities. For example, many local municipalities generate surpluses from water supply, and the relevant district municipality will now have jurisdiction over that funding.

The Structures Act also gave effect to the principles outlined in the White Paper. Section 84 of the Act assigned functions to district municipalities which can best be described as "district-wide" functions. These included bulk supply of water, sewage, electricity and other services serving the district as a whole (such as fire-fighting and municipal roads). "Section 85(2) empowers the MEC for local government in a province to adjust the division of functions between a district and a local municipality, but only if:

- *The municipality in which the function or powers is vested lacks the capacity to perform that function or exercise that power; and*
- *The MEC has consulted the Demarcation Board and considered its assessment of the capacity of the municipality concerned.*

After the adjustment, the MEC is required to regularly review the capacity of the relevant municipality and reallocate the function when that municipality acquired the capacity to perform that function" (Section 85(9)a).

The Local Government White Paper therefore did not envisage the transfer of local functions to district municipalities on a permanent basis. This was underlined in the subsequent framework for the division of functions and powers published by the Department of Provincial and Local Government, which states that responsibility for providing municipal services should be placed "as close as possible to the communities the services are meant to serve".

The current political systems in the local sphere of government also support this policy. According to the Structures Act, 60% of district councillors are elected indirectly and all district councillors are elected according to the system of proportional representation. By contrast, 100% of local councillors are directly elected, of whom 50% are ward councillors.

Residents have no direct access to district councillors through ward committees or ward representatives, and they have limited contact with district administrations, which cover vast areas. There are therefore more direct mechanisms of accountability within local municipalities.

2.5.4. A LEGACY OF UNCLEAR POWERS AND FUNCTIONS

In the light of the Amendment Act, the concern exists that the transfer of the four national functions (water, sanitation, electricity and municipal health) to District Municipalities would deprive the Local Municipality of the bulk of their revenue and staff.

Towards the end of 2001, DPLG commissioned a study to examine the impact of the transfer of functions on Local Municipalities. On 13 January 2003, the Minister repealed the “status quo Government Notices” and re-allocated the functions (water, sewerage and electricity) to local municipalities in certain parts of the country. Electricity would be maintained and water and sanitation should be linked. However, on 13 June 2003 the Minister repealed the abovementioned.

These abovementioned changes have created extensive confusion among Local and District Municipalities about what exactly their powers and functions are. There are two fundamental sources of confusion:

- The *first source of confusion* has been the developmental philosophy underpinning Section 84 of the Structures Act. The status of the Municipal Structures Act is unclear, since some of its provisions have been overridden. The importance of the matter is the impact which District and Local Municipalities can have on development.
- The *second source of confusion* is about what exactly “district-wide functions” are. Government envisages a co-operative relationship between District and Local Municipalities, so that district-wide and local development dynamics can be integrated and reconciled. But how should this be done? (Atkinson and Ingle, 2003).

“Local municipalities also stand to lose a substantial part of their income from trading services. Income from trading services amounts to almost 60% of local municipalities’ revenue. If local municipalities are no longer providing these services, the principal sources of revenue left for them are property rates, fees for collecting refuse and equitable share, representing in total only 40% of municipal revenue. Most importantly trading services represent a significant potential local point of leverage on LED. Alienating them from the local level in effect displaces them one level removed from the local community. This in itself may however not be a negative consequence if economies of scale in service delivery are able to be achieved in the process or greater cohesion achieved in the delivery of vital economic development services” (Atkinson and Ingle, 2003).

“As provided for at present the bulk of councillors will be elected to local municipal councils. District municipal councils are much smaller than local municipal councils. It appears therefore that in the event that should the district municipalities assume local municipal functions local municipalities would ‘over-represent’ residents in relation to the functions that they may perform. On the other hand, the functions would still remain

municipal functions, regardless of the level where they would be performed" (Atkinson and Ingle, 2003).

It is also quite apparent that with increasing decentralisation of government functions through assignments and delegations, the responsibilities of local government are becoming more and more complex. The major concern with regard to the Constitution is the lack of clear definitions of local government functions. Further concerns stem from the inconsistency of allocations of functions, which results in insufficient attention being paid to capacity and financing (<http://www.idasa.org.za>, 2005).

2.6. SUMMARY

LED has become an established feature of the development scene in South Africa, but the delivery of LED at local government level is constrained by resource and skills constraints compounded by the lack of strategic guidance and facilitation from the other spheres of government. A range of constraints will, for the foreseeable future, prevent the widespread application of the concepts embodied in the Local Government White Paper. The conducive LED environment within local government is generally hindered by the near bankruptcy of many local governments, the shortage of skilled staff and the absence of any major organisation to offer extension support and advice to local governments moving into the LED field.

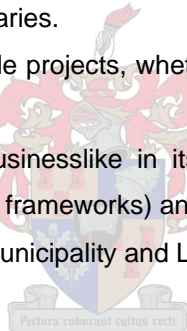
In addition, political conflict and the reluctance of elected councilors to cooperate with the private sector and the latter to reciprocate, hinder the formation of local partnerships. This also leads to a situation in which the commensurate responsibility for the economic development of the local area is not fully accepted by either partner. A further problem is the absence of clear guidance from higher authority and the fact that conflicting demands are being made on local government by other levels of authority. In other words, there are contradictions, conflicts and a lack of common purpose between and within national and provincial government departments.

At the provincial level, key policy documents such as the Provincial Growth and Development Strategies (PGDS) create a framework for development which has significant LED ramifications. However, few local level LED projects have become sustainable with limited permanent employment opportunities being created. The reason for this is that they are immersed in an environment that institutionally cannot support or sustain them unless broader institutional reform takes place to bring the LED Approach into the mainstream of municipal and community decision making projects. LED in the final analysis as discussed in the preceding sections is not about

projects, but about building the total institutional capacity for economic governance at community level, of which projects form part.

In addition, LED interventions on the part of local government seldom seem to involve the private sector. The key issues which must be addressed to facilitate and improve the level of LED delivery are:

- The need to properly define what LED is and what its goals are.
- The need to address the institutional asymmetry that exists with each municipality establishing its own LED structures that frequently as a result are so disparate that they cannot “talk” to one another.
- To align LED with provincial and national policy and business and market realities.
- The need for adequate and appropriate training of officials, adequate funding, and ensuring accountability.
- The active encouragement of local leaders, local level forums and partnerships, and close co-operation with beneficiaries.
- The pursuit of viable, sustainable projects, whether they are led by local governments or non-state role-players.
- Local Government must be businesslike in its approach. Development should be a-political (within the local political frameworks) and accountable.
- Roles and activities of District Municipality and Local Municipality must be clarified.



Provincial government clearly needs to take a key role in this process, given the very real incapacities which exist at the local level and the need for external direction, guidance, support and facilitation. A less ambitious approach in which local government facilitates LED together with the private sector and community partners, might be more realistic within many local government contexts. However, the national policy has not been prescriptive on the question of the institutions needed to pursue LED. The possible policy implications of the above factors are:

- A reconsideration of the project approach to LED. To have an effective LED Approach, thus the institutionalisation of a LED strategy within the IDP is necessary.
- Specific emphasis should be given to supporting individuals and businesses already in operation rather than starting projects from scratch.

Chapter Three will examine the Department of Provincial and Local Governments' 2002 LED Policy and compares it with their 2004 and 2005 LED Policy in order to identify potential operational implications.

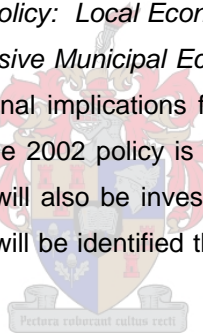
CHAPTER THREE:

LED Policy and Operational Implications

3.1. INTRODUCTION

The preceding section examined the legislative framework within which local economic development (LED) must be undertaken and further introduced the Integrated Development Plan (IDP). It also indicated that local government in South Africa is facing a number of issues constraining its delivery of the Constitutional LED Mandate.

The Department of Provincial and Local Government (DPLG), (the department responsible for guiding and assisting local government in their delivery activities) is responsible for the formulation of LED policy. This section will analyse the “2002 LED Policy: *Refocusing Development on the Poor*”, the “2004 Policy: *Local Economic Development Policy and Strategy*” and the “2005 Policy: *Robust and Inclusive Municipal Economies*” in order to identify the shift in the policy and to highlight the operational implications for local government as a result of this shift. In this section, an overview of the 2002 policy is provided and the emerging themes are identified. The 2004 and 2005 policy will also be investigated in terms of identifying emerging trends and the shift in the policy focus will be identified through a comparison of the key themes of the three policies.



The policy shift that has taken place has implications for the management of local authorities in general but more specifically for the operations of LED. Manifestations of change and adaptation of approach at the local government level are already to a greater or lesser degree apparent at the management level in local authorities following the shifts that have taken place at the national policy level, though the passage of time since these shifts have taken place this has been relatively limited. These implications will be discussed in Chapter Four. It could be expected that with greater time to adapt to the emerging new policy stance, the impact of the policy shift upon local authorities would be even more marked.

3.2. 2002 LED POLICY ANALYSIS

In this section the main elements of the 2002 LED policy and the guideline institutional framework as promulgated by DPLG will be discussed together with critique of the policy.

3.2.1. MAIN ELEMENTS

The following discussions will replicate certain text (directly) from the policy document in order to provide an overview of the content. The content of the policy will not be evaluated.

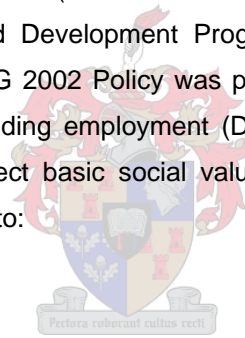
3.2.1.1 Vision and Objectives

According to this policy from central governments' perspective the most important objectives for municipal LED are (DPLG, 2002:3):

- Job creation
- Sustainable urban and rural development
- Explicit pro-poor approaches

The national government policy directives (such as the Growth, Employment and Redistribution – GEAR and The Reconstruction and Development Programme - RDP) and the Constitution directly inform this policy. The DPLG 2002 Policy was primarily focused at meeting the unmet basic needs of the community, including employment (DPLG, 2002:2). According to the 2002 policy, the core of LED had to reflect basic social values and priorities and LED (and LED strategies) should be fully committed to:

- Job creation
- Attacking poverty
- Environmental protection
- Gender equity as fundamental objectives



The vision and objectives associated with this LED policy are directly related to the 1994 Reconstruction and Development Programme (RDP). While these objectives are discussed in detail in the LED policy document, it is difficult to distinguish clearly what the policy advocates as the LED vision and objectives, as the policy does not provide a delineation of LED activities that should be undertaken.

The policy document provides a clear discussion of developmental local government (Refer to Section 2.3) and also makes an explicit distinction between developmental and non-developmental LED. The latter is defined to occur when social objectives are secondary to investment attraction at all costs (DPLG, 2002:9). The following section provides an overview of the core components of the 2002 LED policy.

3.2.1.2 Core Components

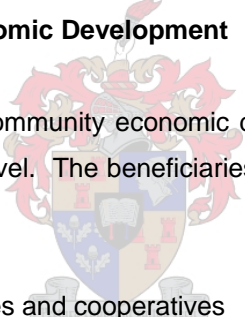
The core components of the policy relate to specific measures that align directly with the national government's broad objectives (DPLG, 2002:7) and are categorised into six broad classes, namely:

- Fostering community economic development
- Linking of profitable growth to redistributive development/financing
- Investing in human capital
- Delivering and maintaining infrastructure and services
- Plugging leaks (retaining capital) in the local economy
- Retaining and expanding a municipality's existing businesses

Each component is discussed in the following paragraphs under the corresponding heading:

a) Fostering Community Economic Development

The LED policy refers to “fostering community economic development” as municipal assistance aimed at the grassroots community level. The beneficiaries of this core component therefore are (DPLG, 2002:7):

- 
- Community businesses and cooperatives
 - Local exchange and trading systems (LETS) such as business networks
 - “Third sector” development experiments (e.g. people's housing processes)
 - Savings collectives and maintenance schemes
 - Urban farming projects

The policy emphasises the importance of community-based strategies to work directly with low-income communities and their organisations. Support for institutions such as community trusts and worker- or community-controlled enterprises are a key feature. Municipalities need to create conducive environments for SMMEs to develop and grow by providing (DPLG, 2002:7):

- Business infrastructure
- Affordable finance
- Opportunities for involvement of SMME in government procurements
- Services subsidies
- Technical support through business advice centres

- Network and support

b) Linking Profitable Growth to redistributive Development/Financing

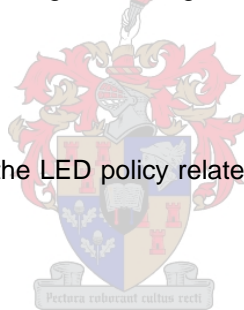
The second core component links profitable growth to redistributive development and financing. Examples of such linkage as envisaged by the policy are (DPLG, 2002:7):

- The construction linkage (also known as “planning gain”) whereby planning or zoning permission in profitable geographical areas is linked to a commitment to invest in impoverished neighbourhoods.
- A requirement that businesses opening a branch in a wealthy area must also do so in a low-income neighbourhood, and must also invest a certain proportion of their turnover in local small businesses.
- Encouragement to break up major subcontracting opportunities, to bring small-scale entrepreneurs into their networks. However, “labour-only subcontracting” relationships are discouraged due to growing evidence of exploitation.

c) Investing in Human Capital

The third component forming part of the LED policy relates to investing in human capital, mainly in the form of (DPLG, 2002:7):

- Education
- Skills-development
- Public health



The policy motivates the rationale for the investment in human capital as follows: “...A *well-paid, healthy and well-educated workforce will be more productive...*”

Interventions, according to the LED policy, are aimed at the development of human capital and can include general and customised education, vocational training, basic or advanced skill development and targeted placement. In order to increase productivity in the local economy, skills development and training requirements should be directly linked to LED (DPLG, 2002:8).

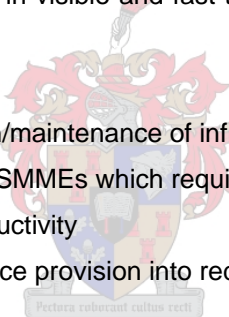
d) Delivering and maintaining infrastructure and services

Delivering and maintaining infrastructure and services is according to the policy a constitutional responsibility (DPLG, 2002:8). The provision of these services needs to be done in a manner that establishes “*developmental LED*”. The DPLG (2002:8), stresses that developmental LED will only be achieved through maximising the economic linkages i.e. the provision of reliable, cost-effective municipal services. The focus is therefore placed on:

- New capital investment in infrastructure
- Efficient infrastructure maintenance
- Municipal provision of social amenities and facilities
- Effective housing and settlements policy

Municipalities need to design and select service delivery mechanisms that most effectively and rapidly extend municipal services to “*un-serviced*” or “*under-serviced*” residents and communities. The selected mechanisms must result in visible and fast-tracked economic returns, including job creation through:

- Increased construction/maintenance of infrastructure
- Establishment of new SMMEs which require access to services
- Higher workforce productivity
- Translating basic service provision into redistributive opportunities.



e) Plugging leaks in the local economy (retaining capital)

The policy acknowledges that the retention of capital in the locality needs to be facilitated through employing resources that are located in close proximity (DPLG, 2002:8). The outflow of money should also be limited from poor areas by:

- Encouraging local purchases
- Constructing market areas i.e. developing market infrastructure where trade can take place
- Through funding special events and festivals
- Through providing infrastructure using local labour and locally-manufactured material
- Promoting employee training
- Networking enterprises of all sizes in local area.

f) **Retaining and expanding a municipality's existing businesses**

With reference to the local businesses, local municipalities have to give attention to retaining and expanding the existing businesses. The objectives related to this core component typically involve:

- Assisting local businesses to improve their productivity
- Increase market share
- Move to higher levels of local beneficiation (value adding) in the production chain.

The above six core components or focus areas need to be focused at specific targets which must be addressed by a range of instruments. The targets and instruments are explored in the following section.

3.2.1.3 Instruments and Targets

According to the 2002 policy the targets, whether beneficiaries, constituents or strategic sectors, of the instruments of LED vary and those instruments with a specific pro-poor focus should be employed (DPLG, 2002:18). The policy identifies the following targets:

- *Community-based targets* are focused at key constituencies who have not had their needs met by past economic practices and service delivery systems. This target is the main focus of government in the 2002 LED policy context (DPLG, 2002:18).
- *Entrepreneurial targets* focus on different kinds of start-up and established enterprises, where low-income people have most to gain. Examples include SMME development generally; non-profit community development corporations; and micro entrepreneurs who provide specific services needed in the community.
- *Business targets*: Specific support to businesses should address both the flow and maintenance of business activity in a given area, particularly where this benefits low-income people (workers and consumers).
- *Quality management targets*: These relate to the municipal certification of economic development outputs so as to protect consumers, redistribute income and ensure responsible environmental production practices.

Apart from the preceding targets, the overall target of LED activities, according to the policy, must be focused at the poor (DPLG, 2002:20). The poor are defined by the policy as:

- Low-income people
- People living in rural areas of newly-demarcated municipalities
- Women and children
- The elderly
- People with disabilities
- People who are living with HIV/Aids
- The environment.

The DPLG in the 2002 LED Policy identified three categories of “*appropriate*” LED instruments which should be focused at the targets as listed in the preceding paragraphs. These combinations of instruments and targets form the basis on which, according to the policy municipal strategies should be assessed and validated. The LED instruments promoted by the policy entail (DPLG, 2002:17):

- *Capacity improvement instruments*: These are aimed at streamlining the development process, building the regulatory capacities of the municipality to stimulate and direct development. Capacity improvement instruments include: infrastructure improvements, land acquisition, tax increment financing, land clearance, leasing of land to developers, land consolidation, and one stop centres, procurement assistance and employee training and retraining. The most important emphasis in South African circumstances would be the relationship between infrastructure capacity and LED.
- *Market expansion instruments*: Expanding the local market linked to social peace (redistribution and social justice) makes a locality more attractive to investors and assists local firms to upgrade. The foundations on which the market expansion instrument is based are illustrated as follows: “...*free lifeline services is one vehicle to expand local markets, as it facilitates backward-forward linkages...due to the increase in disposable income*” (DPLG, 2002:18).
- *Cost reduction instruments* are used to encourage investment by reducing the cost of households, developers and businesses through public subsidies. The policy does however indicate that there are “limitations as to what can be offered to the private sector” through a reduction of ordinary municipal service costs due to financial and legislative (e.g. the Public Finance Municipal Act) constraints.

The targets and instruments focus primarily on people and communities and less on business development and support. The following section provides an overview of the institutional framework proposed by the 2002 LED policy.

3.2.2. INSTITUTIONAL FRAMEWORK

The Constitution provides for three spheres of government (Refer Section 2.2.6.1 above). The policy states that *“it is essential for all spheres of government to cooperate to establish a job-creating economic growth path; embark upon sustainable rural development and urban renewal; and bring the poor and the disadvantaged to the centre of development”* (DPLG, 2002:2). An overview of each spheres’ role and position in the framework, as delineated in the policy, is portrayed in the following sections. However, as the focus of this thesis is on the local government level, limited attention is focused on the national and provincial spheres.

3.2.2.1 National Government

The institutional framework, with reference to the national sphere of government, distinguishes between the role of DPLG and that of other national government departments as discussed briefly below:

a) The Department of Provincial and Local Government (DPLG)

The 2002 LED Policy states that DPLG (the national department responsible for the local government administration) must facilitate the establishment and maintenance of an efficient system of intergovernmental LED relations (DPLG, 2002:35). Additionally, the DPLG should play a coordinating role in provincial and local government matters. The specific actions that need to be undertaken are (DPLG, 2002:42):

- Provide the overall strategic and legislative framework for LED.
- Maintain strong intergovernmental relationships using and strengthening existing intergovernmental institutions.
- Obtain support for commitment towards LED.
- Develop the necessary regulatory mechanisms for LED.
- Monitor the implementation of LED policy and the impact of LED nationally
- Seek to provide the necessary budgetary resources for LED.
- Disburse information to provincial and local government levels about LED and LED support.

Furthermore, the DPLG is the primary state funder for LED (through the LED Fund as discussed in Chapter Two: Section 2.4.3). With reference to the disbursement of the LED fund, the vision adopted by the DPLG is aligned with the objectives of national government and guided by the

RDP, Local Government White Paper, the Constitution and GEAR and comprises entitlement-based grants for people-centred development (DPLG, 2002:35). The fund focuses first and foremost on “vulnerable” sectors such as rural residents, women and children, the elderly, the disabled, people living with HIV/AIDS and the environment.

b) Other Government Departments

The programmes of the various different national government departments offer local authorities a variety of benefits. The Equitable Share, Consolidated Municipal Infrastructure Grant (CMIP) and Housing and Social Fund programmes offer direct financial assistance to local authorities. Other programmes offer technical skills, while others primarily provide indirect benefits to local governments such as increased economic activity and down-stream increases in rates income. While this differentiation might seem obvious, the implications are not as directly visible. All the programmes assume that local authorities will want to receive these benefits. The DPLG (2002:42) however observes that local authorities, on the other hand, might value direct financial assistance more than indirect economic changes and are therefore likely to be selective as to which programmes they access. Nevertheless all these programmes though not necessarily explicitly focussed on LED *per se* contribute materially to the promotion and achievement of LED at the local level.

3.2.2.2 Provincial Government

The policy does not indicate specifically which provincial department should drive LED, but does provide the following guidelines regarding the actions the provincial government should undertake and be committed to, namely (DPLG, 2002:42):

- Align and coordinate LED initiatives according to national and provincial priorities.
- Strengthen and support the capacity of local government.
- Make available financial and technical resources to implement LED.
- Share information.
- Monitor and evaluate LED impact provincially.

3.2.2.3 Local Government

At a local government level, distinction is made between the policy indications for district and local level municipalities. The policy (DPLG, 2002:42) states that (but does not motivate why),

within the system of intergovernmental LED management district municipalities are best-positioned to deliver LED through:

- Planning and coordinating LED strategies within the framework of the District IDP.
- Establishing LED capacity within the District to foster cooperation, coordination, structures, policies and projects.
- Identifying lead sectors that can kick-start development by undertaking local economic regeneration studies.
- Collecting and disseminating LED information and data.
- Identifying, accessing and allocating LED resources, in consultation with municipalities
- Maintaining strong relationships with other spheres of government.
- Providing capacity building for local governments where appropriate.

With reference to local municipalities, differentiation is made between direct and indirect roles. The main challenge for local government is, however, “*to draw more support, including resources, from provincial and national departments by appealing to the interlinked nature of LED*” (DPLG, 2002:43).



The direct roles include:

- Infrastructure investment and cross-subsidisation of services to low-income households in ways that ensure developmental LED opportunities.
- Local policy formulation and leadership of integrated economic development and spatial planning, including the formulation of Integrated Development Plans and Land Development Objectives, procurement policy, etc.
- Collation and interpretation of economic intelligence, i.e. conducting research, and maintenance of databases and city indices.
- Coordinating government’s economic development and related programmes.
- Provision of business infrastructure in previously disadvantaged areas.
- Support to small, medium and micro-enterprises (SMME) including the facilitation of funding and training (DPLG, 2002:43).

The indirect local government roles include (DPLG, 2002:42):

- Creation of an enabling environment, including rendering better services.
- Improvement of operational efficiency, for example quicker processing of regulatory applications.

- Facilitation of sustainable community projects.
- Attraction and facilitation of development funding for the locality.
- Dissemination of information on LED, in conjunction with other spheres of government, civil society organizations and the private sector.
- Provide and implement a pro-poor LED strategy.
- Coordinate LED activities locally within the municipality and with other local stakeholders.
- Building capacity for LED.
- Source information and funding for LED.
- Mobilise civil society to participate in LED and encourage public-participation.
- Establish linkages between sectors, firms and groups and promote clustering.
- Undertake LED Regeneration studies as part of the municipal LED.
- Implement sector development initiatives.

The 2002 policy recognised the capacity constraints at a local level and proposed the establishment of special-purpose LED units with direct links to the municipal IDP office. The unit should be staffed with appropriately skilled personnel and sufficient fiscal, administrative and logistical resources. The objectives of such an LED unit should be (DPLG, 2002:43):

- To coordinate the implementation of municipal activities in a manner that maximizes economic development.
- To manage the implementation of an LED strategy within the IDP.
- To manage and monitor LED projects.
- To coordinate the municipality's activities with those of other stakeholders.
- To coordinate municipal LED activities with those of other government spheres.
- To manage the municipal LED budget.
- To establish and maintain a municipal LED database which should be integrated into the IDP database.

