

**Evaluating Local Economic Development in the City of Cape  
Town**

**by  
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**presented in partial fulfilment of the requirements**  
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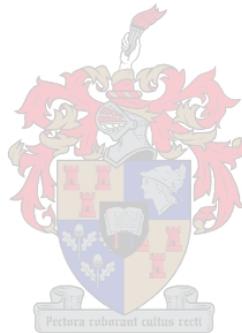
The crest of the University of Stellenbosch is centered behind the text. It features a shield with various symbols, topped by a crown and a banner with the motto 'Pectora robur et cultus regni'.

**Supervisor: Prof. A. P. J. Burger**  
**December 2006**

## Declaration

I, Deyana Nicolene Isaacs, do hereby declare that this thesis is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously, either in its entirety or in part, been submitted at any university in order to obtain an academic qualification.

**D. N. Isaacs**



**December 2006**

## Abstract

Great pressure is placed on national government to initiate a way of achieving greater economic growth as well as alleviating poverty. A mandate has therefore been given to local government to play a fundamental role in achieving this. Local Economic Development (LED), a relatively new approach to development, is currently seen as a prominent strategy to tackle the problem of unemployment and poverty in South Africa and provide a bottom-up approach to economic development. It forms part of the economic and social development mandate given by national government to local authorities. However, although policies are in place, LED strategies have produced very few success stories for various reasons, such as the lack of capacity within municipalities as well as resource constraints. It is also alleged that LED is incorrectly interpreted and therefore also incorrectly implemented. Because of the presumed effects of LED in terms of economic growth and social upliftment, pressure is placed on municipalities to get appropriate strategies into place as soon as possible.

A literature review is presented which covers the theory of LED by looking at the global perspectives of the concept and nature of LED, the history and concept of LED, the different LED approaches and strategies, and key actors within LED. LED is then evaluated within the context of development in order to establish a link between LED and poverty alleviation. LED is also evaluated within the South African context, specifically with regards to the policy context, the historical approach and the challenges to LED implementation in South Africa.

An investigation into the background of the City of Cape Town served as the point of departure to evaluate LED implementation. The issue of regional planning for LED integration between urban and rural areas is also discussed. The challenges to economic and social improvement in the City of Cape Town are also highlighted and the current draft Strategy for Economic and Human Development in the City of Cape Town was evaluated. This was done to investigate the LED approach and specific interventions of the City of Cape Town Municipality in terms of the Comprehensive Approach Model, a model formulated in the thesis. This was done to establish whether it is likely to succeed or not, and therefore the thesis specifically explored the priorities and the fundamentals outlined by the Strategy. Thereafter its possible implementation was assessed according to the organisational structure and how it affects the operationalisation of the Strategy in terms of planning, the process itself, and the monitoring and evaluation of the process. Finally, the challenges to the Strategy were discussed and recommendations were made.

From the literature review it is clear that LED should lead to much more than merely economic improvement; this insight reinforces the socio-economic role of LED development intervention strategies. What is also evident in terms of LED in developing countries is that the approach has to establish a strategy which deliberately focuses on pro-poor LED implementation. It is often the way that the process is executed that brings the social focus of LED into perspective.



## Opsomming

Groot druk word op die nasionale regering geplaas om 'n manier te vind om sterker ekonomiese groei aan te moedig en ook om armoede te bestry. 'n Mandaat is dus aan plaaslike regering gegee om 'n deurslaggewende rol te speel om dit te bewerkstellig. Plaaslike ekonomiese ontwikkeling, 'n betreklike nuwe benadering tot ontwikkeling, word tans beskou as 'n toonaangewende strategie om die probleem van werkloosheid en armoede in Suid-Afrika aan te pak en om 'n grondvlakbenadering tot ekonomiese ontwikkeling te verskaf. Dit vorm deel van die ekonomiese en sosiale ontwikkelingsmandaat wat die nasionale regering aan plaaslike owerhede gegee het. Nietemin, alhoewel beleid geformuleer is, is daar om verskeie redes soos die gebrek aan kapasiteit in munisipaliteite en beperkings op hulpbronne, min suksesverhale oor strategieë vir plaaslike ekonomiese ontwikkeling. Daar word ook beweer dat plaaslike ekonomiese ontwikkeling verkeerd geïnterpreteer word en daarom verkeerd geïmplementeer word. As gevolg van die veronderstelde uitwerking van plaaslike ekonomiese ontwikkeling op ekonomiese groei en sosiale opheffing, word druk op munisipaliteite geplaas om so gou as moontlik toepaslike strategieë te ontwikkel.