The LED unit should be located at the "*centre of municipality*" and must fulfil a highly strategic role, influencing policy in support of pro-poor LED. In terms of the structure of the LED unit, the unit must typically be small, flexible, acting mainly as advocate and facilitator. The unit will require constant support from the Municipality in order to be effective, due to its small relative leverage (such as budgetary power) over line departments. This is especially important at District-level LED initiatives, where the municipal manager should facilitate overall LED delivery and coordination.

3.2.3. CONCLUDING REMARKS

The 2002 LED policy offers a number of arguments in favour of pro-poor LED interventions. In terms of the policy the weaknesses of municipalities should be overcome with explicitly pro-poor strategies. The policy places the establishment of strategies for job creation, sustainable rural and urban development and the central place of poor and vulnerable people as the focus of LED. The pro-poor LED strategies must align with the political commitment. A total of eight key principles underscore the overall policy:

- Promoting good governance.
- Ensuring sensible forms of redistribution.
- Achieving complementarities between large and small projects.
- Establishing linkages to government's macroeconomic and broader development strategies.
- Complying with the Municipal Systems Act and other legislation and regulation.
- Strengthening the intergovernmental relations system.
- Establishing a lead sector in local development.
- Maintaining a rural focus where appropriate.

Poverty eradication is viewed as the highest priority and programmes that target poverty eradication need to be based on the notion that the poor require some form of "safety net". A second outcome of the pro-poor LED programmes is the creation of long-term, meaningful employment. Job creation programmes typically entail labour-intensive public works projects, which provide temporary employment as well as meeting the basic needs of the poor. The challenge remains for a local LED programme to build upon the momentum from such schemes.

Promoting good governance is one of the "most crucial aspects of LED", so that the poor and vulnerable members of society have voice, access and the advocacy capacity to make their ambitions known. This often will entail financing support, which will be increasingly available to those pro-poor LED strategies that comply with national objectives.

In Chapter Two: Section 2.2.4, it was also argued that poverty alleviation refers to the process of addressing the symptoms of poverty and not its root causes. It therefore conventionally refers to a "welfare" approach. The pro-poor approach is however not necessarily welfarist at all, but what it does say, is that there should be a bias toward strategies that focus on the poor as the major beneficiaries. With this in mind, it is critical that development interventions in South Africa and in

the Frances Baard District of the Northern Cape in particular, prioritise the needs of the poor (Refer to Chapter Four). Projects need to be sustainable as well as economically viable.

3.2.4. CRITIQUE OF THE 2002 LED POLICY

Local Government in South Africa faces a number of institutional and financial constraints not only in terms of LED delivery but also with reference to the entire spectrum of municipal service delivery. The power devolution to local government and the passing of the initiative to the local level is appropriate in the international context (Refer to Chapter Two: Section 2.3.1.) According to Nel (2001:1011) the pre-2002 policy frameworks in the form of the Local Government Transformation Act (LGTA) de facto implied that LED is a local government prerogative and had important ramifications at local level. However, the 2002 LED policy attracted critique relating to a variety of factors. This is summarised in the paragraphs that follow:

- The policy does not provide for the endorsement of unilateral private sector, Non-government organisations (NGO's) or community-based LED, but rather makes provision for them to be mere partners within local government programmes. (Nel and Binns, 2001: 360)
- The policy could lead to leadership conflict between legally empowered, but resource-poor, local authorities and other agencies already active in development (Nel and McQuaid, 2000:8).
- The policy is not sensitive and supportive of non-local government LED.
- The policy does not take the financial position of local government into consideration and it expects local government to solve the country's problems (Mukhopadhyay, 2000:9).
- The issue of capacity constraints and the absence of LED facilitation support from national and provincial governments to advise and guide local initiatives is short coming of the policy (Rogerson, 2002:15).
- The policy encourages local government investment in poor areas in the form of housing and municipal infrastructure and it was here that LED initiatives were first intended to focus. Following a burst during the construction phase, economic activity however rapidly declined to relatively low levels (Hindson, 2003:2).
- The policy contributes to misunderstanding of LED vis-à-vis community development (Meyer-Stamer, 2002:6)
- The policy strives to bring together employment policy, urban development policy, rural development policy, social policy, family policy and health policy. In other sections, the document also includes economic policy in this collection (Meyer-Stamer, 2002:6).

The DPLG acknowledged the shortcomings of the 2002 policy and embarked on formulating and re-aligning the LED policy. The 2004 LED Policy thus directly attempts to address the shortcomings of the 2002 LED policy. The next section presents and discusses the 2004 LED policy.

3.3. 2004 LED POLICY ANALYSIS

The 2004 LED policy is an indication of government's commitments to implementing the outcomes of the Growth and Development Summit held in Johannesburg (7th June 2003) and is in line with the precepts of GEAR, Micro Economic Reform Strategy and the RDP. The aim of the policy according to the DPLG (2004:2) is:

“To establish a common understanding and approach to LED, so that all partners (government, business, labour and community) are able to mutually reinforce each others efforts in establishing and/or growing ‘resilient and vibrant local economies’ and to enable continuing dialogue between all partners in the local arena and to focus the dialogue on improving local economies, based on the context and needs of different municipal areas”.

This vision re-alignment addresses a key shortcoming of the 2002 LED policy (as identified in Section 3.2.1.1 above) namely that of clarity of the vision for LED. The policy document is structured according to the following themes:

- An overview of current LED practices in South Africa and internationally.
- The rationale for Local Economic Development (LED) policy and strategy in South Africa.
- A vision for LED in South Africa.
- The attitudes and role-players required to realise the vision identified.
- How these actions can be implemented.

The following section presents an overview of the key components of the 2004 LED policy.

3.3.1. MAIN ELEMENTS

3.3.1.1. Policy vision and Goal

One of the key purposes of the 2004 policy is to provide a common understanding of LED in South Africa. The vision for LED according to the new LED policy is (DPLG, 2004:7) “...to establish and build resilient and vibrant local economies...” which are “strong, inclusive and

sustainable". Furthermore, the local economies will "...support the growth and development of local employment, income and assets" and "will capitalise on opportunities". The LED policy document goes on to observe that local economies will be "ever-changing and adapt to new circumstances, consumer preferences and styles and product innovations".

The 2004 LED policy views the active involvement and participation of residents in municipal affairs as a "hallmark" of the local economies. The DPLG suggests the following as their vision for the 2004 LED policy, regarding the role-players and their characteristics and this include the following (DPLG, 2004:7-9):

- **The people are the biggest resource for local economic development provided that they are:**
 - Resourceful, skilled and able to take full advantage of economic opportunities.
 - Innovative and able to participate in and establish, run and grow thriving enterprises.
 - They produce locally made and branded products for the domestic and international market.
 - They develop solutions and products that are affordable and meet the needs of poorer communities.
- **Their leaders should inspire confidence in the local economy and mobilize resources for the advantage of local communities.**
 - They should design, manage and implement economic development strategies that are participatory, realistic, feasible, viable and creative.
 - They should be innovative and visionary.
 - They must work together with government and development agencies to position their local economies in the global context.
- **The workforces of these economies should**
 - Be capacitated, appropriately skilled and appropriately remunerated.
 - Provide a competitive edge for the businesses and industries.
 - Attract new businesses and industries.
 - Provide a constant and reliable flow of skills.
- **The assets (natural, physical, financial, human and social capital) of these local economies, should**
 - Be harnessed for the benefit of local economic development.
 - Serve as a lever for attracting and securing greater private sector investment and finances.
 - Be used to maximize locational advantage and importance.

- ***The physical infrastructure, public amenities and facilities and public services should***
 - Be reliable, easily accessible, efficient, and enable effective economic transactions.
 - Enable local residents to develop their skills and potentials so that they participate fully in the local economy.
- ***The natural environment, public spaces, settlements and buildings should***
 - Be attractive, appealing and desirable.
 - Inspire confidence in the local economy.

The various elements of the LED vision as advocated by the DPLG are in line with the legislative framework (Refer to Chapter Two: Section 2.2.6) and it is within this context that the 2004 policy regards the creation of partnerships with key local stakeholders as a key element in the process of development. The 2004 LED policy goals are defined in terms of poverty relief and development goals for South Africa as formulated at the Growth and Development Summit (7th June 2003), namely:

- By 2014 the improved resilience and vibrancy of local economies (at district, local municipal, community and ward level) will be responsible for:
 - Halving unemployment and poverty levels in South Africa, and for
 - Strengthening the national economy.
- By 2030 South Africa should truly be one nation with one integrated economy. The majority of South Africans will participate actively in economic activity and enter into a virtuous circle of prosperity. Social investment breaks the legacy of poverty, makes people marketable for jobs and increases the revenue base of the country so that greater levels of social investment is possible.

The goals can be interpreted as focusing on:

- Local level economies and employing these localities as a lever to improve their resilience and vibrancy in order to halve unemployment and poverty.
- Integrating the economy.
- Improving the employability of individuals.
- Improving the tax base of the country i.e. the business base.

The vision and goals of the 2004 policy provide clear guidelines on the re-aligned focus of LED in South Africa. The following section presents and discusses the core components of the 2004 LED policy.

3.3.1.2. Core Components

The 2004 LED policy identifies a number of specific activities that need to be undertaken at local level to drive LED with the intention of supporting amongst others the following national government priorities:

- Broad Based Black Economic Empowerment (BBBEE)
- The community-development dimensions of the RDP and GEAR

The 2004 policy identifies a number of key activities that need to be undertaken at local level to implement LED. The components identified by the DPLG (2004:11-16) are:

- Marketing for investment promotion.
- Support services for small businesses.
- Assistance to targeted growth sectors.
- Tailoring of training and labour placement to local labour market conditions.
- Capacitating and transformation of local governance structures.

The following discussion is based on the core components as listed above and presents extracts from the 2004 LED Policy regarding the role of local government.

a) Marketing for Investment Promotion

The marketing for investment promotion components of the 2004 policy, aims at ensuring that the municipal area will be as economically attractive and operationally efficient as possible, providing high quality services to both the local population and businesses, both existing and potential. In terms of the policy, municipalities should place the service delivery focus at “...*the centre of their planning and activities...*” (DPLG, 2004:11).

The policy stresses that creating an environment for LED is not only about infrastructure but is influenced by the local intangible locational factors and collective effort guided by a common vision focused on the development of local competitive advantage. The (unique) local competitive advantage, such as provided by local resources, is regarded as the most marketable commodity. The policy prescribes that the marketing of the local areas should be from the point of view that the locality is:

- An attractive investment destination.

- A location whose products are associated with excellence and quality.

b) Support services for small businesses

Small business development is a central part of national government's economic development strategy and is addressed in the Local Government White Paper (Act 108 of 1996), National Government Budget Programmes and the National Strategy for the Development and Promotion of Small Business in South Africa (White paper, Notice 213 of 1995). These strategies are all consistent with the provisions of the National Small Business Act (No 102 of 1996). A number of support institutions were established at a national level to drive the small business development programme in South Africa, such as:

- Ntsika (Technical and financial assistance)
- Khula (Technical and financial assistance such as the Khula Credit Guarantee Scheme)
- Local Business Service Centres (LBSCs)
- Tender Advice Centres (TACs), and
- The Department of Trade and Industry's (DTI's) Manufacturing Advice Centres (MAC's)

The 2004 LED policy requires that these supply-side mechanisms need to be strengthened through improved inter-relationships with communities. In other words, the communication between the local delivery mechanisms of these services and communities need to be improved to contribute to addressing the challenges faced by the informal economy (DPLG, 2004:12).

Furthermore, networking between entrepreneurs and partnership groups needs to be encouraged as this contributes to the stimulation and innovative thinking and information dissemination of production, marketing, work organisation and technology techniques and methodologies. The policy indicates that the facilitation of these interactions is a role of the local municipalities (DPLG 2004:12). Lack of access to finance is a major constraint to the growth and development of small businesses and producer groups at the local level. Local government should assist the small business sector to access financial assistance from parastatal development finance institutions (DFIs) such as the DBSA, IDC, Khula and others.

In terms of the 2004 policy the key problem to resolve is that of access to finance. However, new businesses that are financially supported must be assisted in becoming financially and technically viable and self-sufficient as soon as possible. Municipalities should assist the small business

sector to develop the required capacity through the integration of business development support with appropriate financial services.

c) Assistance to targeted growth sectors

Linked to the small business support component is the provision of assistance to targeted growth sectors. The local level IDP's need to be dynamically integrated and aligned with the Provincial Growth and Development Strategies (PGDS) and national government strategies (DPLG, 2004: 13). The assistance to targeted growth sectors, as provided for in the 2004 LED policy implies that the local municipalities need to play an important role in identifying relevant sectors and attracting and developing business clusters in their localities. The primary impact of this component will be on the formal economy, but local interventions need to be designed to facilitate indirect impact on the informal economy through interventions such as sub-contracting and the associated small business support programmes.

d) Tailoring of training and labour placement to local labour market conditions

The development of the local skills base is regarded by the 2004 LED policy as crucial to the success of any LED programme while also addressing skills shortages in the second economy. National government, through the Department of Labour (DOL) is implementing a comprehensive skills training programme in South Africa, both through the labour centres and the Sector Education and Training Authorities (SETA's). The role of local government according to the 2004 LED policy is to actively identify the skills needed and link them with the skills development activities of the various government and private sector institutions active throughout the area, as well as further afield (DPLG, 2004:14).

e) Capacitating and transformation of Local Government

Local government has a key role to play in the development of the local economy, as indicated in the preceding sections. The 2004 LED policy stresses the important role of local government in the creation and development of the enabling environment for LED (DPLG, 2004:15). The policy delineates the individual and institutional capacity required within local government structures that needs to be strengthened to deliver LED effectively. The role of the local municipality in this regard relates to (DPLG, 2004:15):

- Recruitment of appropriately skilled individuals into the municipality to drive the adoption and proliferation of good LED practices in all areas.

- The delivery of LED must be strengthened in the organisational structures to occupy a primary position in the planning processes at local level.
- Development of dynamic systems for stimulating the participation of previously disadvantaged communities and individuals, in the identification and implementation of economic activities.
- Establishment of LED support offices staffed by qualified personnel in all provincial governments, district municipalities and metropolitan areas. This should be extended where possible, to local municipalities where councillors and officials should be trained in LED-related issues. These offices and the officials concerned should report directly to the municipal managers, and should carry out their duties in a close working relationship with the local stakeholder groups, partnerships and forums whose establishment and servicing is one of their key tasks.
- Local Government and Water Sector Education and Training Authority (LG&WSETA) programmes must be consolidated and extended as widely as possible, using the National Policy Framework as their point of reference.
- The universities and tertiary education sector, through their institutes of government, development, planning and administration, and other faculties dealing with local developmental issues, such as geography and economics, should provide courses and modules on LED, linking themselves to national and global networks to become part of centres of excellence, information and strategy formulation.

The following section provides an overview of the institutional framework provided in the 2004 LED policy.

3.3.2 INSTITUTIONAL FRAMEWORK

The 2004 LED policy proposes an institutional framework that spans all three spheres of government and provides guidelines for each sphere related specifically to the deployment of the support and implementation activities associated with LED. The role of each sphere is outlined in the subsequent paragraphs with the emphasis on local government's role.

3.3.2.1 National Sphere

A number of national government departments, parastatals, international donors and other institutions have policies and programmes that directly and indirectly impact on LED. Coordination needs to be improved to ensure that the services and resources provided by these institutions are utilised in a manner that will maximise the collective impact (DPLG, 2004:16). The

policy emphasises that a coordinating and facilitating body needs to be created to oversee and encourage this process in a non-prescriptive and creative way (DPLG, 2004:32).

The national body will need to constantly review the legislation and regulations that have a direct or indirect impact on LED and the growth and survival of small enterprises. The policy document acknowledges that there are elements present in old and newer legislation and administrative regulations that put an unreasonable burden on emerging and/or small businesses. These elements should be addressed and the offending legislation and regulations amended.

A monitoring and evaluation system on the successes and failures of this and other contributions to a national LED policy must be established and be operational as a key component of the work of the national LED facilitation unit (DPLG, 2004:32). This national unit must review the implementation of new and existing local economic development programmes, and make provision for the implementation of a reporting structure from projects at local government level to provincial and national government.

3.3.2.2. Provincial Government Sphere

In terms of the 2004 policy, planning and support for local economic development on the part of the provincial administrations, is crucial. At present this is carried out in an uncoordinated manner by diverse provincial government departments and parastatals. For example, it is not uncommon for projects to arrive from the province at municipal level with little or no consultation and bearing no relation to the priorities drawn up in the IDP. Financial year-end “project dumping” is also not uncommon (DPLG, 2004: 33).

According to the Local Government White Paper “*provincial government should ensure that municipal IDP’s combine to form a viable development framework across the province, and are vertically integrated with the PGDS*”. Provincial planning needs to reflect sensitivity to and involvement by provincial departments in the strengthening and attainment of the local IDP’s. Therefore, the sectoral plans of provincial departments and parastatals must be aligned with those of the local municipalities as expressed in their IDP’s (Department of Constitutional Development, 1998:39).

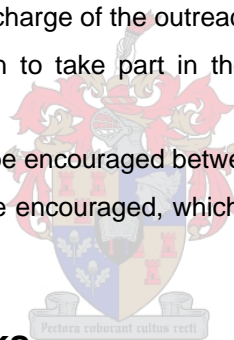
3.3.2.3. Local Government

The 2004 LED policy provides guidelines for both the Category B and C (local and district) municipalities.

The district municipalities must take the lead in creating and supporting the development of the local economy and must acquire capacity, vision and the necessary instruments to succeed. The district municipalities must create well-structured LED support and information and monitoring bodies of a permanent nature. District municipalities need to strengthen the LED components of IDP's through a participatory process with all stakeholders from the public and private sectors (including NGO's and community) and the relevant provincial government departments and parastatals in planning for and dealing with LED.

The district municipalities should furthermore facilitate the formation of partnership groups between public and private stakeholders and producer groups should be encouraged. In some cases implementation bodies, such as LED development agencies, may be established if supported by local government. At a **local municipal level**, LED forums should be established to ensure participation of all relevant stakeholders both inside and outside of the public sector. In particular local municipalities should (DPLG, 2004:33):

- Appoint local officers to be in charge of the outreach to the community.
- Stimulate the local population to take part in the identification and exploitation of the opportunities.
- Trust and collaboration must be encouraged between all stakeholders.
- Effective partnerships must be encouraged, which enjoy the support and attention of the municipality.



3.3.3. CONCLUDING REMARKS

The focus of the 2004 LED Policy is on what government with all its organs and agencies can do to support ordinary South Africans operating in local level partnerships to engage in economic activity. The policy delineates governments' role as that of assisting and creating the conditions for local entrepreneurs and businesses to emerge and grow (DPLG, 2004:33). The 2004 *national policy for LED* presents a re-aligned LED vision. It is envisaged by that this vision will enable a shared understanding of LED amongst all stakeholders and engender a common approach to developing local economies (DPLG, 2004:33). The policy also encourages local communities to develop their own shared vision for the socio-economic development of their territory, which they can realise through their own individual and collective endeavours - through partnerships and through the work of their elected municipalities.

3.4. 2005 LED POLICY ANALYSIS

In March 2005 the Department of Provincial and Local Government (DPLG) published a document entitled “*Robust and Inclusive Municipal Economies*”. The purpose of this document is to understand and give guidelines for Local Economic Development within the South African context. The aim of this guideline is to influence the way government practitioners in all three spheres understand, approach and implement Local Economic Development in South Africa.

The 2005 LED policy document is structured according to the following themes:

- The key drivers for LED
- Policy context for LED
- LED and Governance in South Africa today
- The importance of LED
- Policy considerations: What needs to be done?

The following section presents an overview of the key components of the 2005 LED Policy.

3.4.1. MAIN ELEMENTS

3.4.1.1. Vision, Targets and Objectives

According to the DPLG (2005:17), the vision for LED in South Africa is that of robust and inclusive local economies that exploits local opportunities, addresses local needs and contributes to national development objectives such as economic growth and poverty eradication. These robust and inclusive local economies will show strength, inclusiveness and sustainability. They will support the growth and development of local employment, income and assets whether in the face of harsh constraints and external competition and capitalise on opportunities. They will generate:

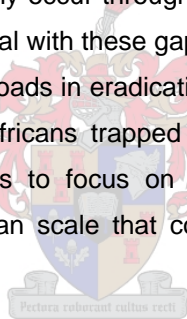
- Intensive trade
- The mixing and movement of people.
- Captivating social, cultural, recreational, sports and tourism experiences.

According to the DPLG (2005:17) the vision for LED in summary are *“robust and inclusive municipal economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives”*.

Guided by the Reconstruction and Development Programme (RDP), the vision for 2014 according to the ANC Manifesto is *“to build a society that is truly united, non-racial, non-sexist and democratic. Central to this is a single and integrated economy that benefits all”*.

According to DPLG (2005:3) the 2005 LED guidelines are provided at an opportune time. Government has reviewed its performance in the first decade of democracy including LED implementation and has set clear targets and objectives for the second decade of democracy. Effective implementation of LED in the second decade will be a critical contributor to government success in growing the national economy and building a *“single and integrated economy that benefits all”*.

Effective implementation of LED can only occur through addressing the gaps that have emerged in practice thus far. These guidelines deal with these gaps directly and call for a bold and decisive shift if, as a country, we are to make inroads in eradicating poverty and creating sustainable work opportunities for the mass of South Africans trapped in the second economy. In the second decade of democracy government has to focus on building robust and inclusive municipal economies at a district and metropolitan scale that contain a critical mass of production and consumption systems.



The central focus of government in implementing LED must be on creating an ideal environment for private sector investment through appropriate public sector investment and by supporting the retention, growth and development of enterprises be they private or co-operatives - whether they are small, medium or large. Enterprises that are job creating promote environmental and ecological sustainability, promote social development, and broad-based black economic empowerment should be targeted for public sector support.

Government including municipalities must maximise job creation and local income creation opportunities through the enormous investments in public infrastructure and in the operation of services. In other words, everything that government does must be deliberately aimed at impacting on patterns of ownership, production and supply within municipal economies (DPLG, 2005:5).

According to this policy the most important targets and objectives for LED are (DPLG, 2005:4):

- Reduce unemployment by half.
- Reduce poverty by half.
- Provide the skills required by the economy.
- Ensure that all South Africans are able fully to exercise their constitutional rights and enjoy the full dignity of freedom.
- Compassionate government service to the people.
- Improve services to achieve a better national health profile and reduction of preventable causes of death, including violent crime and road accidents.
- Significantly reduce the number of serious and priority crimes and cases awaiting trial.
- Position South Africa strategically as an effective force in global relations.

3.4.1.2. Core Components

The 2005 LED Policy identifies a number of core components that are important. The three main core components will be discussed as follows:

- Moving away from a “*project-based*” approach to intervention based on real needs of communities.
- Promoting public and private investment and targeting public sector support.
- Maximise job creation through public infrastructure and service investment.
- A new mindset is needed: LED is about developing robust and inclusive municipal economies, not small unsustainable projects.



The following discussion is based on the core components as listed above and presents extracts from the 2005 LED Policy.

a) **Moving away from a “*project-based*” approach to intervention based on real needs of communities**

There should be a move away from an “*isolated*” project-based approach towards a focus on supporting productive networks of enterprises that are linked into broader support initiatives and markets for the sale of produce. Interventions will have to be based on the real needs of communities and the actual development potentials of district and metropolitan areas or of integrated economic regions that cut across administrative boundaries (DPLG, 2005:4).

The idea is not for municipalities to necessarily run programmes themselves but to focus on establishing forums to build partnerships and to network with a range of stakeholders. Whilst the

question of formally recognising and funding the LED function of municipalities should be pursued, this should not be used as an excuse for municipalities to remain passive in promoting LED. Municipalities should also combine local and district resources and focus on district-wide initiatives especially with regard to developing and implementing a district-wide LED strategy.

Finally, LED should not be viewed only as a programme but everything the municipality does impacts on the local economy. For example, procurement policies can be structured to address the use of local labour and all infrastructure development should reflect positively on the development of the local economy, whatever its primary purpose (DPLG, 2005:9).

b) Promoting public and private investment and targeting public sector support

The central focus of government in implementing LED must be on creating an ideal environment for private sector investment through appropriate public sector investment and by supporting the retention, growth and development of enterprises be they private or co-operatives - whether they are small, medium or large.

Enterprises that are job creating, promote environmental and ecological sustainability, promote social development, and broad-based black economic empowerment should be targeted for public sector support.

The procurement regime of the public sector must be orientated towards supporting the above types of enterprises. Municipalities should utilise development facilitation instruments - be they by-laws, management of development applications, land-use management systems and building plan approvals to influence LED (DPLG, 2005:5).

c) Maximise job creation through public infrastructure and service investment

Government including municipalities must maximise job creation and local income creation opportunities through the enormous investments in public infrastructure and in the operation of services. In other words, everything that government does must be deliberately aimed at impacting on patterns of ownership, production and supply within municipal economies (DPLG, 2005:5).

d) A new mindset is needed: LED is about developing robust and inclusive municipal economies, not small unsustainable projects

Despite successful projects, the way the LEDF was utilised created a common perception that Local Economic Development consists of small “*community*” projects, usually of an unsustainable nature, needing constant injections of public funds and resources. The 2005 LED Policy tries to correct that misconception, but it is important that all municipalities adjust their mindsets (where necessary) and adapt to the need to support and encourage a wider and more vibrant concept of what the local economy is, should be and can be (DPLG, 2005:22).

3.4.2. INSTITUTIONAL FRAMEWORK

Based on the inclusive definition of LED developed in Chapter Two: Section 2.2.1 and informed by the existing 2005 LED Policy discussed above the following policy considerations needs to be taken into account by National, Provincial and Local Government level according to the DPLG (2005):

3.4.2.1. The National Sphere

This whole LED process needs to be continually stimulated, governed and facilitated. According to the DPLG (2005:25) the National LED Forum established to create a focal point for LED in South Africa should work towards:



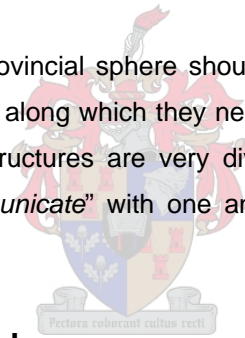
- Improving integrated economic planning.
- Coordinating access to funding and finance for LED initiatives and the creation of multi-sourced funding streams.
- Improving the performance of local government with respect to all aspects of local economic development.
- Assisting local government in identifying and capitalising on local competitive advantage for territorial economic and social development.
- Improving sustainable access to investment finance necessary to capitalise on local competitive advantage for economic development.
- Ensuring the participation of previously disadvantaged communities and individuals in the realisation of the opportunities offered by local economic development.

3.4.2.2. The Provincial Sphere

Provinces should consider forming an LED Forum, or utilise existing forums, along similar lines and with similar aims to that at national level. All key stakeholders in the province must have a role to play, but government needs to play a leading catalytic role. Adequate co-ordination among provincial government departments is a must, with a key role to be played by the OTP (Office of the Premier) as the custodian of the Provincial Growth and Development Strategy (PGDS).

Provincial Forums should seek to co-ordinate the work of the National Forum in the context of each province, using it as a major opportunity to examine and strengthen the PGDS in the light of all the opportunities provided by national government, its knowledge and role with regard to the municipal IDPs and the various provincially-based empowerment and investment bodies. The policies, content operations of the PGDS and the provincially-based empowerment and investment bodies should be constantly strengthened and kept under review, to ensure a real and lasting positive effect on the development of the local economy in the province (DPLG, 2005:26).

Both the national sphere and the provincial sphere should give clear institutional guidelines to local authorities as to the broad lines along which they need to organise and institutionalise their activities. At present organisation structures are very diverse that even in neighbouring local authorities they cannot even “*communicate*” with one another, let alone serve as a basis for meaningful synergy.



3.4.2.3. The Municipal Sphere

LED, which seeks to ensure that all sectors of the population derive benefit from development actions, requires local actors to be innovative (for example, the creation of entrepreneurship) and to find new ways of dealing with development challenges. It is focused on the initiative of local actors and the mobilisation of local resources rather than being solely dependent on external investment and assistance.

The key challenge for local actors is to be proactive, to seize development opportunities and tap into various government programmes public-private initiatives and business networks. Local government must play a leading facilitating role in this process.

Whether or not a Local Economic Development Agency or similar body exists in the area of a Municipal District or Metro, good practice suggests that every municipality should apply itself to procuring that the following are done as a sine qua non for LED:

- To transform the local socio-economic environment in order to facilitate and foster local economic activities.
- Plugging the leaks in the local economy (retaining income in the local economy).
- Development of human capital (skills development focused on the needs of the local economy).
- Development of social capital (encouraging and developing the presence and capacity of all relevant collective stakeholders in the local economy: chambers of commerce, bodies building and grouping cooperatives, NGOs, CBOs, development agencies and local tourism structures).
- Community economic development (community-based initiatives targeted at community businesses and cooperatives, municipal-community partnerships especially in respect of infrastructure and service delivery).
- SMME development (provision of business infrastructure, financial and non financial services, access to affordable finance and start up grants, technical support, involvement of SMMEs in government procurement especially in relation to infrastructure delivery), with special reference for the part of the population which currently has limited access to these services.
- To identify and support business clusters and business opportunities.
- To facilitate the participation of the population in using the opportunities and stimulating the establishment of new businesses or the growth of existing ones.
- To organise network of local actors for preparing and elaborating projects and initiatives which can have access to the provincial, national and international resources which are available.
- To support the creation and/or consolidation of chambers of commerce and business associations, the presence in the territory of qualified and effective business development services, the involvement of organised labour in LED planning and activities, and other similar interventions to ensure the full use of all the available social capital resources in the economic development of the territory.
- To ensure that contacts, links and exchanges with possible national and international economic partners are in place.
- To prepare and implement technically appropriate, viable and sustainable LED components for their IDP's, in alignment with the PGDS.
- To keep a data bank of all relevant information concerning support mechanisms, grants and facilities for assisting LED and human resource, skills and capacity building in LED spheres - from national, provincial, parastatal, donor and other sources. Advising and organising the best uses of these resources at the level of territorial competence.

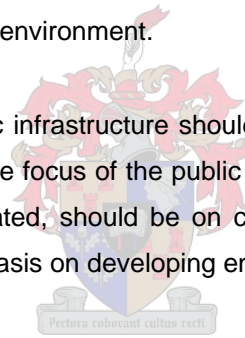
- To market the area and to provide marketing assistance and support to businesses from the area and to attract inward investment.
- To promote local business expansion and retention strategies.
- To encourage the formation of appropriate partnership and coalition structures.
- To introduce preferential procurement policies aimed at broad-based black economic empowerment and promoting local suppliers and contractors (DPLG, 2005:29).

3.4.3. CONCLUDING REMARKS

According to the DPLG (2005:33 -34), the focus of the 2005 LED Policy are summarised as follows:

It is a national priority to achieve broad-based sustainable economic growth and development through job creation, poverty eradication, reduction of inequality and the overall increase of the wealth of the country. Furthermore, socio-economic development should be seen as an integral feature of the overall micro economic environment.

Public sector investment in economic infrastructure should be aimed at strengthening economic development in the various areas. The focus of the public sector in areas outside of those where the majority of people are concentrated, should be on community empowerment, training and information provision, within an emphasis on developing endogenous potential.



Local governments are concerned about the divide into “dual cities” and “dual local economies”. The challenge in South Africa is thus to bridge the two economies and build on their relative strengths in a short amount of time. South Africa has to catch up with a whole range of challenges within a dynamic environment driven by both globalisation and urbanization that generally underpin economic development. In essence local government’s access to capital markets and enhanced socio-economic development depends to a large extent on appropriate and inter-connected urban and rural development strategies.

Against this background, the pressure is on the local economies to be instrumental in harnessing local skills, assets, leadership and their unique strengths to ensure attractive investment and business environments to the benefit of the local economies. To this end local economic development strategies should seek to promote self-sustaining economic growth and the development of vibrant municipalities within an integrated economy.

South Africa has a unitary state that has to fulfil a developmental role. As such, government works together with the people in a “people’s contract” to find solutions to develop problems and challenges. The state aids and supports people to realize their own potentials and objectives. People are energized into self-action. LED is an important instrument for putting the “people’s contract” into action.

The guideline is intended to build a shared understanding of LED in South Africa and put into context the role of local economies in the national economy. They place the emphasis on waging the battle against poverty “on the ground” at the local level by marshalling state action in a locally specific manner in support of local communities. The guideline lays the foundation for deepening community access to economic initiatives, support programmes and information and for the co-ordination of economic development planning and implementation across government and between key role players.

The establishment and development of “*robust and inclusive*” local economies will occur if an appropriate understanding and attitude is adopted by all South Africans informed by the principles and objectives of The White Paper on Local Government (1998) and if there is a dedicated focus on the following actions:

- *“Marketing localities and creating the environment for investment.*
- *Support services for small business including access to finance.*
- *Assistance to targeted growth sectors.*
- *Tailoring of training and labour placement to local labour market condition.*
- *Capacitating and Transformation of government machinery.*
- *Integrating and Co-ordinating across government” (DPLG, 2005:34)*

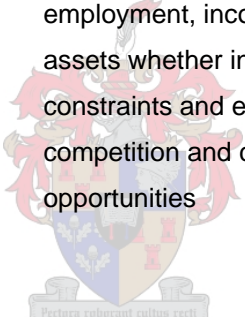
3.5. POLICY COMPARISON AND SHIFT

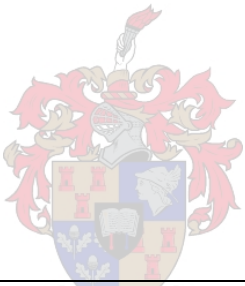
The aim of this section is to identify the main areas of LED policy shift between the 2002, 2004 and 2005 LED Policy.

3.5.1. VISION, CORE COMPONENTS & TARGETS

The vision, core components and targets of the three policy documents are compared in **Table 3.1**.

Table 3.1: COMPARISON – VISION, CORE COMPONENTS & TARGETS

	2002 LED POLICY	2004 LED POLICY	2005 LED POLICY
VISION	<ul style="list-style-type: none"> • Job Creation • Attacking Poverty • Environmental Protection • Gender Equity • Meeting unmet basic needs of the community 	<ul style="list-style-type: none"> • To establish and build resilient and vibrant local economies in South Africa. These will display strength, inclusivity and sustainability. They will support the growth and development of local employment, income and assets whether in the face of constraints and external competition and capitalise on opportunities 	<ul style="list-style-type: none"> • That of robust and inclusive local economies that exploits local opportunities, addresses local needs and contributes to national development objectives such as economic growth and poverty eradication. These economies will show strength, inclusiveness and sustainability. They will support the growth and development of local employment, income and assets whether in the face of harsh constraints and external competition and capitalise on opportunities.

	2002 LED POLICY	2004 LED POLICY	2005 LED POLICY
CORE COMPONENTS	<ul style="list-style-type: none"> • Community Economic Development • Linking profitable growth to redistributive development • Investing in Human Capital • Delivering/maintaining infrastructure • “Plugging the leaks” • Retaining and expanding local business 	<ul style="list-style-type: none"> • Marketing for investment promotion • Support services for small businesses • Assistance to targeted growth sectors • Tailoring of Training and Labour Placement to Local labour market conditions • Capacitating and Transformation 	<ul style="list-style-type: none"> • Moving away from a “<i>project-based</i>” approach to intervention based on real needs of communities. • Promoting public and private investment and targeting public sector support. • Maximise job creation through public infrastructure and service investment. • A new mindset is needed: LED is about developing robust and inclusive municipal economies, not small unsustainable projects.
TARGETS	<ul style="list-style-type: none"> • Community-based Targets • Entrepreneurial Targets • Business Targets • Quality Management Targets • Overall Target (the poor) <ul style="list-style-type: none"> - Low income people - Rural areas - Women and children - Elderly - Disabled people - People living with HIV/Aids - The environment 	<ul style="list-style-type: none"> • Divergence from pro-poor targets to overall targets of the entire local economy including: the skills base, the locality (design local interventions to facilitate indirect impact on the informal economy) and the local business base. 	<ul style="list-style-type: none"> • That all municipalities adjust their mindsets, where necessary and adapt to the need to support and encourage a wider and more vibrant concept of what the local economy is, should be and can be.

(Source: Compiled from the DPLG, 2002:7-22; DPLG, 2004:7-20 and DPLG, 2005:4-22)

The most significant shift in the policy during the re-formulation has been in the vision. The 2004 and 2005 policy provides a clearer indication of specifically where the LED initiatives need to focus. As indicated earlier, the 2004 and the 2005 policy did not present a clear vision as to where the LED actions of local municipalities needed to be aimed. The 2004 and 2005 policy underscores a dramatic re-alignment of this focus i.e. away from the “*basic unmet needs of communities*” to the “*viability of the local economy*”. Through this re-alignment the emphasis has shifted away from the universal aims and objectives of national government as stipulated in the RDP and GEAR to a more narrowed economic focus. This narrowed focus will assist in readdressing the confusion surrounding LED.

With reference to the core components, a marked shift has taken place from general community focal points (community development, redistribution) and infrastructure to economic stimulation through investment promotion, SMME development and stimulating targeted growth sectors to moving away from a project-based approach to an intervention based on real needs of the community, to promoting public and private investment and targeting the public sector. However, the 2004 LED Policy maintains the improvement in the local human capital development component from the 2002 LED Policy, but now primarily as a means to stimulate the economy. The two core components which have been totally omitted from the 2004 and 2005 LED Policy are:

- Plugging the leaks in the local economy – retaining local capital in the economy
- Retaining and expanding the existing local businesses – ensuring the local economy does not contract.

Considering the centrally important role played by viable, self-sustaining existing businesses as the mainstay of local economies and the difficulty of replacing through new business development the jobs lost through the demise of a single medium-sized local enterprise the second omission is unfortunate.

The transformation and capacitation of the local government and delivery mechanisms being introduced in the 2004 and 2005 LED Policy are not contained in the 2002 LED Policy. With reference to the targets of LED initiatives as advocated by the 2004 LED Policy, a similar shift is evident as identified in respect of the vision. However, the targets of the 2004 and 2005 LED Policy are less explicit than those of the 2002 policy. The shift relates to a divergence from the pro-poor targets of the 2002 policy to overall targets in respect of the entire local economy, including the skills base, the locality and the local business base. Therefore, the attention focused at local businesses in the 2002 LED Policy (retaining and expanding the existing businesses) has

become a target of activities rather than a core component of the policy. The target of the 2005 LED Policy is a broader target in that all municipalities should adjust their mindsets, where necessary and adapt to the need to support and encourage a wider and more vibrant concept of what the local economy is, should be and can be. According to the 2005 policy, LED is about developing robust and inclusive municipal economies, not small unsustainable projects.

Apparent shifts have taken place with regard to the three policies in terms of the core components and the targets of interventions. The re-alignments that have taken place regarding the institutional framework, within which the three spheres of government interact to deliver LED, are identified in the next section.

3.5.2. INSTITUTIONAL FRAMEWORK

The institutional frameworks of the two policies are compared in order to identify and highlight the movements which have taken place regarding the specific activities that must be undertaken by the respective spheres. **Table 3.2** indicates the various elements of the 2004 LED Policy and the 2005 LED Policy that represent additions to the 2002 Policy.

Table 3.2: IMPLEMENTATION INDICATORS

LEVEL	INDICATOR	CONTAINED IN 2004 POLICY	CONTAINED IN 2005 POLICY
NATIONAL	Provide strategic legislative framework for LED	✓	✓
	Maintain intergovernmental relationships / co-ordination	✓	✓
	Obtain support & commitment for LED		
	Develop regulatory mechanisms	✓	✓
	Monitor implementation and impact	✓	
	Provide budgetary resources	✓	✓
	Disburse LED information to provincial and local levels	✓	✓
	Invest in infrastructure and systems to address communications failure		✓
	Communicate opportunities and resources in a co-ordinated way		✓
	Provide affordable and sustainable energy		✓
PROVINCIAL	Align and coordinate LED initiatives	✓	✓
	Strengthen and support local government	✓	✓
	Provide financial and technical resources	✓	✓
	Share information	✓	✓

LEVEL	INDICATOR	CONTAINED IN 2004 POLICY	CONTAINED IN 2005 POLICY	
	Monitor and evaluate LED impact provincially	✓	✓	
	Promote the access to finance		✓	
	Contribute directly to creation of entrepreneurship (where little external investment)		✓	
LOCAL (DISTRICT)	Plan and coordinate LED strategies	✓	✓	
	Establish LED capacity within the District	✓	✓	
	Identify lead sectors			
	Collect and disseminate LED information and data			
	Identify, access and allocate LED resources, in consultation with municipalities		✓	
	Maintain a strong relationship with other spheres of government	✓	✓	
	Provide capacity building for local governments		✓	
	Unite Second Economy with the First		✓	
	LED support offices to be set up in all District Municipalities		✓	
LOCAL (MUNICIPAL)	Direct	Infrastructure investment and cross-subsidisation of services to low-income households in ways that ensure developmental LED opportunities		
		Local policy formulation and leadership of integrated economic development and spatial planning		
		Collation and interpretation of economic intelligence		
		Coordinating government's economic development and related programmes		
		Provision of business infrastructure in previously disadvantaged areas		
		Support to SMME including the facilitation of funding and training.	✓	✓
	Indirect	Creation of an enabling environment, including rendering better services		✓
		Improvement of operational efficiency		✓
		Facilitation of sustainable community projects		
		Attraction and facilitation of development funding		
		Dissemination of information on LED		
		Provide and implement a pro-poor LED strategy		

LEVEL	INDICATOR	CONTAINED IN 2004 POLICY	CONTAINED IN 2005 POLICY
	Coordinate LED activities locally within the municipality and with other local stakeholders and the community		✓
	Building capacity for LED	✓	✓
	Source information and funding for LED		
	Mobilise civil society to participate in LED through public-participation	✓	✓
	Establish linkages between sectors, firms and groups and promote clustering		✓
	Undertake LED studies as part of the municipal LED	✓	✓
	Implement sector requirements for LED		

Table 3.2 suggests that the institutional framework has remained relatively stable with reference to the provincial and national spheres of government. By contrast, the requirements from a local level perspective have undergone significant changes implying management implications. The following section presents a delineation of the latest requirements for the different levels with specific emphasis on the local government level.

3.5.2.1. National & provincial spheres

The 2004 policy provides that a “*National LED Facilitation Unit*” needs to be established with the following tasks (note that the issues which are similar to those listed in the 2004 policy are omitted from the following list):

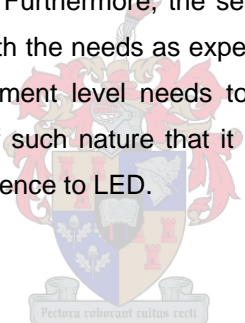
- Improving integrated economic planning across government.
- Coordinate access to funding and finance for LED initiatives.
- Improving the performance of local government with respect to all aspects of local economic development.
- Assisting local government in identifying and capitalising on local competitive advantage for territorial economic and social development.
- Improving access to investment finance necessary to capitalise on local competitive advantage for economic development.
- Ensuring the participation of previously disadvantaged communities/individuals in the realisation of the opportunities offered by LED.
- Encourage the formation of partnerships between key stakeholders at different spatial scales.

Similar to the 2004 policy is the 2005 policy which provides that Provinces should consider “forming a LED Forum, or utilise existing forums, along similar lines and with similar aims to that at national level” (DPLG, 2005:28). The 2005 policy suggests that all key stakeholders in the province must have a role to play in this co-ordination, in which government needs to play a leading role.

With reference to the provincial sphere, the 2004 policy suggests that “planning and support for local economic development on the part of the provincial administrations is crucial” (DPLG, 2004:33). The various government departments active in LED-related projects should be coordinated and better project implementation timeframes should be established to avoid the current practice of project dumping at the end of financial years (Refer to Section 3.3.2.2).

The 2004 and 2005 policy aligns with the Local Government White Paper (1998:39), which suggests that “provincial government should ensure that municipal IDP’s combine to form a viable development framework across the province, and are vertically integrated with the Provincial Growth and Development Strategy”. Furthermore, the sectoral plans of provincial departments and parastatals need to be aligned with the needs as experienced at a local level and expressed in the IDP’s. The provincial government level needs to ensure that the quality of the local planning initiatives i.e. the IDP’s is of such nature that it is appropriate to inform the provincial planning activities especially with reference to LED.

3.5.2.2. Local Sphere



A broad range of activities have been identified that need to be undertaken by the local municipality and these are delineated in the 2004 and 2005 policy. **Table 3.3** provides an indication of the activities associated with each core component of the 2004 policy.

A number of activities cannot clearly be associated with the core components of the 2004 LED Policy, but are directly linked to the core components of the 2002 and 2005 LED Policy and include:

- Community economic development.
- Plugging the leaks in the local economy (retaining income in the local economy).
- To promote local business expansion and retention strategies.

Table 3.3: CATEGORISATION OF ACTIVITIES VIS-À-VIS THE CORE COMPONENTS

CORE COMPONENT	LOCAL MUNICIPALITY ACTIVITIES
Marketing for investment attraction	<ul style="list-style-type: none"> To market the area and to provide marketing assistance and support to businesses from the area and to attract inward investment.
Support for SMME	<ul style="list-style-type: none"> SMME development
Assistance to target sectors	<ul style="list-style-type: none"> To identify and support business clusters and business opportunities together with sectoral stakeholders
Tailoring of training & labour placement	<ul style="list-style-type: none"> Development of human capital (skills development focused on the needs of the local economy) in collaboration with DOL Development of social capital
Transformation & capacitation	<ul style="list-style-type: none"> No specific activities are listed in the policy document

(Source: DPLG, 2004:10-30)

The 2004 and 2005 LED Policy advocates a significant shift in the actions that need to be undertaken by the local government sphere with limited redirection being advocated for the national and provincial spheres of government. **Table 3.4** summarises the shift that occurred at the local sphere with reference to the institutional framework.

Table 3.4: LOCAL GOVERNMENT INSTITUTIONAL SHIFT

	2002 LED POLICY	2004 LED POLICY	2005 LED POLICY
DISTRICT MUNICIPALITIES	<ul style="list-style-type: none"> No clear indication 	<ul style="list-style-type: none"> Create well structured LED Unit Support Body Monitoring Body Information Body 	<ul style="list-style-type: none"> LED support offices to be set up in all District Municipalities Enhance social capital of a locality Development of local economy is a cross-cutting issue (not just component of IDP)

	2002 LED POLICY	2004 LED POLICY	2005 LED POLICY
LOCAL MUNICIPALITIES	<ul style="list-style-type: none"> • LED Unit • Centre of Municipality • Budget • Support by Municipal Manager 	<ul style="list-style-type: none"> • Establish LED Forums • At Municipal Level: <ul style="list-style-type: none"> - Appoint Officers to drive outreach - Stimulate participation - Build trust and collaboration - Create partnerships 	<ul style="list-style-type: none"> ○ Establish economic stakeholder forums ○ Promote participation of local community in LED ○ Have capacity to understand the opportunities and competitive advantages of locality.

(Source: DPLG, 2002:7-22; DPLG, 2004:7-20 and DPLG, 2005:4-22)

Table 3.4 provides a clear indication of the shift that has taken place with reference to the proposed guideline institutional framework at local level. At a district level clearer indications are provided regarding the specific institutional arrangements that should be followed i.e. creating a well-structured LED unit together with an information office, support office and a monitoring office. At a local level the LED Unit should be maintained with emphasis being placed on establishing LED and economic stakeholder forums to underpin the stimulation of partnership creation by way of participation and the building of trust and collaboration.

The shifts identified in the preceding paragraphs, have direct operational implications for the Frances Baard local government, with reference to the management of LED in a specific local context (Refer to Chapter Four). The generic operational implications for local government of the policy shift identified above are discussed in the following section.

3.6. OPERATIONAL IMPLICATIONS FOR LOCAL GOVERNMENT

The shift in the policy has direct operational implications for the local government sphere throughout South Africa. In order to identify and rank the implications a number of interviews were conducted with LED practitioners. The interviews were utilised to rank the identified operational implications. A limited number (10) interviews were conducted in order to gain insight into the perceived importance of the operational implications from the viewpoint of practitioners who are active in the LED field in both the government and non-governmental sectors. An unstructured interview technique was employed to identify the operational implications following which the implications were summarised and presented to the same interviewees for priority ranking.