'n Literatuuroorsig word aangebied waarin die teorie rakende plaaslike ekonomiese ontwikkeling ontleed word aan die hand van globale perspektiewe oor die konsep en aard van plaaslike ekonomiese ontwikkeling, die geskiedenis van plaaslike ekonomiese ontwikkeling, die verskillende benaderings en strategieë, en sleutelspelers in plaaslike ekonomiese ontwikkeling. Plaaslike ekonomiese ontwikkeling word dan in die konteks van ontwikkeling geëvalueer ten einde 'n verband tussen plaaslike ekonomiese ontwikkeling en armoedeverligting aan te dui. Plaaslike ekonomiese ontwikkeling word ook in die Suid-Afrikaanse konteks geëvalueer, spesifiek ten opsigte van die beleidskonteks, die geskiedkundige benadering en die uitdagings vir die inwerkingstelling daarvan in Suid-Afrika.

'n Ondersoek na die agtergrond van die Stad Kaapstad dien as uitgangspunt vir die evaluering van die inwerkingstelling van plaaslike ekonomiese ontwikkeling. Die kwessie van streeksbeplanning vir die integrasie van plaaslike ekonomiese ontwikkeling tussen stedelike en landelike gebiede word ook bespreek. Die uitdagings vir ekonomiese en sosiale verbetering in die Stad Kaapstad word beklemtoon en die huidige konsepstrategie vir ekonomiese en menslike ontwikkeling in die Stad Kaapstad word geëvalueer. Dit word

gedoen om die benadering van plaaslike ekonomiese ontwikkeling en spesifieke ingrypings deur die Stad Kaapstad Munisipaliteit te ondersoek ten opsigte van die 'n omvattende benaderingsplan wat in die tesis geformuleer is. Die doel daarmee is om vas te stel of dit sukses sal behaal. Daar sal dus spesifiek ondersoek ingestel word na die strategie, die voorkeure en die grondliggende aspekte soos in die strategie uiteengesit. Daarna sal die implementering ten opsigte van die organisasiestruktuur geëvalueer, asook watter uitwerking dit ten opsigte van beplanning, proses, monitering en evaluering op die operasionalisering van die strategie het. Laastens word die uitdagings bespreek en aanbevelings gemaak.

Uit die literatuuroorsig blyk dit duidelik dat plaaslike ekonomiese ontwikkeling tot baie meer as net ekonomiese ontwikkeling aanleiding behoort te gee, en dit versterk die sosio-ekonomiese rol van ingrypingstrategieë vir plaaslike ekonomiese ontwikkeling. Wat ook duidelik blyk ten opsigte van plaaslike ekonomiese ontwikkeling in ontwikkelende lande is dat hierdie benadering 'n strategie moet ontwikkel wat doelbewus op die implementering van plaaslike ekonomiese ontwikkeling ten gunste van die armes konsentreer, en dit is dikwels hoe die proses ten uitvoer gebring word wat die sosiale fokus van plaaslike ekonomiese ontwikkeling in perspektief kan stel.



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Prof. Johan Burger, for your guidance and friendship



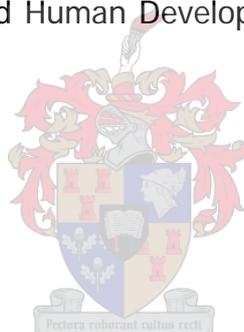
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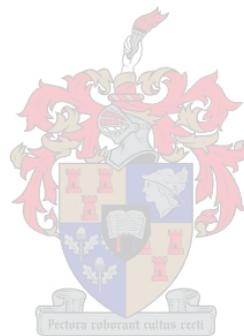
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# CHAPTER 1

## INTRODUCTION AND STATEMENT OF PROBLEM

### 1.1 Introduction

South Africa is still seen as having one of the most distorted socio-economic structures in the world, having being polarised by apartheid into black and white, privileged and oppressed (Turok, 1992:28). This is still reflected in our current reality and it is up to government to reverse this situation by means of various development initiatives. Development refers to change and growth, in all aspects of the social as well as the economic spheres, with some measurable form of progress (Jaffee, 1998: 6). High levels of poverty, insufficient economic growth and inappropriate wealth distribution and equity are some of the critical problems still confronting South Africans. Great pressure has been placed on national government to initiate a way of achieving greater economic growth and, therefore, a mandate has been given to local government to play a fundamental role in achieving this (Republic of South Africa, 1998).

Many previous attempts have been made to address these issues by the newly elected democratic government. These attempts emanated from guiding documents such as the Freedom Charter and gave life to the Reconstruction and Development Programme (RDP), which can be seen as a base document (still to this day) for all developmental legislation. Municipalities are expected to play a fundamental role in promoting job creation and boosting the local economy (Republic of South Africa, 1998). The direction this is taking is one where it is up to local government and the communities to come up with innovative methods of stimulating local economic growth. With this new approach and the ongoing fight against poverty, municipalities are tasked with an enormous challenge.

Local economic development (LED) strategies in South Africa form part of a relatively new approach to development. Economic and social development has been mandated by national government to local authorities and, though policies are in place, LED strategies have produced very few success stories for various reasons, but mainly as a result of the lack of capacity within municipalities as well as resource constraints (Nel, 2001).

Taking up the challenge and winning requires the necessary resources and strong networks between government, business and civic society – a collaboration that has not been established successfully everywhere. This is where local economic development (LED) is seen to play a significant role. According to the NBI (2000 – 2001), *“LED, which can take place via many different mechanisms and in which the different constituencies can play many different roles, is a process which at its best results in wealth creation; employment generation; and rising and more equitably distributed incomes in the local area/communities concerned”* (NBI, 2000 – 2001:17). This promotes the fundamental role of LED not only in economic development, but also for social upliftment, and highlights the critical part that all sectors play in the process of shaping the local economy (NBI, 2000 – 2001:17)

The Constitution of the Republic of South Africa, 1996 (Act 108 Of 1996, hereafter referred to as the Constitution) makes provision for local government to be responsible for the social and economic development of communities, as it is the level of government closer to the people; it can have a bigger impact at grassroots level. Legislation also reflects the responsibilities assigned to municipalities to address the issues emanating from the prolonged state of poverty that South Africa finds itself in. This includes legislation such as the Constitution, The White Paper on Local Government, 1998, the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), and the Local Government: Municipal Systems Act, 2000 (Act 32 Of 2000). There is also great emphasis on the need to nurture a culture of developmental local government (Republic of South Africa, 1998:45). This role of developmental local government encompasses much more than just service delivery as its sole objective. Developmental local government can be seen as more than just what is done, but also as a way of doing. The White Paper on Local Government, 1998, defines developmental local government as *“government committed to working with citizens and groups within the community to find suitable ways to meet their social, economic and material needs and improve the quality of their lives”* (Republic of South Africa, 1998).