3.6.1. OPERATIONAL IMPLICATIONS

3.6.1.1. Human Resource Capacity

The first implication that was identified in the majority of the interviews was the level of staffing of especially the LED departments that must be expanded to deal with the delivery of LED. In terms of the delivery of LED, the municipalities indicated that they are not adequately staffed to plan, implement, monitor and evaluate and adjust their activities to facilitate LED. This issue relates only to the number of staff available and active in the LED field (Moremie, 2006; Mtwana, 2006). This perception relates in part to the nature of LED in local government as discussed in Section 2.2.1 above. The extent to which the relevant officials perceive LED as a “thing they do” rather than “a way the municipality in its entirety does things” would tend to escalate their perceived resource requirements. A broader conception of the nature of municipal LED would suggest as discussed in Section 2.2.1 that the entire resources of the municipality must in fact be at the disposal of LED to the extent that the manner in which they are disbursed is informed by and serves municipal LED objectives.

3.6.1.2. Technical Skills

The second issue that was identified is that there is a limited (perceived) availability of appropriately skilled personnel in the municipalities. These skills relate to the technical skills (such as basic budgeting skills and skills related to report writing), networking skills and basic economic skills encompassing some insight and understanding of the economy and of the relationships that govern it (Sithole, 2006; Swartz, 2006). This implies that the local municipality needs to recruit and retain appropriately skilled personnel. This issue has direct implications for the management and development of the human resources within the local municipality.

3.6.1.3. LED as Municipal Priority

An overall and general indication was that, while LED considerations contained in the majority of the municipal IDP's, LED does not appear to be an implementation priority area for the local government (Damonse, 2006; Maruma, 2006; Mangena, 2006). There is further consensus that the various LED planning documents such as the LED Sector Plans and the LED dimension in the IDP's are undertaken purely to comply with the legislative requirements as discussed earlier. Due to the supposed status of LED in the overall organisation, specific actions need to be undertaken to reposition LED as a critical function of the municipalities.

3.6.1.4. Understanding of LED

The fourth issue that was identified relates to the technical skills shortage. The confusion between LED and community development is hampering LED planning and delivery, and this implies that municipalities should separate the institutional arrangements, focusing on these two related, but distinct concepts during implementation.

3.6.1.5. Practical LED Strategies

Local municipalities are constrained in their delivery of LED due to poor planning (municipalities regard their IDP's as the primary document guiding project implementation and the associated budget processes) (Modishane, 2006; Van Zyl, 2006). LED must be organisationally located at the core of municipal decision making, near to the CEO and close to IDP. LED should no longer be seen as an objective, but rather as the function of the municipality as a whole. LED is thus seen as everything that impacts economic development and growth at local level.

3.6.1.6. Increased flexibility

Interviewees have indicated from their experience that LED officials are constrained by the long decision-making processes and the limited autonomy of the LED departments (Damonse, 2006; Moremie, 2006). To the extent that the 2004 and 2005 policy reflects an inclusive view of LED that sees it as a function of the entire community and of the entire municipality and does not relegate it merely to an "LED Section" within the municipality, the issue of flexibility becomes important. In particular this flexibility needs to relate to the establishment of a matrix of lateral liaison and co-ordination mechanisms within the municipality and across the community to ensure compliance of all decisions to the precepts and imperatives of LED

Based on the 2004 and 2005 policy, municipalities should facilitate interaction across the community. There is a growing view that the establishment of mechanisms outside of government in the form of Local Economic Development Agencies, based on community partnerships involving government and other stakeholders, provide a more flexible vehicle for achieving this, leaving the internal co-ordination and alignment of local government's own LED activities in the hands of an internal LED unit within local government.

3.6.1.7. Alternative Resources

The availability of financial resources for the implementation of projects is further limited as a result of the limited awareness of the alternative financial resources available for project implementation (Van Zyl, 2006; Mangena, 2006). Municipalities view project implementation as its sole mandate. They should view the attraction of private sector capital as an alternative, non-municipal source of funding. The implication of this is that the municipalities need to create a database of alternative sources of financial and other resources that can be employed during project planning and implementation.

3.6.1.8. IDP planning

As indicated earlier (refer to (e) above – Practical LED strategies), municipalities view the IDP as the “*highest authority*” document (Mangena, 2006; Van Schalkwyk, 2006). The capability of the majority of municipalities to compile comprehensive IDP’s is limited and this weakness is compounded through the implementation of poorly focused strategies contained in the IDP’s. Local government should therefore embark on a process of seeking outside assistance during the IDP formulation process. A critical defect in the process associated with the employment of consultants in the formulation of the IDP’s, is that while the quality of the IDP’s might be higher the complexity of actions incorporated in the IDP is also increased, thereby further inhibiting the ability of local government to implement the IDP’s. Municipalities should therefore prioritise the projects (flowing from the IDP) in a manner that takes into consideration their capacity to implement them.

This is one of the key paradoxes facing local municipalities. Problems associated with project prioritisation and the potential for “*project picking*” are key concerns underlying project funding. This supports the argument for the use of objective project prioritisation models using criteria such as “*strategic importance*” and “*catalytic effect*”, but these must be related to predetermine overall, coherent goals and objectives. However, the projects selected by such selection criteria often result in the selection of the most intricate and difficult projects in terms of implementation. IDP’s are usually generated by “*facilitators*” that have no economic knowledge which results in IDP’s that are internally inconsistent and incoherent and bear little relation to economic reality.

3.6.1.9. LED Vision

Interviewees have indicated that in their experience the local municipalities do not have a strategic vision relating specifically to the local economy (Maruma, 2006; Mtwana, 2006). While

municipal visions tend to incorporate some element of employment creation, it does not provide adequate strategic direction for the LED activities per se. Municipalities should therefore embark on a strategic planning session and determine specifically the strategic direction for LED that will guide the officials in their LED delivery activities.

3.6.2 RANKING

The interviewees were asked to rank each of the above implications on an ascending scale from 1 to 10 in terms of how important they perceive it to the management of LED at the local level. The mean of the scores attributed by the interviewees to each implication is utilised as the instrument of ranking. The coefficient of variance (COV) is utilised as a measure of variability. **Table 3.5** presents the ranked implications together with additional statistical information relating to the responses. From the table, it is evident that the first four implications are viewed as critically important by the majority of the respondents and these are:

- LED as a municipal priority
- Technical skills
- Understanding of LED
- Human resource capacity



Table 3.5: OPERATIONAL IMPLICATIONS

IMPLICATION (RANKED)	MINIMUM	MAXIMUM	MEAN	MEDIAN	STANDARD DEVIATION	COEFFICIENT OF VARIANCE
LED as Municipal priority	8	10	9.0	9.0	0.5	5.2
Technical skills	8	10	8.9	9.0	0.6	6.4
Understanding of LED	8	10	8.9	9.0	0.6	6.4
Human resource capacity	8	10	8.8	9.0	0.8	9.0
Own budget	6	10	8.2	8.0	1.1	13.8
Practical LED Strategies	6	9	7.6	7.5	1.0	12.7
Increased flexibility	5	10	7.2	7.0	1.6	22.5
Additional financial resources	5	8	6.9	7.0	1.1	15.9
IDP planning	5	8	6.8	7.0	1.0	15.2
LED Vision	2	10	6.2	6.5	2.9	46.7

(Source: Calculations based on interviews, 2006)

The variance in the respective scores attributed to these elements is limited suggesting a relatively high level of agreement in respect of these rankings by interviewees. The remaining implications decrease in importance according to their mean scores. The increasing variance in response, as between interviewees, suggests a less homogeneous view of their relative importance. The “LED Vision” implication recorded the highest coefficient of variance (46.7) i.e. the interviewees showed a high degree of divergence of view regarding the importance of this implication on LED and the policy.

Based on the outcomes of the interviews, the identified implications can be categorised into primary and secondary categories according to their relative importance and as follows:

3.6.2.1. Primary implications:

- Re-aligning the organisation to view LED as a priority.
- Ensuring that the staff active in the LED activities are appropriately capacitated and have the necessary technical skills.
- The clarification of the activities required to deliver LED (What LED is, what it is not and how to drive the process).
- Strengthening the LED departments, to actively implement LED with reference to ensuring that the LED units are appropriately and adequately staffed.

The secondary implications relate to the support activities with reference to the execution of LED:

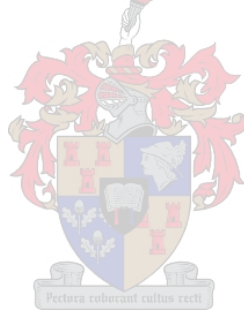
3.6.2.2. Secondary implications:

- A dedicated budget should be provided to the LED units in order for this department to undertake strategic planning and strategy implementation. In other words, a move away from the current ad hoc planning and implementation funding.
- Improving the quality of LED strategies to be more practical.
- A mandate should be given to the LED unit to implement projects (within the mandate) but in a more autonomous manner (the LED units should operate in a quasi-independent manner).
- Awareness should be created in local government, regarding the alternative sources of funding and support services for LED projects.
- The IDP's need to be improved with specific reference to the LED dimensions.
- Local government needs to formulate and disseminate a vision for LED.

3.7. SUMMARY

The focus of the 2004 and 2005 policy is radically different from the traditional service-orientated focus of local authorities. With reference to LED, a number of changes have to be made by local government to successfully implement and institutionalise the 2005 LED policy. The management implications are interrelated and address the different implications in an ad hoc manner and will not result in a comprehensive re-alignment of the activities of municipalities. Through addressing the primary implications, most notably repositioning LED as a municipal priority and resolving the staffing issues some of the secondary implications can be ameliorated. This needs to be done institutionally – that is organisationally and operationally but in a way that recognises the essence of LED namely, that it is an inclusive systems view of the totality of actions bearing upon the local economy. Thus, it is not the province of a single department alone but rather of all departments and stakeholders together each with its own niche function and competence.

Chapter Four presents a brief overview of the background and LED arrangements at district level and at the level of the four individual local authorities of the Frances Baard District.



CHAPTER FOUR:

Case Study: Frances Baard District Municipal Area

4.1. INTRODUCTION

The purpose of this section is to do a qualitative research study of the Frances Baard District Municipality (FBDM) and the four Local Municipalities in the Northern Cape region in order to outline the difficulties Local Government experience in terms of the roles and responsibilities of municipalities when delivering and implementing Local Economic Development.

As mentioned in Chapter Two, Local Economic Development (LED) is a process based on local initiative, driven by Local Government and stakeholders to manage resources and stimulate economic activity in a defined economic zone. The goal of LED in the Frances Baard District is to increase the number and variety of job opportunities for the local community, to alleviate poverty and to redistribute resources and opportunities to benefit all the local residents (Frances Baard District Municipality IDP, 2004-2005).

A LED strategy is an important tool available to all stakeholders including the municipality in order for them to add value to the area and to facilitate and guide economic developments and investments. Sometimes there are difficulties between the roles and responsibilities of district and local municipalities in terms of who should facilitate and guide the economic development in the municipal area. The researcher proposes that an assessment of these difficulties in the context of the Frances Baard District Municipality and the four Local Municipalities in the region will provide important strategies for other district and local municipalities to overcome these potential shortcomings that occur within their organisations.

In the Frances Baard District, there are various opportunities in terms of Local Economic Development, but the main problem is: "*Who is responsible for the planning, formulation and implementation thereof?*" In order to implement the required activities and projects the capacitation and alignment of the Frances Baard District and local municipalities, is of utmost importance. The roles and responsibilities of these municipalities and the nature of the interactive relationship between them must be explicitly highlighted and investigated in order to decrease the problems and to broaden economic development in the Frances Baard District. If the correct

structures and frameworks are not in place this study suggests that Local Economic Development as an overall approach of Local Government will not occur.

In this chapter there are four main focus areas which are as follows:

- The location of the Frances Baard District.
- Brief overview of the Frances Baard District in terms of economic and socio-economic dynamics.
- The various problems that are experienced by the Frances Baard Local Government in terms of economic development.
- This section will conclude with focussed interventions on how the Frances Baard District should be.

Each of these elements serves to provide a different dimension on the challenges facing LED in the Frances Baard District and serves to inform the conclusions as to what constitutes an indicated set of interventions in support of LED.

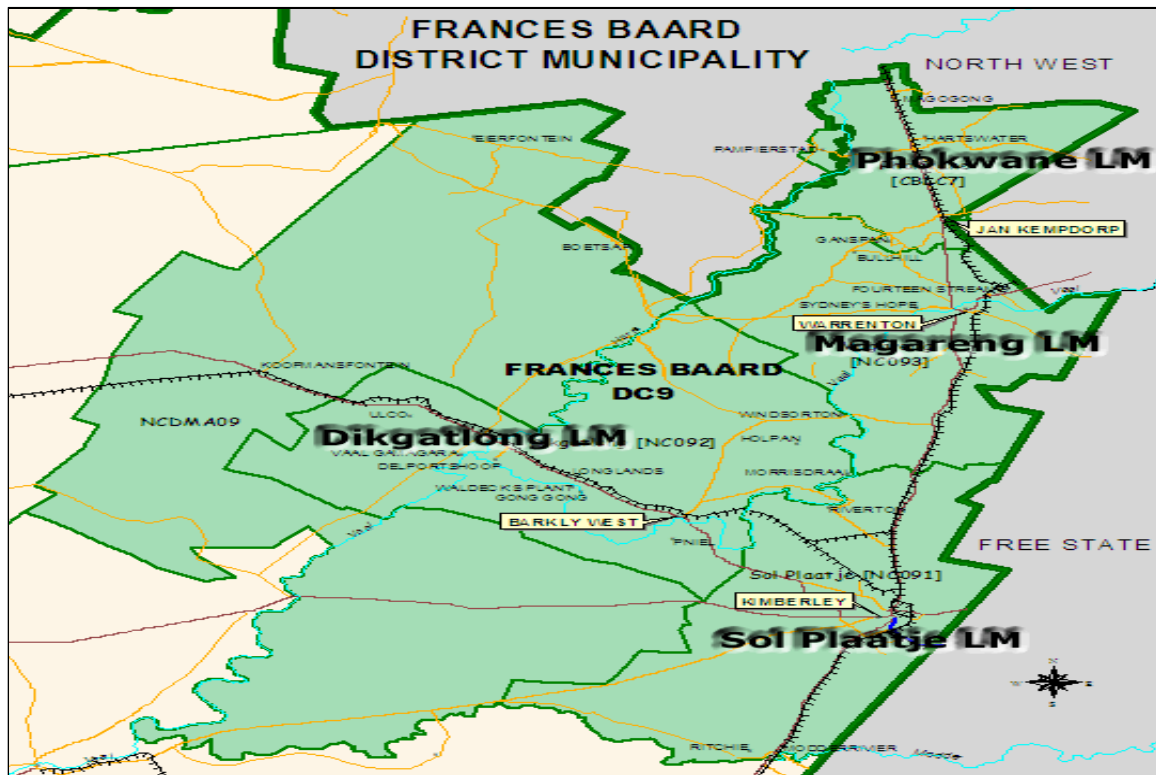
4.2. LOCATION OF THE FRANCES BAARD DISTRICT

The study area comprises the Frances Baard District Municipal area. The Frances Baard District is the smallest district in the Northern Cape Province with the largest proportion of the population. This gives the district the largest population density (26.2 persons per square km) in the province. The Frances Baard District Municipality comprises the Frances Baard District Management area and the four local municipalities, as illustrated below:

- Phokwane Local Municipality
- Sol Plaatje Local Municipality
- Dikgatlong Local Municipality
- Magareng Local Municipality

Map 4.1 illustrates the specific location of the various local municipalities within the Frances Baard Municipal District.

Map 4.1: THE LOCAL MUNICIPALITIES WITHIN THE FRANCES BAARD MUNICIPAL DISTRICT.



(Source: Frances Baard District Municipality, 2006)

4.3. BRIEF OVERVIEW OF THE FRANCES BAARD DISTRICT

In order to accurately formulate strategic institutional design guidelines which are focused, holistic in nature and appropriate for the Frances Baard District, it is necessary to undertake a brief analysis of the current situation within the district. This section will provide a brief overview of the Frances Baard District in terms of the economic and socio-economic dynamics of the area which impacts on Local Economic Development (LED). The Quantec Research Database (2006) was utilised in order to gather the economic and socio-economic information needed for this section.

4.3.1. SOCIO-ECONOMIC OVERVIEW OF THE FRANCES BAARD DISTRICT

According to Quantec Research Database (2006), there are approximately 301 995 residents within the Frances Baard District. The main population concentration is in the Sol Plaatje municipal area where approximately 66.7% of the district population resides. Phokwane and Dikgatlong follow with 12.9% and 11.9% of the regional population respectively. The smallest populations can be found in the Diamondfields area where only

1.3% of the population is found. The population of the Frances Baard District is expected to expand to approximately 390 560 people by the year 2010. Although the specific impact of HIV/Aids has not been clearly researched, it is anticipated that this will have a definite impact on the population of the region.

The age group between 15 - 34 years is the largest and constitutes about 35.7% of the population, followed by the age group between 35 – 64 years which constitutes about 29.3%. The category 65+ years constitutes the smallest numbers (5.3%) of the population. The population profile is very young, with the concentration of people being between the ages of 0 – 34 years (65.5%). This implies that the number of new entrants into the labour pool rises each year. The reason for this is that a large portion of the population is currently too young to be formally employed, although they are in need of some form of income to contribute to household survival.

The employment rate refers to those economically active people who are unemployed and looking for work as well as persons who are unemployed and not looking for work but would accept work if it was offered to them. This category also includes the non-economically active population that includes people who are not working but are housewives, scholars/full-time students, pensioners, disabled or not wishing to work.

The Frances Baard's unemployment rate accounts for 23.1% and the non-economically active rate accounts for 41.7% and 35.1% of Frances Baard's district population is employed locally. It also provided 21.9% of the primary sector employment (12.8% of all agricultural related opportunities and 9.1% of the mining and quarrying opportunities), 13.1% of the secondary sector employment opportunities and 65% of the tertiary sector employment opportunities.

Only 25% of the labour force in the Frances Baard District had a Grade 12 or higher qualification and 17% of the Frances Baard's labour force has no formal schooling at all. This has serious implications for employment and income generating opportunities of the local population. It also has clear implications in terms of capacity building as part of any LED programme. In total, 75.9% of the Study Area's population has some form of schooling and can be regarded as literate.

Approximately 47.2% of the Frances Baard District's population is HIV positive. This has serious negative implications for the district and the population. Again it bears directly on the medium to longer-term sustainability of economic development within the district and on the maintenance of a sustained or growing base of local skill and experience. The Sol Plaatje municipal area is the area with the highest rate of HIV positive people (65.1%) in the Frances Baard region. The high rate of HIV positive people in the Frances Baard District will also have short, medium and long

term implications for health and social welfare expenditure in the district and lead to a bleeding away of budgetary resources for this purpose, which could otherwise have been spent on building the productive local economic base.

4.3.2. ECONOMIC OVERVIEW OF THE FRANCES BAARD DISTRICT

The primary economic activities (agriculture and mining) contributed 20.2% towards the district Gross Geographic Product (GGP). Mining (17.6%) is the main primary activity with only limited agricultural activities taking place (2.6%).

The secondary sector activities (consisting of manufacturing, electricity and construction) contributed 11.5% to the GGP. The highest secondary activity is the manufacturing sector which has contributed 6% to the regional economy of Frances Baard. In totality the secondary activities are experiencing a decline in the relevant importance of these activities. The tertiary activities (consisting of trade, transport, finance and services) in the region dominate the economy with a contribution of 68.2% to the district economy.

Table 4.1 presents the relative size of the four local economies within the Frances Baard District in terms of their *total contribution* to the aggregate economy and presents also the growth rates of the different sectors within the four local economies. The sectoral importance within each local economy is indicated.

Table 4.1: MUNICIPAL CONTRIBUTION AND SECTORAL GROWTH

Municipality	Municipal Contribution			Sectoral Growth (2001 – 2004)								
				Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Services
	1996	2001	2004									
Phokwane	11.8%	11.3%	10.8%	0.6%	6.2%	-1.1%	-8.5%	-9.1%	4.2%	5.2%	-0.1%	6.8%
Sol Plaatje	75%	75.7%	75.7%	-3.1%	2.4%	1.9%	-1.8%	-5.8%	2.9%	4.6%	1.3%	6.8%
Dikgatlong	10%	9.7%	10.1%	-1.4%	5.4%	1.9%	-7.8%	-3.7%	5.4%	6.9%	-2.0%	2.7%
Magareng	2.4%	2.4%	2.4%	0.8%	6.3%	2.1%	-4.0%	-4.4%	5.5%	3.2%	-1.2%	4.3%
Diamondfields	0.9%	1.0%	1.1%	1.2%	7.3%	0.3%	0.0%	-2.9%	4.3%	6.0%	-0.2%	9.8%
Frances Baard	100%	100%	100%	-0.2%	3.4%	1.5%	-4.0%	-6.0%	3.4%	4.9%	1.0%	6.5%

(Source: Quantec Research, 2006)

Table 4.1 provides a clear indication of the geographic distribution of the economic activities within the Frances Baard District. It is evident that the local economy of Sol Plaatje is the main economic region within the Frances Baard District and it is also increasing its relative contribution to the regional economy. Its economic importance and domination of Sol Plaatje is evident from the fact that more than 75% of the economic activity is situated in the Sol Plaatje Local Municipal area.

The second most important economy is the Phokwane Municipality, which contributed 10.8%, and is followed by the Dikgatlong Municipal area with 10.1%. The Magareng economy is the second smallest of the municipal economies (2.4%) and the Diamondfields area is the smallest area which only contributed 1.1% to the regional economy.

It is evident that the geographical distribution of the economic activities is highly concentrated in the Sol Plaatje Municipal area and that the smaller economies do not contribute meaningfully to the regional economy. This implies that the district economy is highly dependent on the economic activities and the GGP originating in the Sol Plaatje Municipal area. This raises clear questions of geographical LED focus for the Frances Baard District as a whole. Does the district focus its efforts on Sol Plaatje to capitalise on local economies of scale (a market-based approach), or does it take a “worst first” approach by concentrating its efforts in the lesser economic nodes. Alternatively it can combine these approaches in a manner and to a degree that needs to be resolved by local consensus informed by objective economic analysis by focussing its market-based interventions so as to achieve economies of scale and to concentrate its efforts in other areas on social capital formation.

The Services sector recorded the highest growth within the Frances Baard District economy. The sector grew by 6.5% over the 2001-2004 periods. The Construction sector recorded the highest decline within the Frances Baard District economy, with a decline of 6% over 2001 to 2004. These behaviours are economically speaking consistent with:

- The trend nationally and worldwide towards service sector expansion; and
- The nature of the construction industry that derives its demand from other economic sectors and can be relatively variable.

The main employment sector within Frances Baard is the Services sector which provided approximately 37.8% of the employment opportunities within the local economies in 2004. The primary employment provision area within the Frances Baard District is the Sol Plaatje region. This is due to the fact that Sol Plaatje has the largest economy. It provides approximately

61% of the employment opportunities while the remaining municipal areas provide the remaining employment. The secondary employment areas are Phokwane (19.9%) and Dikgatlong (11.4%).

It should be noted that the preceding paragraphs dealt with the socio-economic and economic trends within the Frances Baard District. However, it is necessary to review each local municipal economy in order to highlight the various problems and to identify the key developmental shortcomings, which will be further discussed in the next section.

4.3.3. MUNICIPAL OVERVIEW OF THE FRANCES BAARD DISTRICT

4.3.3.1. Phokwane Municipality

The Phokwane Municipal area is predominantly residential. Although there is evidence of a fair number of middle income households, e.g. in parts of Hartswater and Jan Kempdorp, the majority of people in Phokwane fall into the lower income brackets. Given the slow growth of the local economy and growing populations in some areas, the level of unemployment is set to grow. This could be further aggravated by the shortage of tertiary institutions where school leavers can gain skills relevant to the job market.

Although a range of municipal and other services (infrastructure, schools, clinics, social services) are available in the Phokwane Municipal area, there is a general lack of sufficient facilities such as retail, commercial and industrial, that could employ sufficient numbers of people and provide acceptable range, prices and quality to ensure that money is spent in the area. Furthermore, although there are sub-regional nodes, corner shops and spazas for the daily needs of local communities at various scales, there still appears to be a need for an industrial node where agricultural products can be processed and value added. This could provide for substantial employment opportunities and inflow of capital into the Phokwane Municipal area.

The scarcity of employment opportunities, higher order shopping and business facilities within the Phokwane area forces people to travel over long distances, paying well over R20 per trip to places such as Kimberley. This has affordability implications in the context of pervasive low incomes.

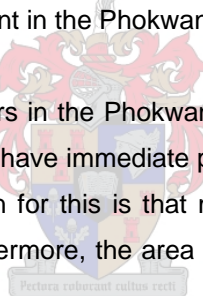
Areas close to the major transport spines generally have access to the most engineering service infrastructure, e.g. telecommunication, electricity and water. It should be noted that although piped water (yard taps) is available to most households, the second most dominant form of sanitation is still pit latrines (34.6% in 2001). As one moves away from the major routes deeper

into rural settlements, the level of services declines (instead of taps on site, one starts coming across communal taps or boreholes). The further one moves from the activity/ transport spines, the poorer the respective towns/settlement's economic growth prospects appear to become.

In the Phokwane Municipal area the predominant form of housing is a self-built mud, zinc or cement brick house. Most of the Phokwane area generally appears to have adequate access to social services. However, substantial public investment is required to upgrade engineering services and transport infrastructure if the Phokwane area's economic growth prospects are to improve.

The Phokwane area does therefore not have the ability to provide in all the needs of its residents, which raises doubt about the future economic sustainability and viability of the local economy. The sheer numbers of the local population are not enough to drive the economy on a growth path, simply because the surrounding local economies (such as Kimberley and Vryburg) are large enough and close enough to stifle any competition from within the Phokwane Area. Furthermore, there is a distinct lack of entrepreneurship, capital and other economic inputs that would be required to initiate economic development in the Phokwane area.

Interviews held with various stakeholders in the Phokwane area indicated that in general people are positive about their area and do not have immediate plans to move elsewhere (Mtwana, 2006 and Interviews held, 2006). The reason for this is that most people view their area as a place where they have historical roots. Furthermore, the area is viewed as being non-violent with less crime than in other areas.



Although unemployment rates are high (13.6%) and income levels are generally low, the standard of living is seen to be relatively high when compared to some informal townships in other parts of the country. Housing quality is relatively higher as well as local services in certain areas and consequently most residents in the Phokwane area will probably stay where they are. Consequently, it is believed that economic conditions could improve at a faster rate around the Hartswater and Jan Kempdorp regions than is the case in the rest of the Phokwane area (Phokwane LED Strategy, 2004; Interviews held, 2006).

4.3.3.2. Sol Plaatje Municipality (SPM)

Kimberley is the economic hub of the Northern Cape Province in terms of GDP contribution and formal and informal employment. Sol Plaatje contributes approximately 75.7% to the total GDP in the Frances Baard Municipal district, which implies that its economy is very strong and that a lot

of production that occurs in the province, occurs within this municipal area. According to the Sol Plaatje Municipal IDP (2002), the population figures for the Municipality were estimated at 231 000 persons.

The SPM area has a very young population/age profile with 39.5% of the total population of the SPM falls into the 0 -19 year age bracket. Only 1.2% of the population fall into the age cohort 70-74 years. The age group between 20 and 34 totals 25.4%, but is slowly declining due to young people leaving the area to study or find employment outside of the province and who never return (Sol Plaatje Municipality IDP, 2002). This has the effect of stripping the economically active heart out of the area, including its most promising entrepreneurial and other skills that generally are more mobile and able to find better prospects elsewhere. In turn this has clear implications for the capacity of the area to retain skills and capacity developed through LED interventions, as it has for the quality of the local human resource base available to underpin local economic development.

Interviews with local stakeholders, indicated the perception of an increased out-migration of post-graduates/professionals and school leavers to other countries (such as Britain, Australia, New-Zealand and the USA) because of the lack of job opportunities within the area and the country. Another reason for the out-migration is also the lack of entertainment in the local area and other lifestyle considerations (Mtwana, 2006 and Interviews held, 2006).

The young population profile for the SPM implies a higher dependency on government resources for education and social services. On the basis of present trends, education facilities would be an essential need in the future as they will have to accommodate the large number of future primary and tertiary pupils in the Sol Plaatje Municipal area. The area currently has tertiary education facilities (for example, the Northern Cape College and the Institute for Higher Learning in Kimberley) and infrastructure to meet the immediate needs of the local community and surrounding towns.

The education levels of the population in Sol Plaatje suggest that the largest part of the community (31.2%) had Grades 7-9 in 2001. This suggests that 31.2% of the community in Sol Plaatje is functionally literate. However, in interpreting these figures it must be borne in mind that the age profile of the population is already skewed towards the younger end of the spectrum. Importantly the figures also suggest that (5.3%) of members of the community had no schooling at all.

Of the total population in the SPM, 40% is living in poverty with the figures for the African and Coloured population groupings at 57.1% and 28.5% respectively being the highest.

The assessment of the prevalence of HIV/Aids and related diseases in the Sol Plaatje Municipal Area is also imperative for future health and economic planning. The estimated 35% lower economically active population in 2015 would have a direct impact on labour intensive economic sectors such as Agriculture and Mining, two of the pillars of the Northern Cape economy and the Sol Plaatje Municipality (Sol Plaatje Municipality IDP, 2002).

4.3.3.3. Dikgatlong Municipality

The Dikgatlong Municipal Area produces 10.1% of the total GDP in the Frances Baard Municipal area which implies that its economy is relatively small. The total population of Dikgatlong was estimated at 35 765 people (Census, 2001). The province, the district and the municipality have experienced a declining growth rate of -2.09%, -0.22% and - 3.21% respectively in 2001.

The population pyramid of Dikgatlong is distinctive by comparison with the other municipalities in the district. It indicates a significant number of the economically active group (15 to 64 years) at the top of the pyramid and pensioners (over 65) at the bottom. The economically active group and pensioners constitute 63.1% and 5.1% respectively. The remaining 31.8 % is comprised of pre-school and school-attending young people.

The unemployment rate in Dikgatlong is currently estimated at 27.5%. Of the 22 581 persons falling under the economically active group, only 26.2% are employed. This can be partly attributed to the lack of basic education and basic skills. A third (32.1%) of the educable population (5 to 65 years) has no schooling or only some primary schooling.

In Dikgatlong 26.2% of the employed portion of the labour force is mainly employed by the Agriculture and Mining sectors. Furthermore, over 60% (25 494) of the population in the area have no income and only 28.7% have income. Of the 28.7%, 9271 persons earn less than R3200 per month (Dikgatlong Review IDP, 2005-2006).

4.3.3.4. Magareng Municipality

The population of the municipal area of Magareng was estimated at 21 734 persons in 2001. Magareng contributed only 2.4% in 2004 to the total GDP in the Frances Baard Municipal district,

which implies that its economy is relatively insignificant and that very little of the production that occurs in the province occurs within the Magareng municipal area.

More than half (61.1%) of the population in Magareng is made up of the economically active group of 15 to 64. The unemployed persons in Magareng amount to over 50% of the total labour force. The total labour force is approximately a third of the total population. Of the 38.8% only 3 433 persons are employed. Furthermore, 71.3% of the total population does not have any income and 69.3% of those with income (28.7%) live below the poverty line, i.e. they earn R800 or below per month.

In Magareng 48% of the employed portion of the labour force is mainly employed by the Agriculture and Community and Social services sectors. A large number (1 427) of people are in elementary positions. This can be attributed to the shortage of people with further and specialised education. More than 13% of the population of Magareng has not attended school. However, about 3 558 persons (16.4%) have attended school up to secondary level and only 338 persons have post matriculation education (Magareng Review IDP, 2004-2005).

4.4. ISSUES AND PROBLEMS IN THE FRANCES BAARD DISTRICT

The Frances Baard District and the various municipalities within its area of jurisdiction is by a mix of urban and rural economies ranging from relatively strong economic performances to relatively isolated rural settlements with high levels of poverty. Based on the understanding of the regional economic profile as discussed in Section 4.3.2, the following issues were identified:

- From a regional development perspective, the economy is characterised by a few strong sectors, due to the concentration of leading activities such as mining, services, finance, transport and trade. These are significant sources of employment as well as activities with strong forward and backward linkages, although not all of these are realised locally.
- Spatially it is evident that the area is characterised by a number of towns, villages and settlements, which place a strain on cost-effective infrastructure and service provision. The economic implications are, amongst others, high levels of unemployment, low levels of disposable income and widespread poverty.
- The labour force can generally be interpreted as inadequate for sustainable economic development in terms of skills levels.
- The role and function of retail and business services needs to be understood especially in terms of district vs. local service provision, such as the functional role of Kimberley.

Specifically, cross border injections of buying power need to be maximised for full exploitation of the multiplier effect for local benefit.

- Agriculture as an important economic production sector and source of commercial as well as subsistence income needs to be evaluated as a priority sector.
- The manufacturing sector needs to be evaluated for development potential and investment opportunities. Specifically the food production (processing and beneficiation) needs to be reviewed for cluster potential and incorporation of local SMMEs and export production.
- The area has specific tourism development potential. Specific examples include the Big Hole, the flamingo area, the heritage sites, the Vaalbos National Park and other attractions. These opportunities are not fully exploited and need to be unlocked and appropriately focused on niche markets for full benefit for local communities.
- The Construction sector is demand-driven and subjective to the other sectors in the economy. The provision of adequate infrastructure and services would positively contribute to the creation of an environment, which is conducive to economic development and to investor confidence within the area.

The various opportunities and constraints of each municipality determine the scope, level of complexity and location-specificity of LED interventions in the Frances Baard District and will briefly be discussed below:

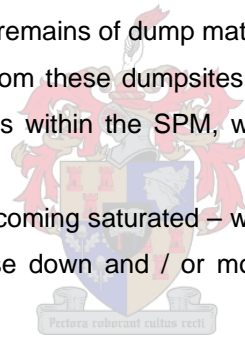
4.4.1. PHOKWANE MUNICIPAL AREA

- The Phokwane area is heavily reliant on economic activities outside of its boundaries for consumer products and services.
- The sustainability of the local economy and the future viability of the Phokwane area are in danger of stagnation.
- External intervention will be required to boost the Phokwane area's economy. This intervention can be in terms of investment in local economic infrastructure and the preparation and implementation of local development plans, such as initiating self-help schemes and Local Economic Development (LED) plans.
- The Phokwane area's economy is dominated by the community services / government, trade and agriculture sectors. This implies that the local economy is highly concentrated and consequently not well structured for sustainable economic growth.
- The occupation of the labour force indicates that many workers are unskilled in the Phokwane area.

- Education levels are very low in the Phokwane area, implying that local people have a lesser chance at obtaining higher-level job opportunities and consequently they have a lesser chance of earning higher-level incomes.
- Limited construction activities are currently occurring in the Phokwane area. This sector does however have the potential to be a major employer and catalyst for growth in the Phokwane area. Given the large resident population and the need for housing and infrastructure, there is enormous potential for growth in construction activities.
- The agricultural sector in the Phokwane area (13.3% in 2004) is substantial. This sector has huge economic development opportunities.
- The manufacturing sector is believed to have significant potential for expansion.

4.4.2. SOL PLAATJE MUNICIPAL AREA

- The Mining Sector is declining, because of depleting resources.
- The Mining sector still offers huge potential in terms of the Combined Treatment Plant which optimally uses the last remains of dump material to recover diamonds.
- The recovery of diamonds from these dumpsites has also facilitated an opportunity for small scale mining operations within the SPM, which could facilitate the growth of the SMME sector.
- The retail / trade sector is becoming saturated – when new shopping centres open, other ones stagnate or shops close down and / or move to the new centres due to limited buying power.



4.4.3. DIKGATLONG MUNICIPAL AREA

- High unemployment due to lack of basic education and basic skills.
- The municipality have experienced a declining growth of 3.21%.
- A third (32.1%) of the educable population (5 to 65 years) has no schooling at all which increases the unemployment rate.
- More than 60% (25 494) of the population in the area have no income.
- Capacity of emerging contractors is a problem: In compliance with procurement policies, municipalities take cognisance of historically disadvantaged individuals when awarding tenders. Some emerging contractors lack the capacity to efficiently execute projects. Some contractors have limited financial resources and others lack project management skills necessary to execute projects smoothly. These factors may negatively affect project output.

- Quality control: Most housing projects undertaken in municipalities do not receive adequate technical supervision and monitoring. Insufficient quality control may result into the delivery of substandard housing units. Municipalities lack building inspectors.

4.4.4. MAGARENG MUNICIPAL AREA

- High unemployment rate and poverty are due to the fact that there is a lack of job opportunities within the municipal area.
- The high number of retrenchments from farms and mines also contributes to the ever-increasing demand for jobs.
- Lack of entrepreneurship: A reason for this is the lack of business support, limited access to start-up capital and the lack of information about possible ventures.
- Lack of business support: SMMEs experience a great difficulty to have access to start-up capital or loans at banks. There is also limited access to business support services.
- Business opportunities are also missed by not capitalising on the N12 route passing through the area. A business centre should be developed on the eastern side of the N12, which can focus on tourists and traffic visiting the area.

General levels of skill and employment serve to make a significant proportion of the population of the Frances Baard District dependent upon survival strategies in order to feed and clothe themselves and their families, leaving little space for entrepreneurship other than survival entrepreneurship. Such entrepreneurship generally is inward focussed and does not deliver a significant multiplier effect across the community in terms of jobs and income creation (Refer to Section 4.3.1).

One of the major challenges that faces the Frances Baard Local Government in its quest to promote economic growth and job creation, while at the same time promoting social development as a means of addressing the needs of the poor, has been how to achieve the effective integration, co-ordination and alignment of the activities of the three spheres of government.

The Frances Baard Local Government still views LED as a “thing you do”, and not as a “way of doing things”. LED is still seen as comprising programmes and projects that are the province of an LED department in municipal government. This in effect consigns LED in the Frances Baard District to a peripheral position rather than drawing it to the centre of municipal decision making in respect of the totality of the activities and functions of the municipal government. It has also in effect resulted in an inward focus upon local

government itself as the main protagonist in LED, thereby excluding the non-government and private sector from a constructive role in co-ordinated economic development. This is typical of the approaches generally encouraged in local authorities by the prevailing policies as discussed in Chapter Two. It represents the manifestation therefore of the general policy deficiency identified in Chapter Two namely that LED is the province of government despite the fact that government in all three spheres does not have the resources or the mandate to perform key LED-related activities.

Local Governments in Frances Baard do not have the power to deal with all the problems and issues all by themselves. Partnerships should be formed in order to focus on a specific area and to obtain synergy between all stakeholders. One example in the Frances Baard District is for example provided by the declining mining sector that could, if not managed appropriately by means of focused LED interventions, lead to substantial economic and socio-economic problems. Local Government cannot deal with this issue alone. Various stakeholders should form part of the decision-making process – integrating and aligning their efforts behind a resolution of this issue. Key stakeholders include the private sector, the Department of Minerals and Energy, mining associations, mining houses, parastatal bodies such as Mintek and NGO's such as Ntsika and Khula. Such joint initiatives in anticipation of a declining key mining sector that is a mainstay of the local economy have for example been undertaken in such local municipal jurisdictions as Lephalale in the Limpopo province (Lephalale Municipality, 2004).

4.5. FOCUSED INTERVENTIONS ON HOW THE FRANCES BAARD DISTRICT SHOULD BE.

The very scope and nature of the economic development challenges facing Frances Baard District indicate an inclusive approach in which the combined and aligned efforts of all stakeholders are focussed on finding a solution. This constitutes the “LED Approach” as defined in Chapter Two: Section 2.2.

Local Government in Frances Baard in particular does not alone possess all the tools and instruments required to bring about increased economic growth and development (Refer to Chapter Two). It should therefore collaborate with relevant role-players such as the private sector, the donor community and national and provincial level institutions that are mandated to support economic development. Close co-operation between the public and private sectors is critical if the economic development potential of Frances Baard is to be realised. The LED

Approach (Refer to Chapter Two: Section 2.2.1) involves the encouragement of a greater degree of joint local economic governance in pursuit of local community goals.

To achieve the necessary integration and focus co-operative and aligned effort within the Frances Baard District is necessary at two levels:

- The community level in which the efforts of all three spheres of government, the private sector, NGO's and Civil Society organisations are mobilised.
- The intra-governmental level in which in turn:
 - The co-operation between spheres of government is enhanced.
 - The co-operation and alignment of effort within local government itself is achieved.

This will require of government in general and of local government in particular that it recognise that LED is not a separate function, but that LED considerations must pervade and influence all decision making and that all facets of government's actions must come within the ambit of LED planning and that all branches of government in Frances Baard must take ownership of and contribute to LED through the way in which they carry out their line functions.

The main rationale of the LED Approach in Frances Baard must be to enable stakeholders from the public, private and parastatal sectors together with labour and civil society to jointly determine a consensus plan for the sustainable growth and development of the area. In this way, stakeholders will have a strategic focus derived through consensus to harness their collective efforts to promote economic development.

4.6. SUMMARY

Adoption within the Frances Baard District of the LED Approach is important for the alignment of effort, knowledge and resources to:

- Create jobs and new employment opportunities.
- Increase income levels and enable people to pay for services.
- Broaden the tax and revenue base of the local authority.
- Enable the Local Authority to:
 - Provide more and better services and facilities.
 - Concentrate on human resource potential.

- Concentrate on opportunities for development.
- Promote linkages between developed and under-developed areas; and
- Build new institutions for sustainable economic development

This however, can only be achieved if an inclusive approach is followed and a culture of Local Economic Development is established within Civil Society, the District Municipality, the Local Municipalities and the private commercial sector.

Thus, at the centre of the LED approach is the creation of public-private partnerships that bring together stakeholders in the local economy, including representatives of regional and local government, employers' and workers' organisations, Chambers of Commerce, cooperatives, producers' associations, women organisations and other NGOs.

Based on the rational use of local capacities and resources, the stakeholders will define common priorities for the development of their region taking into account the social and environmental contexts. The partnership can be developed in the form of creating a LED forum or institutionalised by creating external capacity such as a Local Economic Development Agency (LEDA). This will reinforce the capacities to raise public awareness on the development needs of the region and to establish linkages at the national and international level. The LED approach has the potential to contribute to reconciliation, decentralisation and democratisation in areas where needed.

Chapter Five presents an analysis of LED arrangements at district level and in the four individual local authorities of the Frances Baard District.

CHAPTER FIVE:

Operational Implications for the Frances Baard District

5.1. INTRODUCTION

The shift in the Local Economic Development (LED) Policy and the importance of the LED Approach discussed in Chapter Two, has a variety of operational implications for local government with reference to the manner in which the LED activities are managed. Chapter Two identified and ranked these implications through the use of interviews with government and non-government LED practitioners. The aim of this section is to use the identified operational implications as a point of departure for investigating the implications of the shift in the LED policy on the Frances Baard District Municipality and its four constituent local authorities. This section presents a brief overview of the salient features of each municipality in terms of the current institutional arrangements relating to LED, followed by a presentation of the results of the empirical research that has been conducted in the area. These results are compared with the interviews (Chapter Three: Section 3.5) and critical conclusions are drawn.

5.2. SALIENT FEATURES OF INSTITUTIONAL ARRANGEMENTS FOR LED IN THE FRANCES BAARD DISTRICT

As indicated in Chapter Four, the Frances Baard District consists of four local municipalities and one district municipality. The salient features of the various LED departments within these municipal structures are discussed in the following section in order to identify the LED implementation capacity of the various institutions. Given the requirement established in Chapter Two for credible municipal LED capacity, close to the focus of decision making at municipal level, specific reference is made to the location of current LED capacity in the institutional structure and the skills profile of the various officials active in municipal LED.

5.2.1. LOCATION OF LED IN THE MUNICIPAL STRUCTURE

Table 5.1 reflects the departmental structure of the municipalities comprising the Frances Baard District and the location of the LED responsibility within that structure. This will be discussed in more detail in Section 5.2.1.1 to Section 5.2.1.5.

Table 5.1: DEPARTMENTAL STRUCTURE OF MUNICIPALITIES IN FRANCES BAARD DISTRICT WITH SPECIAL REFERENCE TO THE LOCATION OF THE LED FUNCTION

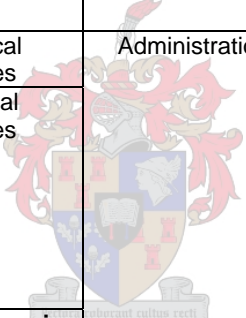
MUNICIPALITIES					
DIRECTORATE/DIVISION	FRANCES BAARD DISTRICT	PHOKWANE	DIKGATLONG	MAGARENG	SOL PLAATJE
	Technical Services	Human Resource Management	Financial Services: LED Unit resides under this directorate	Finance	Finance
	Financial Services	IDP / Land use	Technical	Social Services	Health
	Human Resource Management	Technical Services	Administration	Infrastructure	Housing
	Administration: Local Economic Development and Tourism resides under this directorate.	Financial Services		Corporate Services	Development and Planning: Local Economic Development resides under this directorate
		Local Economic Development		Local Economic Development	Organisational Development
				Sports and Culture	
				Intergovernmental and MIG (infrastructure)	

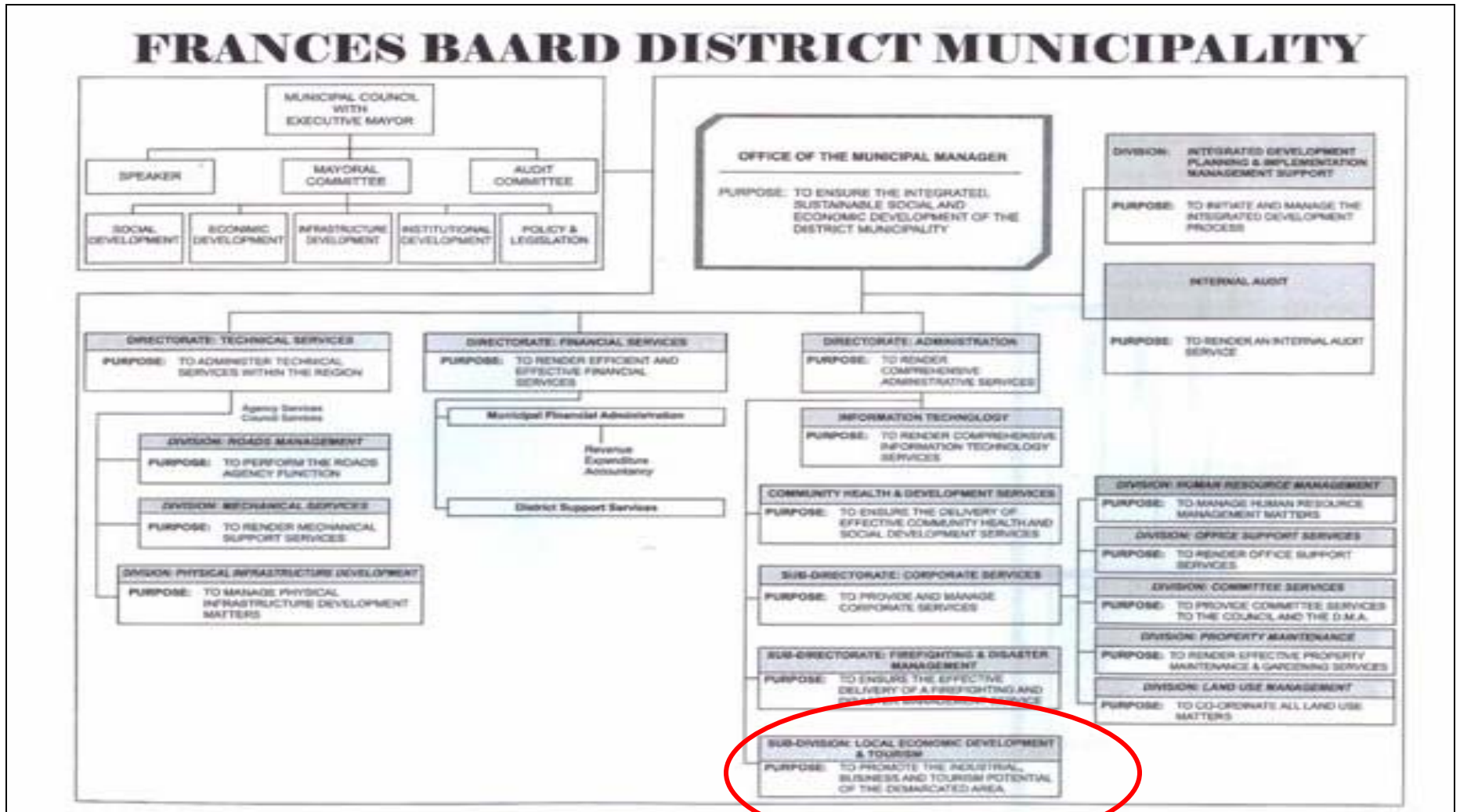
Table 5.1 illustrates to what extent the LED function at district level and at the level of the constituent local authorities is buried in the line function hierarchy. This table suggests that LED is still organisationally viewed in the Frances Baard District as a separate municipal function with explicit LED as projects and programmes, as the main preoccupation of the organisational elements dedicated to LED. The current structures of the district and the four local municipalities are discussed in more detail below:

5.2.1.1. Frances Baard District Municipality

The LED activities of the Frances Baard District Municipality are performed by the Local Economic Development and Tourism sub-division which forms part of the Directorate: Administration. The location and organisational structure of the Frances Baard District Municipality's LED sub-division is presented in **Figure 5.1**. The LED division is buried relatively low down in the bureaucratic structure with long communication channels and significantly overburdened by "top structure".