Because of the presumed effects of LED in terms of economic growth and social upliftment, pressure is placed on municipalities to get these strategies into place as soon as possible. The question still remains: is the scope of the concept of LED fully grasped by policy makers and implementers, to the extent that these plans do not just end up on paper, but are implemented in a way that holds sufficient benefits for the stakeholders involved? Archbishop Desmond Tutu in his Nelson Mandela Lecture (2004) once again brings to light the possibility of promoting unequal distribution as a result of the failure to manage economic development. He refers to not only ineffective LED attempts, but especially Black

Economic Empowerment (BEE), which specifically focuses on promoting black business people. He criticizes BEE for promoting the newly established “black elite” and leaving the rest of the population still feeling the effects of poverty. It is issues such as this that raise the question whether these good intentions of strategies such as LED have had the desired effect and, if not, what hinders success. Ultimately, the question that needs to be addressed is: what defines successfully implemented LED?

## **1.2 Research Question and Objectives**

Currently, many national and local programmes have been initiated to promote local economic development, but do these initiatives have the correct approach and why are they not successful in reaching the poor? In the light of this, the research question is as follows:

***Is Local Economic Development understood and implemented in such a way so as to promote economic growth and to alleviate poverty?***

In view of this question, the objectives of this thesis are:

- Firstly, to explore the concept of Local Economic Development as understood globally;
- Secondly, to determine the understanding of LED within the South African context and investigate how this relates to implementation strategies;
- Thirdly, in light of the above two investigations, to evaluate key factors that influence LED implementation;
- Fourthly, in terms of these findings, to examine the approach to LED in the City of Cape Town as a case study, taking the above-mentioned factors into consideration; and
- Lastly, to make recommendations for improving LED implementation to address the issue of poverty more effectively.

## **1.3 Research Design and Methodology**

This is an empirical study including ethnographic research through the use of a case study. With the use of both secondary and primary data, it will be qualitative in nature.

The aim is to explore current concepts and theory through the existing literature and then to assess the implementation of LED in a case study by evaluating current initiatives relating to these ideas.

A literature review on LED will provide the point of departure for this study. A further investigation will be then be conducted from the perspective of national policy on LED, and then relating it to the local government level. The LED approach of the City of Cape Town will be evaluated as a case study. An interview with Hanief Tiseker, Head of Policy and Strategy at the Department of Human and Economic Development at the City of Cape Town, who is actively involved with LED, will assist to obtain an in depth look at the operationalisation of the strategy.

The data gathered will be analysed and evaluated to determine the appropriateness of the LED approach taken by the City of Cape Town, and the mechanism used to achieve the outcomes envisaged. These data will form part of the discussion of this research report to evaluate the approach to LED in the City of Cape Town and to make recommendations in terms of its possible impact and effectiveness.

## 1.4 Definition of Key Concepts

The following section defines some of the key concepts contained in this research.

### **Local Economic Development (LED):**

"... the process or strategy in which locally based individuals or organisations use resources to modify or expand local economic activity to the benefit of the majority in the local community" (Nel & Humphrys, 1999: 277).

"... a process in which local government 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" (Zaaijer & Sara, 1993 in Nel & Rogerson, 2005: 4).

"... a 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" (Nel & Rogerson, 2005: 4).

### ***Development:***

" ... a positive social, economic and political change in a country or community" (Kotze, 1997:1).

“Development can be seen as a process of growth and change with essential qualitative dimensions in the development process” (Meier, 1995:7).

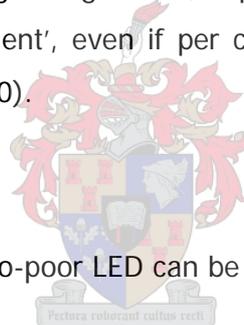
### ***Developedness***

“Our first concern is to redefine the whole purpose of development. This should not be to develop things, but to develop man. Human beings have basic needs; food, shelter, clothing, health, education. Any process of growth that does not lead to their fulfilment – or even worse, disrupts them – is a travesty of the idea of development (Cocoyoc Declaration, quoted in Conyers and Hills, 1984: 27-28).