Figure 5.1: ORGANISATIONAL STRUCTURE OF THE FRANCES BAARD DISTRICT MUNICIPALITY



Source: Frances Baard District Municipality IDP Review, 2004 - 2005)

A total of five personnel are employed in the Frances Baard LED sub-division. Institutionally tourism development activities form part of the activities of the LED sub-division. This also leads to various confusions and constraints. The LED Manager of the Frances Baard District Municipality indicated in a personal interview that the sub-division was not appropriately staffed and that it did not have sufficient capacity to perform LED (Sithole, 2006). He also stated that they do not have a clear understanding of what LED entails. There is also difficulty between the various divisions in the municipality in terms of communication as well as between local and provincial departments, when it comes to the coordination of LED.

5.2.1.2 Phokwane Local Municipality

In the Phokwane Local Municipality's LED activities are performed by the Local Economic Development Directorate. The Phokwane Local Municipality has two people explicitly charged with LED activities. The LED Manager reports to the Municipal Manager who reports to the Mayor. Proposals and recommendations from the LED Directorate, requiring political approval is referred directly to the Municipal Manager for approval and, if he/she approves, further to the political level.

Lines of communication with the Municipal executive and the political level are short and direct, reflecting a key requirement of rapid decision turnaround and direct access on the part of the LED unit with key authority in the system. A LED element such as the one operative in Phokwane Local Municipality, if correctly staffed and operating within the appropriate ethos, is well placed in effect as a staff function to the Chief Executive Officer to influence and support the LED Approach as defined in Chapter Two.

5.2.1.3. Dikgatlong Local Municipality

The LED unit, which consists of two people and the LED official, resides under the Head of Financial Services. For reasons of cost, a separate LED division was not created and a large component of the LED objectives is seen to be executable under the main functions of the Financial Services Department.

To the extent that the LED component in the organisational structure is again buried within a line department, and particularly so one that is primarily concerned with an administrative mandate, militates against its effectiveness as a vehicle for the implementation of the LED Approach as defined in Chapter Two.

5.2.1.4. Magareng Local Municipality

The Magareng Local Municipality's LED activities are performed from the Local Economic Development division. There are currently two people active in the LED division and the LED activities. The Local Economic Development Manager reports to the Municipal Manager. The Municipal Manager reports to the Executive Mayor. Approval for recommendations and proposal follow a similar process as the Phokwane Local Municipality.

Lines of communication with the Municipal executive and the political level as with Phokwane are thus short and direct, reflecting a key requirement of rapid decision turnaround and direct access on the part of the LED unit with key authority in the system. Such an arrangement, if correctly staffed and operating within the appropriate ethos, is well placed in effect as a staff function to the Chief Executive Officer to influence and support the LED Approach as defined in Chapter Two.

5.2.1.5. Sol Plaatje Local Municipality

The Sol Plaatje Local Municipality's LED division is situated in the Development Planning Department and is headed by the Strategic Manager: Local Economic Development, Tourism and Planning Environment Cluster. The staff of the LED component report to the Local Economic Development Manager who reports to the Strategic Manager: Local Economic Development, Tourism and Planning Environment Cluster who in turn reports to the Municipal Manager. The Municipal Manager reports to the Executive Manager.

There are currently three people active in the LED division. The LED division only recently employed an Assistant LED Manager. Formerly the Assistant Tourism Manager had to act as the Assistant LED Manager and did not always have the capacity to deal with all the issues and constraints.

The location of LED in the line physical planning environment to the extent that it removes LED from the nexus of decision making and extends the direct line of communication with the municipal executive, does not ideally support an LED approach as defined in Chapter Two. In a total LED approach, physical planning should in fact be informed by LED that is in an important sense thus logically prior to it in the hierarchy of authority. As with each of the other local authorities and the district level itself, LED responsibility is perceived as being confined to the LED element which in this sense are required to "deliver" LED.

5.2.2. KEY ISSUES

Before the empirical research is presented, the following key issues are highlighted with reference to the salient features as discussed in the preceding section:

- LED is still organisationally viewed in the Frances Baard District as a separate municipal function where LED is viewed as projects and programmes.
- Where LED sections are “buried” within line departments, the decision-making process is timely with up to five layers up the hierarchy to key loci of decision making on policy and approach in particular:
 - LED is effectively confined to a “line” activity, contributing to the detachment of the rest of local government from LED thus compromising the integrity of the LED approach as defined in Chapter Two.
 - The numerous layers of hierarchy result in extended lead times and a slow decision-making process and reduced flexibility.

5.3. THE IMPACT OF THE 2004 AND 2005 LED POLICY ON THE MUNICIPALITIES OF THE FRANCES BAARD DISTRICT

This section presents the results of the empirical research carried out in the five municipal entities throughout the Frances Baard region and utilises the structure of the questionnaire that was employed. The questionnaire is contained in Annexure B. Inference is made regarding the perceptions of the Municipal LED officials regarding the 2004 and 2005 policy, the policy shift and the operational implications. The research suggests that 84.5% of the respondents are aware of the 2004 and 2005 LED policy. However, only 38.5% of the respondents have attended the workshops on the policy that were conducted by the Department of Provincial and Local Government (DPLG).

5.3.1 ACTIONS AND CORE COMPONENTS

This section investigates the current LED actions being undertaken by the municipal institutions in the Frances Baard District, as well as the targets of these actions. The actions and targets that required to be undertaken by the municipalities according to the 2004 and 2005 LED policy were discussed in Chapter Three: Section 3.3 and Section 3.4.

The purpose of the analysis is to identify whether the municipalities are currently undertaking activities which are associated with the 2002, 2004 or 2005 LED policy. Section 3.5 identified

and compared the core components of the three policies and the shifts that had taken place from 2002 to 2004 to 2005 in terms of the policy focus. The various questions that were included in the questionnaire were designed to highlight the current activities of the municipalities associated with the core components of these policies. These respective core components were discussed in Sections 3.2 (2002 LED Policy), Section 3.3 (2004 LED Policy), Section 3.4 (2005 LED Policy) and are summarised in **Table 5.2:**

Table 5.2: CORE COMPONENTS OF THE LED POLICIES

2002 LED Policy	2004 LED Policy	2005 LED Policy
Fostering community economic development.	Marketing for investment promotion.	Moving away from a “ <i>project-based</i> ” approach to intervention based.
Linking growth to redistributive development/financing.	Support services for small businesses.	Promoting public and private investment and targeting public sector support.
Investing in human capital.	Assistance to targeted growth sectors.	Maximise job creation through public infrastructure and service investment.
Delivering and maintaining infrastructure and services.	Tailoring of training and labour placement for the local market.	
Plugging leaks in the local economy.		
Retaining and expanding existing businesses.		

Table 5.3 summarises the results of the research. The results suggest that municipalities are undertaking activities which are associated with the 2002, 2004 and 2005 LED policies. With reference to the 2002 policy, 100% of the respondents (13 of a total of 13 respondents) indicated that they are undertaking community economic development and 81.8% (9 out of a total of 13 respondents) indicated that initiatives to retain capital in the local economy are being implemented (plugging the leaks). Approximately 84.6% of the LED officials (11 of 13 respondents) indicated that activities to stimulate investment in human capital are being undertaken. The three activities, which scored the lowest positive response, are:

- Linking growth to redistributive development **(76.9%)** (10 of 13 respondents)
- Delivering and maintaining infrastructure and services **(69.2%)**(9 of 13 respondents)
- Retaining and expanding existing businesses **(75.0%)**(9 of 13 respondents)

Table 5.3: LED ACTIVITIES (CORE COMPONENTS) OF MUNICIPAL LED

ELEMENT	ACTION	No Response	FREQUENCY			PERCENTAGE		
			Don't know	Yes	No	Don't know	Yes	No
1	Fostering community economic development			13			100.0	
2	Linking growth to redistributive development/financing		2	10	1	15.4	76.9	7.7
3	Investing in human capital		1	11	1	7.7	84.6	7.7
4	Delivering and maintaining infrastructure and services		1	9	3	7.7	69.2	23.1
5	Plugging leaks in the local economy	2		9	2		81.8	18.2
6	Retaining and expanding existing businesses	1	2	9	1	16.7	75.0	8.3
7	Marketing for investment promotion			13			100.0	
8	Support services for small businesses	2		11			100.0	
9	Assistance to targeted growth sectors		1	11	1	7.7	84.6	7.7
10	Tailoring of training and labour placement for the local market		4	6	3	33.8	46.2	23.0
11	Capacitating and transformation			12	1		92.3	7.7

(Source: Interviews held with LED officials, 2006; Questionnaires, 2006)

It must be borne in mind that these results are based upon respondents' literal interpretations of the content of the LED policy. To the extent that this interpretation may be flawed or the means to achieving the desired result may be inappropriate to the responses reflected in **Table 5.3**, whilst indicating policy intent on the part of the respondents does not necessarily indicate the achievement of the actual intended policy outcomes sought by the 2002 LED policy on the ground.

The analysis also suggests that municipalities are also undertaking activities associated with the 2004 policy. However, the empirical work leading to the results reflected in **Table 5.4** was carried out within two years of the policy change (one to at most two budgetary cycles). Consequently one would not expect that the 2004 policy would have been fully deployed in all respects in implementation. Two of the core components of 2004 policy scored a 100% positive response rate, namely:

- Marketing for investment promotion **(100%)** (13 out of 13 respondents)
- Support services for small business **(100%)** (13 out of 13 respondents)

The first of these activities has however traditionally been an informal focus of local government and its emergence is therefore not surprising.

Additionally the municipalities are involved in a capacity building and transformation process with 92.3% of the respondents (12 out of 13 respondents) indicating that they are currently undertaking actions to strengthen and transform their LED units. A key action, which scores relatively low 46.2% (6 out of 13 respondents), is the tailoring of training and labour placement activities focusing on the local market.

From the preceding, it is evident that the LED policy shift implies that the activities which are currently being undertaken by municipal LED units need to be re-focused. The 2002 policy components are currently being addressed with emphasis also being placed on a number of 2004 and 2005 policy components. However increased emphasis needs to be placed on those elements of the 2004 and 2005 LED policy that are absent from the current operational mix and decreased emphasis given to those elements of 2002 policy currently drawing attention and resources, but that no longer form part of the 2004 and 2005 policy. **Table 5.4** provides an indication of the envisaged modification of operational emphasis in support of the implementation of the 2004 and 2005 LED policy.

Table 5.4: EMPHASIS MODIFICATION

COMPONENT	EMPHASIS
Fostering community economic development	Reduce emphasis and delivery
Linking growth to redistributive development/financing	Reduce emphasis and delivery
Investing in human capital	Reduce emphasis and delivery
Delivering and maintaining infrastructure and services	Reduce emphasis and delivery
Plugging leaks in the local economy	Reduce emphasis and delivery

COMPONENT	EMPHASIS
Retaining and expanding existing businesses	Reduce emphasis and delivery
Marketing for investment promotion	Strengthen emphasis
Support services for small businesses	Strengthen emphasis
Assistance to targeted growth sectors	Increase focused delivery
Tailoring of training and labour placement for the local market	Increase focused delivery
Capacitating and transformation	Increase focused delivery
Moving away from a “project-based” approach to intervention based	Strengthen emphasis
Promoting public and private investment and targeting public sector support	Strengthen emphasis
Maximise job creation through public infrastructure and service investment	Strengthen emphasis

(Source: Interviews held with LED officials, 2006; Questionnaires, 2006)

The general indication from **Table 5.4** is that the local municipalities will have to significantly re-align their LED activities. The activities which are currently aligned with the 2004 and 2005 policy must be strengthened and expanded if that policy is to be implemented. Municipalities must also bear in mind that the 2004 and 2005 LED policy might not necessarily align or fully and explicitly represent LED “good practice”. This can only be established once the 2004 and 2005 LED policy has been fully deployed and implemented.

5.3.2. TARGETS

The current targets of the LED interventions of the municipalities in the Frances Baard District are investigated in this section. The focus of the investigation is on determining whether the current targets will need to be shifted or whether the existing emphasis is in line with the 2004 policy targets. The shift in the targets of LED activities has been discussed in Section 3.5. The targets of the two policies were identified as follows:

Table 5.5: TARGETS OF THE LED POLICIES

2002 LED Policy	2004 LED Policy	2005 LED Policy
Community based targets Entrepreneurial targets Business targets Quality management targets Overall target (the poor)	Divergence from pro-poor targets to overall targets of the entire local economy including: the skills base, the locality (design local interventions to facilitate indirect impact on the informal economy) and the local business base.	That all municipalities adjust their mindsets, where necessary and adapt to the need to support and encourage a wider and more vibrant concept of what the local economy is, should be, and can be.

The approach that was followed to identify the current targets of the municipal LED initiatives used the same method that was employed to detect the activities of the various municipalities (Refer to Section 5.3.1: Table 5.4). **Table 5.6** presents the outcomes of the survey with reference to the targets of the LED departments of all the municipalities in Frances Baard collectively.

Table 5.6: MUNICIPAL LED TARGETS

ACTIONS		No Response	FREQUENCY			PERCENTAGE		
			Don't know	Yes	No	Don't know	Yes	No
1	The Community			12	1		92.3	7.7
2	Local entrepreneurs			13			100.0	
3	Business targets			12	1		92.3	7.7
4	Quality aspects	3	1	6	3	10	60.0	30.0
5	Low income households/ the poor	1	1	11		8.3	91.7	
6	The total municipal area			13			100.0	
7	The local economy/business base		1	12		7.7	92.3	
8	Skills levels		1	10	2	7.7	76.7	15.6

(Source: Interviews held with LED officials, 2006; Questionnaires, 2006)

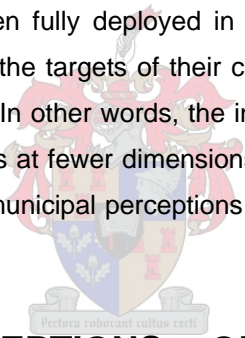
With the exception of emphasis on the improvement of quality of local produce (quality aspects) at 60%, the 2002 policy targets all scored more than a 90% positive response rate reflecting a close operational correspondence with policy targets. Municipalities are thus currently strongly focusing on the 2002 policy targets. The respective scores were:

- Community targets **(92.3%)** (12 out of 13 respondents)
- Entrepreneurial targets **(100%)** (13 out of 13 respondents)
- Business targets **(92.3%)** (12 out of 13 respondents)

With reference to the 2004 policy targets, the respondents indicated that they are currently aiming their initiatives at the following:

- The total municipal area **(100%)** (13 out of 13 respondents)
- The local economy/business base **(92.3)** (12 out of 13 respondents)
- Skills levels **(76.7)** (10 out of 13 respondents)

The results suggest that municipalities are currently aiming at the targets of both the 2002 LED policy and the 2004 LED policy. However, as in the case of the core policy components the empirical work leading to the results reflected in **Table 5.6** was carried out within two years of the policy change (one to at most two budgetary cycles). Consequently one would not expect that the 2004 or 2005 policy would have been fully deployed in all respects in implementation. It will therefore be necessary to rationalise the targets of their current LED initiatives to ensure that a more focused approach is achieved. In other words, the interventions and initiatives of the local municipalities must be refined to focus at fewer dimensions in the local economy. The following section provides a discussion of the municipal perceptions regarding the operational implications identified in Section 3.5.



5.4. MUNICIPAL PERCEPTIONS OF THE OPERATIONAL IMPLICATIONS

The operational implications that have been identified and discussed in Chapter Three: Section 3.6.1 have been used as the foundation for determining perceptions of respondents regarding key statements pertaining to the management of LED in their environments and based on a structured questionnaire distributed to LED officials and departments in the Frances Baard District.

This section consists of two focus areas. Firstly, the results of the analysis are presented and discussed and secondly the results are compared with the outcomes of the interviews that were conducted with the LED practitioners, as discussed in Section 3.6.

5.4.1. MAIN FINDINGS

A central element of the survey process was to identify and evaluate on a scale of 1 to 5 the perceptions of the survey participants (LED officials) with reference to a number of elements derived from the operational implications generated in Section 3.6.

A scale was used through which the respondents had to indicate whether they agreed strongly with the statement (maximum score of 5) or whether they disagreed strongly (minimum score of 1). A score of 3 reflects a neutral position. The results are analysed in **Table 5.7:**

Table 5.7: OVERALL OUTCOMES

STATEMENT	Number of respondents	Minimum	Maximum	Median	Mean	Standard deviation	Coefficient of variance
1. LED is viewed by the municipality as the key priority	12	1	5	5.0	4.0	1.2	40.8
2. The LED department is appropriately staffed	12	1	3	3.0	2.4	0.8	32.8
3. We have a clear understanding of what LED entails	12	3	5	4.0	4.0	0.7	18.5
4. The LED has it's own dedicated budget for project delivery	12	1	5	3.5	3.3	1.4	43.8
5. Our IDP provides appropriate guidelines in terms of LED to be undertaken	12	3	5	5.0	4.3	0.8	18.0
6. We can make decisions regarding LED projects within the department	12	1	5	4.5	3.8	1.3	34.9
7. We have authority and a mandate to deliver LED independently	12	1	5	3.0	2.8	1.3	47.2
8. If we had unlimited funding, we would definitely deliver LED much better	12	1	5	5.0	3.7	1.6	42.5
9. We know were to apply for alternative sources of funding/support	13	1	4	5.0	4.0	1.4	33.9
10. Our current staff compliment is sufficient to deliver LED	13	1	5	3.0	2.5	1.1	42.7
11. We are actively involved in the implementation of LED projects	13	1	5	4.0	3.7	1.2	32.0
12. We have a clear mandate (from council) on what to do in terms of LED	12	2	5	5.0	4.3	1.1	24.8
13. Our departmental LED vision guides us in our activities	13	3	5	5.0	4.3	0.9	19.8
14. The municipal vision guides the LED activities	13	3	5	5.0	4.5	0.8	17.1
15. Councillors have an understanding of LED concepts and dynamics	13	1	5	4.5	3.7	1.8	49.9
16. We have the municipal managers' direct support in our activities	13	1	5	4.5	3.9	1.4	35.2
17. The limited funding is our main constraining factor	13	2	5	5.0	4.5	1.0	21.3
18. The people in the department are LED specialists/specialists in their field	13	1	5	4.0	3.4	1.4	42.7
19. I am considering finding alternative employment	13	1	5	1.5	2.1	1.3	62.9
20. My colleagues are competent in their jobs	11	2	5	3.0	3.2	1.1	46.3
21. Our LED interventions would function better if we had support from council	13	1	5	4.5	3.8	1.5	40.7
22. The organisational structure and decision-making processes help us in our jobs	13	1	5	3.5	3.3	1.5	45.2
23. The coordination of LED between local and provincial departments is of high quality	13	1	5	3.0	2.8	2.8	63.9

(Source: Questionnaires completed by LED officials, 2006)

The mean score of respondents is used as the main indicator of the respondent's level of agreement or disagreement with each respective statement the statement. The following were identified as the five statements which the respondents agreed most strongly with:

- The municipal vision guides the LED activities.
- The limited funding is our main constraining factor.
- Our IDP provides appropriate guidelines in terms of LED to be undertaken.
- We have a clear mandate (from council) on what to do in terms of LED.
- Our departmental LED vision guides us in our activities.

The statements with which the respondents disagreed with the most were the following:

- I am considering finding alternative employment.
- The LED department is appropriately staffed.
- Our current staff complement is sufficient to deliver LED.
- We have authority to deliver LED independently.

Whilst the average response to first statement above was negative the relatively high coefficient of variance (62.9) suggests a relatively high variability in responses suggesting that there were respondents that were engaged in looking for alternative employment.

The respondents strongly disagreed that their LED departments are appropriately staffed and a similar degree of disagreement exists for the statement "Our current staff complement is sufficient to deliver LED".

The statements and the responses suggest that the LED departments are both understaffed (insufficient staff complement) and that the departments are not staffed with appropriate people to carry out LED in the district as it is currently perceived by the respondents. These interpretations may however not necessarily be applicable mutatis mutandis to an interpretation of LED as reflected in the LED approach defined in Chapter Two.

The respondents indicated that they were relatively neutral in terms of whether the LED components have the authority to deliver on their LED mandate but this again is a function of their interpretation of their role as LED practitioners within the municipal environment as part of the LED approach defined in Chapter Two.

5.4.2. COMPARISON OF RESULTS

This section compares the results of the municipal surveys (questionnaire in Table 4.8) with the outcomes of the interviews held with LED practitioners (in 2006). The questions that were formulated in the questionnaire are categorised and related to specific operational implications discussed in Section 3.6.

Table 5.8 presents the categorisation of the various questions reflected in the questionnaires in relation to the corresponding operational implication. Each category is discussed separately in terms of the statements as well the degree of correspondence with the implications discussed in to Section 3.6.

Table 5.8: QUESTION CATEGORIES

CATEGORIES	STATEMENT	QUESTION NUMBER*
LED as Municipal priority	LED is viewed by the municipality as the key priority	1
	We have the municipal managers' direct support in our activities	16
	The limited funding is our main constraining factor	17
	Our LED interventions would function better if we had support from council	21
Technical skills	The people in the department are LED specialists/specialists in their field	18
	My colleagues are competent in their jobs	20
Understanding of LED	We have a clear understanding of what LED entails	3
	Councillors have an understanding of LED concepts and dynamics	15
Human resource capacity	The LED department is appropriately staffed	2
	Our current staff compliment is sufficient to deliver LED	10
Own budget	The LED department has it's own dedicated budget for project delivery	4
Practical LED Strategies	We are actively involved in the implementation of LED projects	11
Increased flexibility	We can make decisions regarding LED projects within the department	6

CATEGORIES	STATEMENT	QUESTION NUMBER*
	We have authority and a mandate to deliver LED independently	7
	The organisational structure and decision-making processes help us in our jobs	3
Additional financial resources	If we had unlimited funding, we would definitely deliver LED much better	8
	We know were to apply for alternative sources of funding/support	9
IDP planning	Our IDP provides clear guidelines in terms of LED to be undertaken	5
LED Vision	Our departmental LED vision guides us in our activities	13
	The municipal vision guides the LED activities	14

* Refer to the questionnaire in **Annexure B**.

(Source: Interviews held with LED practitioners, 2006; Questionnaires, 2006)

5.4.2.1. LED as a municipal priority

The LED practitioners identified that the most important operational implications resulting from the shift in the LED policy, is that LED must become a municipal priority. Four statements were included in the questionnaire to investigate the current status of LED as a priority in the municipalities in Frances Baard (refer to **Table 5.7**). Whilst the mean response reflected the perception that LED is seen to be a key municipal priority, the relative variability suggests that there was not a high level of agreement on this.

The second statement, “*we have the municipal managers’ direct support in our activities*” recorded a mean of 3.9, implying a relatively lower level of agreement than the view that LED was a municipal priority. However, the COV of 35.2 suggests a more homogeneous response to this statement. The aspect of limited funding in the municipal context was highlighted as a key constraining factor and recorded a mean of 4.5. Here too the responses were relatively homogeneous.

With reference to the political support from the municipal councils, the results suggest that the respondents did agree with the statement that the LED activities would function better if the council support was improved. The perception therefore was that the support from Council in terms of LED could be improved and could have a stimulating effect on their activities.

In the interviews conducted with municipal officials (Refer to Section 1.4) it was apparent that the prevailing interpretation of the LED imperative is not the inclusive one associated with the LED approach defined in Chapter Two, but rather a more limited project-based approach. It is this interpretation that underlies the respondents' interpretation as to whether or not LED is perceived in the municipality as a priority. Their interpretation that LED is indeed viewed as a priority in their local administrations therefore may be taken to mean that the project-based approach is a priority. Since the projects reflect only part of the LED approach as defined in Chapter Two, their response cannot be taken to mean that LED in the inclusive sense of the definition (developed in Chapter Two) is regarded as a municipal priority.

5.4.2.2. Technical Skills

The LED practitioners identified the availability of technical skills within the LED departments as a key operational implication from the LED policy shift. Two statements were included in the questionnaire dealing with technical skills. While the availability of the skills were dealt with in Chapter Three: Section 3.6.1.2 under the skills profile section, the questions were designed to indicate whether the individuals active in LED were viewed as specialists in their field and whether they were considered to be competent by their colleagues. The two statements that were included in the questionnaire were:

- Statement 18: The people in the department are LED specialists/specialists in their field
- Statement 20: My colleagues are competent in their jobs

Both the above statements recorded means of 3.4 and 3.2, indicating a relatively neutral stance on these statements. However, the COV of the two statements were 42.7 and 46.3 indicating a relatively heterogeneous spread of responses. The LED practitioners indicated the availability and development of technical skills as a critical operational implication of the LED policy shift.

5.4.2.3. Understanding of LED

In order to measure the perceived understanding of LED, the participants were asked to give an indication of their degree of agreement with the following statement: "*We have a clear understanding of what LED entails*". The respondents had a uniform response to the statement with a COV of 18.5. A high degree of agreement with the statement was recorded with a mean of 4.0. Clearly there is some personal bias in responding to a question such as this. In addition there is the matter of the understanding of LED. Any pronouncement as regards ones understanding of the concept is based ultimately upon that understanding. What is significant about the perception

of respondents is that it suggests that they do not regard their own knowledge as deficient. This is important from the viewpoint that it could influence their perception of the need for further training in LED, or that it could, to the extent that their present understanding of LED do not correspond to a more inclusive LED approach as defined in Chapter Two, render them less inclined to support the necessary realignment of interpretation of policy.

With reference to the understanding of LED by the councillors, a mean of 3.7 and a COV of 49.9 were recorded. This implies that the respondents were relatively neutral in their view of the degree to which the councillors understand LED. The understanding of LED is viewed by the LED practitioners as vitally important.

5.4.2.4. Human Resource Capacity

The two statements relating to the human resource capacity have been discussed in Chapter Three: Section 3.6.1.1. The main indications, from the discussion in this section, are that the LED departments are not appropriately staffed.

5.4.2.5. Practical LED Strategies

The practical implementation of LED refers to the practical strategies which are used to guide LED delivery. The statement associated with this operational implication asked the participants to indicate whether they are actively involved in the implementation of LED projects and recorded a mean of 3.7. Furthermore, the COV is 32.0, indicating that the response in this regard is relatively homogeneous. This implies that the respondents are relatively neutral on their active involvement in LED project delivery.

5.4.2.6. Increased flexibility

Increased flexibility, in the context of this study, refers to the ability to make independent decisions within the department-municipal-council framework (Refer to Chapter Three: Section 3.6.1.6). Three statements were used to gain insight into the flexibility of the departments and municipal organisations and they were:

- We can make decisions regarding LED projects within the department.
- We have authority and a mandate to deliver LED independently.
- The organisational structure and decision-making processes help us in our jobs.

The majority of the respondents indicated that the LED departments are in a position to make decisions regarding LED projects (mean = 3.8). With reference to the authority and mandate to operate independently the respondents indicated that they feel relatively constrained due to limited authority (mean = 2.8). Responses were relatively varied (COV = 47.2) in terms of perceptions relating to the degree of authority and mandate to deliver LED independently.

Of course the requirement for independence of action is not consistent with the LED approach as defined in Chapter Two that requires, at its core, that LED in fact be a coordinated and aligned action on the part of the entire municipality as a whole and acting in concert through all its delivery channels, carrying out all its functions in a manner consistent with the achievement of community economic development objectives.

Referring to the organisational structure, the decision-making processes and their impact on the LED activities, the mean (3.3) recorded suggests that the respondents are neutral. In other words, the respondents did not clearly indicate whether the organisational structure and decision-making process have a positive or negative impact on LED delivery. However, the high COV (45.2) implies that the responses were diverse, implying that some respondents indicated that the organisational structures and decision-making process are hampering LED delivery, while other respondents indicated that structures and process are assisting LED delivery.

5.4.2.7. Additional Financial Resources

In terms of accessing non-municipal funding, the respondents indicated that they know where and how to access alternative sources of funding. The mean recorded with this statement was 4.0. Additionally, the COV of 33.9 implies that the responses were relatively homogeneous.

5.4.2.8. IDP Planning

As the IDP is statutorily the central planning document and strategic plan for the municipalities, it is necessary to review the perceptions of the LED units in this regard. The respondents were asked to indicate whether the IDP provides appropriate guidelines in terms of LED activities to be undertaken. Refer to Chapter Three: Section 3.6 for the interpretation of the results.

5.4.2.9 LED Vision

The LED vision and the outcomes of the survey were discussed in Section 3.5 and will not be duplicated. The respondents indicated that the LED visions provide appropriate guidelines for the planning and delivery of LED.

The following section will discuss the inter-relationships and observations from the outcomes of the surveys.

5.4.3 MONITORING & EVALUATION (M&E)

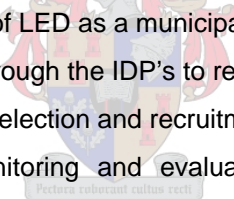
The monitoring and evaluation (M&E) of project implementation, is a further consideration that has been investigated. Respondents were asked whether project-monitoring activities were being undertaken. Where they had indicated their involvement in such they were further requested to provide a brief description of their M&E activities. Nine of the respondents (69.2%) indicated that M&E activities are being undertaken. The main approach to M&E was through monthly project meetings, where feedback would be provided to the relevant internal (municipal) committees. Fifty percent of the respondents indicated that this is the main approach being followed. The other M&E approach indicated relates to the use of the individual performance management system that links project objectives with individual performance. Apart from the monthly meetings and the performance management system, no external or project specific M&E activities are being undertaken. The institution of the LED approach as defined in Chapter Two, requires that more comprehensive M&E systems be introduced that monitor the performance of the municipality as a whole against LED objectives and targets to which each division is co-operatively committed to achieving. Such a system needs therefore to monitor and evaluate not only what the municipality is doing, but how it is doing it.

5.5. SUMMARY

The shift in the LED policy has a number of operational implications for local government. The preceding section provided an indication of the municipal perceptions regarding the identified operational implications. Municipal decision making in the Frances Baard District, as elsewhere, has to deal with both a political and a bureaucratic system. The long decision-making processes are hampering the flexibility and ability of the LED departments to deliver on their LED mandate. The following key observations have been made:

- The focus of the LED initiatives needs to be re-aligned with the focus areas and core components of the 2004 and 2005 policy.
- With reference to the active involvement of LED departments in LED delivery, a neutral response was recorded. However, during the initial contact with the municipal representatives, no LED project could be identified which could be utilised in the study.
- It was indicated in Section 2.4.2 that the municipal IDP's are below standard and that the municipalities have difficulty in implementing the projects contained in the IDP's. Reviews of the IDP's concluded that the LED components of the IDP's are sub-standard. Yet the respondents indicated that the IDP's provide appropriate guidelines. This suggests a disjuncture in the understanding of respondents of key elements of LED.
- The monitoring and evaluation of the LED projects need to be realigned with the external environment and should be based on alternative criteria vis-à-vis the performance management systems currently employed.

The above serve to inform the priority intervention framework within which the operational planning of LED in the Frances Baard District needs to take place. The key operational interventions include the following:

- 
- Facilitating the establishment of LED as a municipal priority.
 - Re-aligning LED strategies, through the IDP's to reflect the policy shifts.
 - Aligning the human resource selection and recruitment process.
 - Incorporating a suitable monitoring and evaluation procedure in the LED delivery mechanisms.

Chapter Six presents the recommendations and conclusion in terms of an LED management framework for the Frances Baard District.

CHAPTER SIX:

Recommendations and Conclusion

6.1. INTRODUCTION

The aim of this Chapter is to develop integrated coordinated management guidelines for the Frances Baard District, based on the findings and conclusions of the previous chapters. The chapter highlights the importance of institutional re-alignment / restructuring to effectively implement, manage and facilitate the adoption of the LED Approach. The multiplier effect derived specifically from the synergy impact that is achieved by creating partnerships across the community and by achieving greater alignment of effort within local government as a dividend of the LED Approach, aims to contribute to the growth and development of the Frances Baard District.

The central imperative is that national, provincial and local government, the private sector and the community should in terms of the evolving LED policy enter into a partnership and work collectively in order to stimulate economic activity in the Frances Baard District. As discussed in Chapter Two, the municipalities comprising the Frances Baard District need to depart on a process of re-aligning / restructuring the institutions that will facilitate improved LED. LED must in the process also be positioned as a municipal priority. The decision node for LED must be located higher up in the hierarchy close to the Chief Executive Officer with sufficient organisational authority to impact the totality of the municipality's activities (Refer to Chapter Two: Section 2.2.6).

Two key intervention areas have been identified namely, *internal interventions (internal municipal organisational interventions)* and *external interventions (community-level interventions)*. These will be discussed in detail and include the following:

- ***Internal interventions***
 - Redefine its interpretation of “LED”
 - Adoption of an LED approach (renew mindset)
 - Refocusing LED (an inclusive view extending beyond the conception of LED as confined to explicit “LED” projects)
 - Positioning LED as a municipal priority (higher up in the hierarchy)

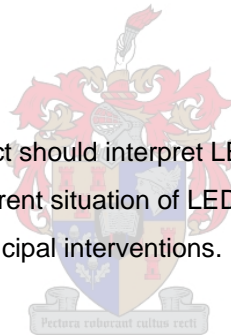
- **External interventions**

- Creating partnerships with other stakeholders in other governmental spheres and across the community.
- Establishing a focus of shared community-level LED capacity as a vehicle for mobilising, co-ordinations and steering joint community effort.

The positioning of LED as a municipal priority implies that organisational change within the municipal environment needs to be facilitated. This requires the adoption and institutionalisation of a view within the Frances Baard District that regards LED as the business of each and every section of local government to the extent that their actions and the manner in which they carry out their operational tasks should be informed by and serve LED objectives. LED is thus not merely the responsibility of an LED department in local government, although such “department” may serve as a focal point for energising and facilitating it (Refer to Chapter Two: Section 2.2).

This section will discuss the following:

- How the Frances Baard District should interpret LED.
- Conclusions regarding the current situation of LED in the Frances Baard District.
- A guideline framework of municipal interventions.
- Concluding remarks.



6.2. RECOMMENDED INTERPRETATIONS OF LED FOR THE FRANCES BAARD DISTRICT

In Chapter Two, various interpretations and definitions on the part of several authors on what LED entails and how it should be implemented in Local Government in order to be successful, were discussed. The Chapter distilled from these definitions and approaches and from the emerging 2005 LED policy an “LED Approach” that encompasses the core intent and essence of the policy imperative, but that provides an operational vehicle for application in a real world context such as that of Frances Baard. This will be employed as the basis for formulating a guideline framework for the Frances Baard District.

6.2.1 Definition of LED

In terms of the approach developed in Chapter Two, LED interventions in Frances Baard need to be taken to refer to all interventions by whatever party that impact upon the economic development of the Frances Baard District. In terms of this definition the essence of LED is not defined according to the agency making the intervention but rather according to the ultimate effect of the intervention (Refer to Chapter Two: Section 2.2.4).

6.2.2 The LED Approach

Adoption by the Frances Baard District of the LED Approach as defined in Chapter Two in a manner that is consistent with the recommended definition above requires essentially two elements:

- The recognition that LED is ultimately not the responsibility of local government or of any section within local government alone, but of the entire community working in concert within an orderly interactive framework of relationships. Partnerships toward the achievement of community economic goals at the local level therefore are a key element of the LED approach (Refer to Chapter Two: Section 2.2).
- Following on the above the adoption of an approach to local government in particular that ensures that LED strategy and policy inform and influence all its decisions and that its performance is measured in significant part by the extent to which it achieves economic developmental goals and objectives. To this extent all elements of local government in Frances Baard, in particular, need to approach LED as a “way of doing things”, as a way they perform all their functions and not merely as an additional function or responsibility which in terms of the Constitution it is not (Refer to Chapter Two).

The LED approach defined in Chapter Two, comprises the harnessing and focusing of all resources and interventions that potentially impact upon the economic development of a local area in order to better serve local economic imperatives (Refer to Chapter Two: Section 2.2.2).

Many of the core competencies involved in the implementation of the LED Approach lie beyond local government. A credible LED approach is thus in its very essence a joint initiative and responsibility of all spheres and players.

6.3. CONCLUSIONS REGARDING THE CURRENT SITUATION OF LED IN THE FRANCES BAARD DISTRICT

The next section briefly summarises relevant conclusions regarding the current situation of LED in the Frances Baard District discussed in Chapter Four.

- LED is viewed in the Frances Baard District as an outcome and not as an approach.
- LED is largely peripheral to mainstream local government decision making since, though it may appear to be a “priority” it nevertheless is relegated to a sideline and does not in a coordinated way influence the way local government in the Frances Baard District does things.
- The prevailing view of LED in the Frances Baard District is one based upon isolated projects.
- LED is viewed as a local government prerogative. LED initiatives in Frances Baard District do not adequately institutionally provide for the incorporation of the other key role players in LED on a structured basis.
- The relationship between the IDP and LED is problematic.
- Institutional structures for LED are asymmetric, with different arrangements applying in the different local government jurisdictions across the district complicating interaction and synergy.
- Organisational elements established to manage LED are largely immersed in the bureaucratic structure and are not effectively employed in managing the LED Approach but rather on managing isolated and disjoint LED projects.

6.3.1. LED IS VIEWED AS AN OUTCOME AND NOT AS AN APPROACH

In the Frances Baard District, LED is still seen as “thing you do” in order to achieve goals such as poverty alleviation and job creation, only to mention a few. In essence LED is not just about the poor, but rather about a systemic approach that manages community governance in such a way as to achieve shared community goals and objectives, including goals and objectives reflecting imperatives for addressing the plight of the poor in communities (Refer to Chapter Two: Section 2.2.3).

6.3.2. LED IS PERIPHERAL TO LOCAL GOVERNMENT DECISION MAKING

To the extent that no formal mechanisms exist in Frances Baard for bringing LED into the mainstream of local government decision making, it is concluded that in effect the LED approach is not being followed in Frances Baard District and that LED remains on the periphery of local government decision making.

6.3.3. THE PREVAILING VIEW OF LED IN THE FRANCES BAARD DISTRICT IS ONE BASED UPON ISOLATED PROJECTS.

In the Frances Baard District LED is viewed as comprising the implementation of explicit projects and programmes. Poverty eradication and job creation are viewed as two of the highest priorities in the Frances Baard District. In Chapter Two: Section 2.2.4 it was argued that poverty alleviation refers to the process of addressing the symptoms of poverty and not its root causes. The extent to which LED is seen primarily as a tool for poverty alleviation rather than as a tool for achieving general pro-poor economic growth, suggests yet again that the focus on LED in Frances Baard District is less upon approach than upon outcome. Section 6.2.1 above however suggests that a broader definition is appropriate, namely that municipal LED in terms of the evolving policy discussed in Chapter Two must be seen as everything the municipality does that impact on the local economy. For example, procurement policies can be structured to address the use of local labour and all infrastructure development should support economic development whatever its primary purpose (Refer to Chapter Two: Section 2.2).

6.3.4. LED IS VIEWED AS A LOCAL GOVERNMENT PREROGATIVE

LED is viewed by the Frances Baard District as a local government prerogative. It is predominantly viewed as a line function linked to an additional responsibility that local government has to discharge. It effectively consigns key role players outside of government with the resources, skills and competencies to impact directly on economic development in the local sphere to the periphery.

This is a critical deficiency given that municipal government has relatively limited economic developmental competencies and cannot itself and in isolation in terms of its Constitutional functions, address the full spectrum of activities necessary to achieve accelerated local economic development. Neither is LED a separate function in Local Government and the

LED department should not be seen as the sole agency for “delivering LED”. The LED Approach (as discussed in Chapter Two) and as it has evolved from the policy approach requires that the entire community take joint responsibility for local economic development in its area and that local Government as a whole must take ownership of its responsibility to contribute effectively through all its actions by promoting, facilitating and supporting LED (Refer to Chapter Two: Section 2.2). In particular local government needs to facilitate partnerships between stakeholders (Refer to Section 2.2.1).

Evolving policy requires that that Local Government in Frances Baard should establish viable LED Forums in order to network other key stakeholders into LED initiatives consistent with the LED Approach. (Refer to Chapter Two). Networking in this manner requires management and also support capacity at the community level. This can be provided either:

- By the LED section within local government on behalf of the community; or
- By the one or other form of “development agency” established outside of government as a Municipal entity in terms of the relevant legislation, such as the Municipal Systems Act (Act 32 of 2000) and Local Government: Municipal Finance Management Act (Act 1 of 1999) or some other form of public-private partnership.

The current situation in Frances Baard is that effective network management in support of an LED forum structure and other institutional arrangements for the incorporation of key local stakeholders outside of government does not exist; neither does a development agency performing this role.

It can furthermore be said that the role of LED managers in Frances Baard is ambiguous. Rather than investment facilitation and place marketing in close cooperation with the private sector, LED managers are often caught up in bureaucratic structures and internal turf wars precisely because of the integrative nature of Local Economic Development.

6.3.5. THE RELATIONSHIP BETWEEN IDP AND LED IS PROBLEMATIC

In the Frances Baard District, the relationship between IDP and LED is still a cause for concern. In Chapter Two: Section 2.2.6 it was stated that the relationship between the IDP and LED in the legislation remains somewhat of an anomaly. The IDP is presented as a community plan, but it in fact has the hallmarks of a government plan formulated with community inputs. Thus the IDP, as a local government plan, must serve overall community imperatives including economic development in the local area. To the extent that a

coordinated and inclusive approach to LED is not present in the Frances Baard District and is uninformed by an inclusive LED strategy, the IDP inevitably lacks overall economic context. This situation is not assisted by the fact that institutionally the linkages between the IDP process and LED strategising within the Frances Baard District are not well developed (Refer to Chapter Three: Section 3.6.1.8). LED interests become sidelined to the IDP with decision makers who only view LED as constituting peripheral projects (Refer to Chapter Two: Section 2.2). In this context the LED approach in the Frances Baard District is often misunderstood and the synergy lost.

Since both the IDP and the LED strategy of local government lie at the core of determining local government's programmes affecting all its Constitutional functions, it follows that organisationally both should be located close to the centre of municipal executive decision making (Refer to Chapter Two: Section 2.2.6).

6.3.6. INSTITUTIONAL STRUCTURES COMPLICATING INTERACTION AND SYNERGY

The institutional structures for LED are asymmetric, with different arrangements applying in the different local government jurisdictions across the Frances Baard District complicating interaction and synergy. This can mainly be attributed to the short history of Integrated Development Planning and LED in South Africa (and in the Frances Baard District) and the history of the past. This means that the collaborative paradigm, in other words, the LED approach envisioned by academics in the context of the IDP and LED, has not yet realised to its full extent (Refer to Chapter Two: Section 2.4.1). To the extent that LED in the Frances Baard District is furthermore based on the unique development opportunities and constraints found in different jurisdictions and localities, it follows that such localities find it necessary to adopt different approaches towards the end of stimulating their local economies. The second reason for this phenomenon relates to the evolutionary nature of LED in the Frances Baard District and the rest of South Africa (Refer to Chapter Two: Section 2.2.4). During the 1950s, LED by Local Government was almost exclusively seen as the provision of adequate municipal infrastructure necessary for public and private sector development. Since then the LED mandate by Local Government has expanded dramatically, including functions such as Investment Promotion, Place Marketing and the facilitation of strategic information portals.

Nevertheless, despite recognition of the uniqueness of the circumstances prevailing in each separate area, a coherent and mutually supportive approach to LED by all the local authorities

across the Frances Baard District, suggests the need for a greater level of uniformity of organisational approach to LED in order to enable greater cooperation and to facilitate interaction.

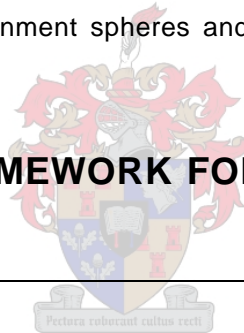
6.3.7. BUREAUCRATIC DRAG ON LED

Elements established to manage LED in the Frances Baard District are largely immersed in the bureaucratic structure and are not effectively employed in managing the LED Approach but rather are focused on managing isolated and disjoint LED projects.

6.3.8. CONCLUDING REMARK

The implementation of a LED Approach in the Frances Baard District requires a complete revision of approach and practice. Within this context the most critical issues include re-defining what LED is and what strategies should be pursued to achieve it and taking LED out of the narrow confines of the local government mandate into the arena of true partnerships - both between government spheres and between elements within the local authority itself.

6.4. A GUIDELINE FRAMEWORK FOR LED IN THE FRANCES BAARD DISTRICT



A guideline framework for LED in Frances Baard based on the two key intervention areas set out in Section 6.1 is developed below.

6.4.1. INTERNAL MUNICIPAL INTERVENTIONS

A re-alignment of the current institutional arrangements of the Frances Baard Local Government is required to ensure the successful facilitation / implementation of the LED Approach within the Municipality and the area. The strengthening of institutional mechanisms to assist the Municipality as a whole with regards to the LED approach is the first critically important step that must be undertaken.

In Section 6.1 above it was stated that the *internal municipal interventions* will consist out of the following:

- Redefine its interpretation of “LED”

- Adopt LED approach (renew mindset)
- Refocusing LED (on wider interventions and not merely on projects)
- Positioning LED as a municipal priority (higher up in the hierarchy)

6.4.1.1. Redefining the Interpretation of “LED”

In order to pave the way for an inclusive approach required by the 2004 and 2005 LED Policy and by LED good practice the Frances Baard District local authorities should collectively redefine and align their interpretation of “LED” according to the definition reflected in Section 6.2.1 above.

6.4.1.2. Adopting the LED Approach

The LED Approach as reflected in Section 6.2.2 above, must be applied collectively by all the municipalities in the Frances Baard District. This will only be possible once national, provincial and local authorities, business, labour; NGO's and most importantly individuals take ownership of their own economic development and strive to improve their economic status by combining their skills, resources, ideas and effort (Refer to Chapter Two: Section 2.2). This can also be taken forward by establishing the necessary support capacity for active community-stakeholder-networking, either in the form of capacity within local government at district and local municipal level to perform this function, or in the form of a Local Economic Development Agency in the Frances Baard District to improve the interaction and synergy between LED partners through the management of active networking and of joint community-level initiatives.

6.4.1.3. Refocusing LED

The LED approach will in effect involve the institution in the Frances Baard District of new institutional arrangements to bring about improved local economic governance to achieve shared community goals and objectives. This involves far more than merely the undertaking of explicit LED projects, but goes to the heart of decision making regarding all matters with an economic impact on the Frances Baard area. Whilst explicit programmes and projects are a means of implementing the LED approach, the approach is not confined to such interventions but should inform all decisions with economic implications within the Frances Baard community (Refer to Chapter Two: Section 2.2.1).

6.4.1.4. Positioning LED as a municipal priority (higher up in the hierarchy)

a) General Organisational Principles

A LED approach has organisational implications for local government in the Frances Baard District. More specifically, it requires a level of symmetry across the district in which the relevant institutional structures of the municipalities comprising the district are aligned and the linkages and interactivity between them is formalised in accordance with the following broad principles:

- LED decision making must be located close to the CEO in order for it to be enabled to influence decision making throughout local government in the district.
- Positioning and design of the LED organisational element must be to promote and facilitate close alignment and coordination between the IDP and LED, between local municipalities within the Frances Baard District, between the two tiers of local government in the district namely the Frances Baard District Municipality and its constituent local municipalities and ultimately between the district and other spheres of government.
- It must be located in such a way to enable it to inform, influence and coordinate as closely as possible the activities of line departments of the municipality that are and will remain responsible for the execution of the main body of the municipality's Constitutional obligations and the expenditure of the main body of its budget to assist them to act according to sound LED principles. The LED component must be in a position to procure that the "way the municipality does its things" is consistent with LED policy and good praxis.

b) Internal Organisational Recommendation

In order to apply the LED Approach, the local authorities of the Frances Baard District should collectively adopt an institutional design that reflects the following principles:

- The realignment and capacitation of the institutional structures of the Frances Baard local government through a systematic approach to the problems being experienced with LED currently. Central to this is that the Frances Baard municipal institution and departments must be adequately and appropriately staffed and trained. In-house training such as mentorship programmes, learnerships and internal skills development is very important for the municipalities and the LED units

- in order to grow and attain certain skills, as well as to adjust their mindsets and adapt the LED approach.
- The realignment of LED units as staff functions to the CEO to place them in a position to inform and serve all aspects of the municipality's functioning. This realignment is intended to build a shared understanding of LED in the Frances Baard District and to put into context the role and responsibility of LED as the role and responsibility of the entire municipality.
 - Realignment of the functions of municipal LED units to include:
 - Promotion of an LED ethos in local government in Frances Baard.
 - Informing decision making of all departments of local government to ensure promotion of economic development objectives.
 - Monitoring of the achievement of economic development objectives in the local community.
 - Promotion of LED capacity building in all departments of local government
 - The facilitation of community-wide engagement particularly of key stakeholders and –players in the LED process at district and local level; or at least the facilitation of the establishment of appropriate institutional arrangements to achieve this.
 - Organisationally, both the IDP and LED should be located close to the centre of municipal-executive-decision-making. In other words, Frances Baard local government's decision node for LED must be located higher up in the hierarchy close to the Chief Executive Officer with sufficient organisational authority to impact the totality of the municipality's activities.
 - The skills base should be strengthened in the municipalities themselves. The recruitment procedure should be reviewed and the existing employees should be capacitated by:
 - Developing detailed skills profiles of all personnel through a participative process with the individuals and the formulation of individual skills development programmes.
 - Holding "LED approach' workshops in order for the Frances Baard personnel to understand fully what an LED approach entails and how to adopt it.
 - Identifying appropriate graduate and post-graduate degrees and other training aids and packages that will assist personnel to understand LED in a more effective and efficient manner.
 - LED practitioners must come to realise that one of their key tasks (facilitating role) is to bring different stakeholders together in the LED process in the form of

partnerships. In order to do this their roles should be defined in the joint development process.

6.4.1.5. Institutional realignment and capacity building of Frances Baard

In terms of the Constitution Local government is inter alia tasked with the delivery of services to the local communities residing in its area of jurisdiction and with economic development promotion.

Currently, this mandate is proving to be extremely challenging to fulfil in the light of the shifting emphasis in the national approach to the promotion of economic development in general and local economic development (LED) in particular. As deduced elsewhere in this thesis (Refer to Chapter Three: Section 3.5.2) this necessitates realignment and capacitation within the institutional environment at local level serving LED.

a) Development Elements

The re-alignment and capacitation of the institutional structures, especially local government, can only be performed through a systematic approach to the problems being experienced. The specific issues relating to the appointment of personnel is central to the departments and/or institutions, in order that they can adequately and appropriately staff their departments.

It is important that continuity is maintained throughout the LED process, with respect to the personnel performing LED activities. Therefore, as this section is concerned with the overall improvement of the institutional mechanism which delivers LED efforts should be made to ensure that momentum is attained in all the local municipalities comprising the Frances Baard District regarding this.

b) Development Programmes

In order to fast-track the re-alignment and capacitation of the institutional structures (the local government departments active in LED throughout the district) it is necessary to depart on a comprehensive skills enhancement process as mentioned in Section 6.4.1.4. This process should incorporate all aspects of the LED delivery system and the regulatory environment including for example by-laws and organisational culture. The specific development programmes

deriving from this study and proposed for priority attention (Refer to Chapter Four: Section 4.6) are:

Development programme 1: Determination of Roles & Responsibilities and Training & Capacitation

Development programme 2: Establishment of an LED Forum

The primary focus of this section is on the clarification of the mandates of local government to perform and deliver LED. Consistent with the essence of LED discussed in Chapter Two, namely that it is an inclusive activity involving role players inter alia from all three spheres where appropriate, the sections deals with the relevant mandates, other government agencies and non-governmental organisations and institutions as well.

- **Development programme 1: Roles & Responsibilities and Training & Capacitation**

Each of the local government spheres / departments has a different role in the LED-process. All these roles need to be complementary and to contribute to an overall synergy if economic development is to be effectively promoted. It is therefore necessary to clarify roles and to determine an appropriate operational division of functions within the legislative and broad policy framework as it exists at present (Refer to Chapter Two: Section 2.2.6)

A guideline framework for the determination of the specific roles and responsibilities is provided in the **Table 6.1**. In order to achieve the necessary holistic understanding and buy-in on the part of local government decision makers and functionaries in the Frances Baard District the guideline framework provided in the table needs to be comprehensively workshopped. Due to the inherent interactivity of roles, at the local level particularly the achievement of complementarities and alignment between the district and local municipal levels in the Frances Baard District is important.

Table 6.1: GUIDELINE FRAMEWORK – ROLES AND RESPONSIBILITIES

DISTRICT MUNICIPALITY	LOCAL MUNICIPALITY
<ul style="list-style-type: none"> • Maintain internal and external communication within the Frances Baard District • Capacity building • LED planning (district and local) • Manage LED initiatives 	<ul style="list-style-type: none"> • Policy and planning - strategic focus • Research and development, assess need in strategic areas • Develop/link to IDP • Facilitate/ coordinate LED partners • Marketing city/town

DISTRICT MUNICIPALITY	LOCAL MUNICIPALITY
<ul style="list-style-type: none"> • Conduct LED audit • Compile and assess feasibility of business plans • Strategy development • Identify and broker resources equitably • Identify market and opportunities • Provide financial resources • Coordinate and align LED activities • Establish and maintain partnership to facilitate LED activities • Align municipal policy and practices • Monitor and evaluate the impact of LED activities 	<ul style="list-style-type: none"> • Identify, development and manage data bank of stakeholders • Support services - financial and non-financial • Skills development - LED officials and community • Regeneration studies • Linking and access to funding • Identify, prioritise and select projects • Implement and manage projects • Create conducive environment for LED and growth – support services incentives • Job creation through capital projects • Conflict resolution and management • Identify strategic and high potential growth areas – geographic and functional • Form and encourage linkages/networks • Sharing information – between local authorities, other partners and clients • Facilitate and oversee partnership between big business and communities <p>Job creation information, collation and report results</p>

The establishment of clear communication lines and close interactivity between the district and local municipal levels within the Frances Baard District is of cardinal importance. It is also necessary to integrate the roles and responsibilities with the necessary skills and capacity to perform these roles and discharge these responsibilities effectively.

The capacity development programme needs to focus on measures to ensure that these skills are attained in the municipalities to enhance the capacity to propel the local areas onto a higher growth path.

- **Development programme 2: Establishment of an LED Forum**

Establishing an Economic Development forum for the Frances Baard District is of utmost importance. One of the main issues that were identified in the area is that there is a lack of communication, especially between the District and Local Municipalities, as well as between Municipalities and sectoral stakeholders. This LED forum will contribute to narrowing the communication gap that currently exists.

This forum should have a representative from each of the different economic sectors and should work closely together with the LED Unit. This forum is also a necessary tool in terms of giving advice on decisions that was made in the Economic Development Forum (regarding the different sectors) through to the various sectoral forums, in order to avoid confusion.

Provincial and Local Government departments, the chamber of commerce (NAFCOC, NOCCI), agencies and small- and large scale private sector participants, from each economic sector (such as De Beers, small miners, farmers, Tourism association), need to consult on a regular basis with each other. This will encourage them to exchange ideas and thoughts on advancing opportunities and overcoming pressing developmental challenges. This will also make them aware of new opportunities and developments in each different economic sector.

This LED forum will work together with the community and sectoral stakeholders in order to create the environment for economic growth and development. The LED forum should have various characteristics that will support its successful operation. The characteristics include:

- Have clarity on its purpose and function.
- The development forum should have common values, vision towards the LED approach
- Have a clearly defined LED approach.
- There should be regular report-backs on progress and process. Monitoring mechanisms should be put in place.
- Be 'lean' and focused. The development forum should be structured with a small, but effective complement of dedicated and empowered staff.
- Be representative of core stakeholder groupings and function in a consultative manner. In this regard, members on the development forum should reflect perspectives as prevalent among their constituencies to ensure that diverse needs are met. The development forum should have the ability to co-opt other members if and when required.
- Be transparent in its dealings.
- Be a-political.

- Have a commercial/business approach with a strong project management and co-ordination function.
- Integrate and enhance existing and future business and social development processes.
- Be as committed to the needs and growth of the grassroots entrepreneurs as it is to burgeoning large-scale enterprises.

6.4.2. EXTERNAL MUNICIPAL INTERVENTIONS

The LED approach requires that LED should not only be a function of Local Government but it should provide a framework within which all stakeholders / role players can together contribute to the achievement of economic development objectives. In Section 6.1 above it was stated that the *external municipal interventions* will consist out of the following:

- Creating partnerships with other stakeholders in other governmental spheres and across the community which must be consistent with an LED approach. This will play a key role in Frances Baard and will energise integration, innovation, synergy and excellence in LED.
- Creating external capacity - that is capacity to service community-level networking and joint community LED initiatives that may include establishing a Development Agency as a vehicle for mobilising, co-ordinations and steering joint community effort.

6.4.2.1. Creating partnerships

It was stated in Section 6.3.2 above, that the LED approach should be seen as a partnership between stakeholders and should be facilitated by local government together with the private sector and community partners in order to make it more balanced and realistic. It was also stated in Section 6.4.1.1 that the LED approach will manifest in the Frances Baard District once national, provincial and local authorities, business, labour; NGO's and most importantly individuals take ownership of their own economic development and strive to improve their economic status by combining their skills, resources, ideas and effort.

LED initiatives in the Frances Baard District should involve close cooperation between government and non-governmental actors (chambers and business associations, trade unions, universities and research institutes, companies, NGO's) during diagnosis, planning, implementation and evaluation (Refer to Chapter Two: Section 2.2.1). Thus, the local government in the Frances Baard District, the private sector and the community must enter into a partnership and work collectively together in order to stimulate economic activity in

the Frances Baard area. The inherent idea in the LED Approach, reflected in LED policy (Refer to Chapter Two) is not for the Frances Baard municipalities to necessarily run the programmes themselves but to focus on establishing forums to build partnerships and the necessary community capacity to network with a range of stakeholders in the area.

However, the Frances Baard municipalities still play a particularly important connector role in respect of LED, whereby they draw on resources locked in a range of different government support instruments into their localities.

6.4.2.2. Establishing a Development Agency

The establishment of a development agency outside of government is enabled by legislation and is also enabled by LED policy (Refer to Chapter Two: Section 2.2.6) as a means of creating joint community LED capacity outside of government.

The role of the Development Agency should be as prime promotional agent of LED Initiatives in the Frances Baard District. Establishing a development agency in the Frances Baard District could have a critical role to play in the development path of the Frances Baard municipalities towards meeting the challenges alluded to above. Development agencies do not operate in isolation, but are rooted in local settings that are influenced by historical characteristics, culture, institutional hierarchies, political agendas and human actors. This means that the establishment and operation of a development agency is a complex task, not only in terms of the prescribed internal operational issues, but also in terms of the external relationships and dealings that the development agency will have with the municipalities, the Industrial Development Corporation (IDC) and other key role players and stakeholders.

Development Agencies are specialised bodies essential to fill the gap between the Local Government, the private sector and community partners (Urban-Econ, 2003). They are therefore:

- A tool of LED and act as a delivery vehicle for development.
- Owned by the public authority, often in association with other stakeholders as partners, in order to coordinate and manage public resources, potential investors and regional investment opportunities in accordance with the pre-determined development objectives of the municipality.
- Adjuncts to the internal LED capacity of local government, extending the capacity of the community as an entity distinct from government to manage its local economic development. As such they can also be flexible, purpose-built organisations that provide

vehicles for the recruitment of appropriately skilled personnel that otherwise would not choose to work in the bureaucratic environment of government.

- Integral to the process of setting up, running and supporting the endogenous networks that catalyse local economic development.

In South Africa, the Industrial Development Corporation (IDC) has been mandated by the Government to effectively participate in the spatial and economic development of areas in need. The IDC has thus become a key role player in LED-driven initiatives as its development mandate has recently expanded to include the active pursuit of the establishment of development agencies in areas of need. The establishment of a development agency in the Frances Baard District could contribute to achieving economic growth and economic empowerment of the Frances Baard population.

Resources, political commitment and other conditions exist and are available for economic development in the Frances Baard District. What is missing is the coordination and management to do it. It is for this reason that a dedicated champion, with clear terms of reference and mandate is suggested in the Frances Baard Municipal area.

A development agency in the Frances Baard District would provide a delivery tool amongst other things, to coordinate and manage public resources, potential investors and regional investment opportunities around specific local economic development initiatives. Such a development agency could be constituted in any of the forms enabled by the Municipal Financial Management Act (Act 1 of 1999) and the Municipal Systems Act (Act 32 of 2000).

The Frances Baard District and Local Municipalities, as developmental local government entities, are currently responsible to initiate facilitate and/or implement initiatives that will create an enabling environment for economic development in its area of jurisdiction. However, as with many other municipalities in South Africa, these Municipalities in the Frances Baard District are often criticised for non-delivery of LED. Thus, the establishment of a development agency could assist the municipality in the planning and implementation of catalytic turn-key economic initiatives that could contribute to economic growth and diversification across all economic sectors.

A development agency is thus needed in the Frances Baard District in order to:

- Generate economic growth and diversification in the Frances Baard local economy through the conceptualisation, design and implementation of turn-key initiatives that will build on the unique strengths of the Frances Baard District.

- To create and foster partnerships and cooperative networks between all relevant stakeholders on initiatives that will promote local economic development. The development agency should strive to incorporate organisational expertise in the field of local economic development that will make it a more suitable vehicle through which economic initiatives could be implemented and managed.
- To leverage public and private resources for development around opportunities that offers economic, social and spatial development potential.
- To create a business environment conducive to public and private sector investment, operational efficiency, business confidence and productivity.

Activities associated with local economic development are often the end result of a wide array of strategic interventions and therefore cannot be tackled solely by an individual agency or organisation acting in isolation, such as the local government. The partnerships -based approach through the establishment of a development agency, is thus a key strategy of local economic development particularly in the Frances Baard District where it is necessary for communities and the non-governmental and private sectors to work collectively together.

6.5. CONCLUSION

The intent to promote LED has become an established feature in the Frances Baard District, but certain constraints such as resource and skills constraints and lack of guidance from the other spheres of government hinder the delivery of LED at Local Government level. LED is immersed in a line function environment that institutionally cannot support or sustain it, unless broader institutional reform takes place to bring the LED Approach into the mainstream of municipal and community decision making in terms of locating LED higher up in the municipal hierarchy and by forming partnerships.

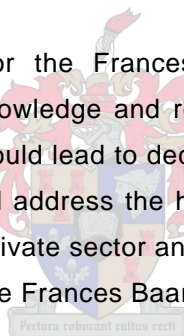
This study also suggests that:

- LED is not just about projects and programmes but about building the total institutional capacity for economic governance at community level of which projects form part. LED interventions comprise every intervention that has an impact on the local economy.
- LED is not the sole responsibility of Local Government, but should be a partnership between all the stakeholders (including Government, private sector and the community) in order for the community to function as an economic unity in a specific area.

- LED is not a separate line function, but it should be the function of the whole municipality. LED should be moved higher up in the hierarchy to the centre of the municipality, due to the fact that it encompasses everything the municipality does.
- LED should not be seen as only an outcome and particularly a solely pro-poor outcome. The LED Approach requires a joint approach of the municipality, stakeholders and individuals to take ownership of their own economic development and to strive to improve their economic status by combining skills, resources, ideas and effort.

LED should be seen a “Way you do things” and not a “Thing you do”. The LED approach is thus an approach that draws economic development decisions to the centre of all decision making. The LED approach focuses on all resources and interventions that impact the economic development of a local area in order to better serve local economic imperatives. Local Government, the private sector and the community must enter into a partnership and work collectively together in order to stimulate the economy in a local area.

The LED approach is important for the Frances Baard District and their economic development. Alignment of effort, knowledge and resources must take place to stimulate job creation in the local area which could lead to decreasing high unemployment levels and increasing income levels which could address the high poverty levels. The LED approach could enable the local government, private sector and the community to create partnerships in order to make LED successful in the Frances Baard District.



The Frances Baard Local Government needs to take a key role in LED, but there are still real incapacities which exist at the local level and the need for external capacity building interventions will give direction, guidance, support and facilitation to all the stakeholders and the local government.

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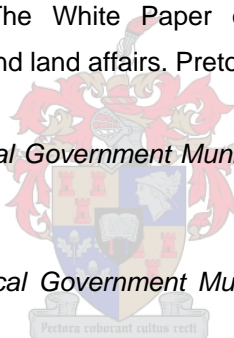
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ANNEXURE A:



MUNICIPAL CATEGORIES

Extracted from the Municipal Structures Act (117/1198)

Areas which must have category A municipalities

An area must have a single category A municipality if that area can reasonably be regarded as-

- a. a conurbation featuring-
 - i. areas of high population density;
 - ii. an intense movement of people, goods, and services;
 - iii. extensive development; and
 - iv. multiple business districts and industrial areas;
- b. a centre of economic activity with a complex and diverse economy;
- c. a single area for which integrated development planning is desirable; and
- d. Having strong interdependent social and economic linkages between its constituent units.

Areas which must have municipalities of both category C and B

An area that does not comply with the criteria set out in section 2 must have municipalities of both category C and category B.

Application of criteria

1. The Minister must apply the criteria set out in section 2 and determine whether an area in terms of the criteria must have a single category A municipality or whether it must have municipalities of both category C and category B.
2. The Minister may determine that an area must have a category A municipality only after consultation with the MEC for local government in the province concerned, the Demarcation Board, SALGA and organised local government in the province.

Declaration of metropolitan areas

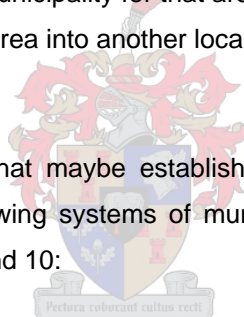
1. If the Minister determines that an area must have a single category A municipality, the Minister, by notice in the Government Gazette, must declare that area as a metropolitan area.
2. When declaring an area as a metropolitan area the Minister designates the area by identifying the nodal points of the area but must leave the determination of the outer boundaries to the Demarcation Board.

Parts of category C areas in which category B municipalities are not viable

1. If a part of an area that in terms of section 3 must have municipalities of both category C and category B, is declared in terms of subsection (2) as a district management area, that part does not have a category B municipality.
2. The Minister, on the recommendation of the Demarcation Board and after consulting the MEC for local government in the province concerned, may declare a part of an area that must have municipalities of both category C and category B as a district management area if the establishment of a category B municipality in that part of the area will not be conducive to fulfilment of the objectives set out in section 24 of the Demarcation Act.
 - a. The Minister, on recommendation of the Demarcation Board and after consulting the MEC for local government in the province concerned, may by notice in the Government Gazette withdraw the declaration of an area as a district management area.
 - b. When such declaration is withdrawn, the MEC for local government in the province concerned must, with effect from the date of the next election of municipal councils-
 - i. establish a municipality for that area in terms of section 12; or
 - ii. Include that area into another local municipality in terms of section 16.

General

The different types of municipality that maybe established within each category of municipality are defined in accordance with the following systems of municipal government or combinations of those systems, as set out in sections 8, 9 and 10:



- a. Collective executive system which allows for the exercise of executive authority through an executive committee in which the executive leadership of the municipality is collectively vested.
- b. Mayoral executive system which allows for the exercise of executive authority through an executive mayor in whom the executive leadership of the municipality is vested and who is assisted by a mayoral committee.
- c. Plenary executive system which limits the exercise of executive authority to the municipal council itself.
- d. Sub-council participatory system which allows for delegated powers to be exercised by sub-councils established for parts of the municipality.
- e. Ward participatory system which allows for matters of local concern to wards to be dealt with by committees established for wards.

Types of category A municipalities

There are the following types of category A municipalities:

- a. a municipality with a collective executive system;
- b. a municipality with a collective executive system combined with a sub-council participatory system;
- c. a municipality with a collective executive system combined with a ward participatory system;
- d. a municipality with a collective executive system combined with both a sub-council and a ward participatory system;
- e. a municipality with a mayoral executive system;
- f. a municipality with a mayoral executive system combined with a sub-council participatory system;
- g. a municipality with a mayoral executive system combined with a ward participatory system; and
- h. a municipality with a mayoral executive system combined with both a sub-council and a ward participatory system.

Types of category B municipalities

There are the following types of category B municipalities:

- a. a municipality with a collective executive system;
- b. a municipality with a collective executive system combined with a ward participatory system;
- c. a municipality with a mayoral executive system;
- d. a municipality with a mayoral executive system combined with a ward participatory system;
- e. a municipality with a plenary executive system; and
- f. a municipality with a plenary executive system combined with a ward participatory system.

Types of category C municipalities

There are the following types of category C municipalities:

- a. a municipality with a collective executive system;
- b. a municipality with a mayoral executive system; and
- c. a municipality with a plenary executive system.

Determination of types for provinces

Provincial legislation must determine for each category of municipality the different types of municipality that may be established in that category in the province.

ANNEXURE B:



MANAGEMENT IMPLICATIONS ON THE IMPLEMENTATION OF LED

1. In which municipality are you working?

Frances Baard	Phokwane	Sol Plaatje	Magareng	Dikgatlong
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2. How many people are working in the LED department (including tourism)?

Professionals	0-2	3-5	5-9	10+
Support (e.g. secretarial)	0-2	3-5	5+	

3. How many years relevant experience do you have (in the LED field)

Number of years	0-3	4-6	7-9	10+
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4. What is your highest qualification?

5. Are you aware of the 2004 and 2005 LED Policy?

Yes	No
-----	----

6. Did you attend any workshops regarding the new LED Policy?

Yes	No
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7. Is your department providing any of the following services/activities? Please mark all the activities being undertaken.

Action	Don't know	Yes	No
1. Fostering community economic development			
2. Linking growth to redistributive development/financing			
3. Investing in human capital			
4. Delivering and maintaining infrastructure and services			
5. Plugging leaks in the local economy			
6. Retaining and expanding existing businesses			
7. Marketing for investment promotion			
8. Support services for small businesses			
9. Assistance to targeted growth sectors			
10. Tailoring of training and labour placement for the local market			
11. Capacitating and transformation			

8. Who/what are the targets of your LED activities?

Target	Don't know	Yes	No
1. The community			
2. Local entrepreneurs			
3. Business targets			

4. Quality aspects			
5. Low income households/the poor			
6. The total municipal area			
7. The local economy/business base			
8. Skills levels			

9. Please rate the following statements on a scale of 1-5. If you **totally disagree, give a score of 1**, and if you **totally agree with the statement give it a 5**. A score of 3 is neutral.

Statement	Score
1. LED is viewed by the municipality as the key priority	
2. The LED department is appropriately staffed	
3. We have a clear understanding of what LED entails	
4. The LED has it's own dedicated budget for project delivery	
5. Our IDP provides appropriate guidelines in terms of LED to be undertaken	
6. We can make decisions regarding LED projects within the department	
7. We have authority and a mandate to deliver LED independently	
8. If we had unlimited funding, we would definitely deliver LED much better	
9. We know where to apply for alternative sources of funding/support	
10. Our current staff compliment is sufficient to deliver LED	
11. We are actively involved in the implementation of LED projects	
12. We have a clear mandate (from council) on what to do in terms of LED	
13. Our departmental LED vision guides us in our activities	
14. The municipal vision guides the LED activities	
15. Councillors have an understanding of LED concepts and dynamics	
16. We have the municipal managers' direct support in our activities	
17. The limited funding is our main constraining factor	
18. The people in the department are LED specialists/specialists in their field	
19. I am considering finding alternative employment	
20. My colleagues are competent in their jobs	
21. Our LED interventions would function better if we had support from council	
22. The organisational structure and decision-making processes help us in our jobs	
23. The coordination of LED between local and provincial departments is of high quality	

10. Are you monitoring and evaluating your LED activities? If yes how?

No	Yes
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11. Do you think the new policy will make LED...?

Easier	More difficult	Don't know
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12. What do you think is the single most important issue constraining LED delivery apart from limited funding?

Thank you for your cooperation