“The questions to ask about a country’s development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result ‘development’, even if per capita income doubled” (Seers, 1969, quoted in Conyers and Hills, 1984: 30).

### ***Pro-poor LED:***

For the purposes of this research, Pro-poor LED can be defined as:



The stimulation, support and enabling of local economies and local actors through a developmental process of participation to economically empower the poor to gain access and take advantage of economic opportunities and to create a conducive environment for the poor to become self-reliant and ensure sustainability.

## **1.5 Outline of Chapters**

The following section will provide a framework of the study, outlined in terms of the specified chapters, with a brief description of each.

Chapter 1 describes the background and purpose of the study, states the research question and objectives, and outlines the research design and methodology of the study. After the key concepts have been defined, an outline of the chapters will be given.

Chapter 2 analyses the theory of LED by looking at a global perspective of the concept and nature of Local Economic Development, the history and concept of LED, the different LED approaches and strategies and key actors within LED. The theoretical framework set out in this chapter will, firstly, evaluate the concept and nature of local economic development within a global context, secondly, evaluate LED within the context of development and, and thirdly, establish a link between LED and poverty alleviation. Finally, it will distinguish pro-poor LED as an appropriate LED approach to improve the quality of life and discuss the implementation of pro-poor LED by means of the Comprehensive Approach Model.

Chapter 3 will assess LED within the South African context and will specifically discuss the policy context, the historical approach to, and implementation of, LED in South Africa and the challenges to LED implementation in South Africa.

Chapter 4 will evaluate LED within the context of cities by discussing the global trends in urbanisation, define the characteristics of cities in South Africa and determine the appropriate approach to LED within cities. An investigation into the background of the City of Cape Town will serve as the point of departure in evaluating LED implementation. The issue of regional planning for LED integration of urban and rural areas will also be discussed, as this is a critical issue. The challenges to economic and social improvement in the City of Cape Town will also be highlighted, after which the current draft Strategy for Economic and Human Development in the City of Cape Town will be evaluated to investigate the LED approach of the City of Cape Town Municipality in terms of the Comprehensive Approach Model as well as the specific interventions.

Chapter 5 will evaluate the draft LED Strategy of the City of Cape Town and determine the level of success by looking at the strategy, the priorities and the fundamentals outlined by the strategy. There after the implementation will be assessed according to the organisational structure and how it will affect the operationalisation of the strategy in terms of planning, process and monitoring and evaluation. Finally, the challenges will be discussed and recommendations will also be made to facilitate successful implementation.

Finally, Chapter 6 will provide an overview of the preceding chapters and briefly summarise the most critical conclusions and deductions.

## Chapter 2

# Theoretical Framework – Local Economic Development (LED)

### 2.1 Introduction

The concept of LED has gained widespread acceptance internationally as being a locality-based response to the challenges posed by globalisation, devolution, and local-level opportunities and crises (Rogerson, 2003; Nel & Rogerson, 2005). LED can be viewed as an attempt to address increasing socio-economic problems, including low economic growth, high levels of unemployment and high levels of poverty. LED is now also included firmly on the agenda of many national governments and international agencies, such as the World Bank and the OECD, acknowledging its prominent role in urban development and business promotion (Nel & Rogerson, 2005).

In terms of its approaches, LED varies between aggressive place promotion, endogenous development, urban entrepreneurialism and community-based interventions (Simon, 2003; Tomlinson, 2003; Nel & Rogerson, 2005). Even though the idea of “local” is asserted to be prominent and promotes critical elements such as local leadership, the emergence of local champions, social capital and the importance of partnerships, the desire to compete globally presents conflicting results in terms of implementation approaches, arguably once again marginalising the poor and taking the “local” out of “local economic development” (see Nel & Rogerson, 2005, Tomlinson, 2003; Bond, 2003). It is within these global forces and governments` attempts to align it with the international setting that these issues prove to be extremely challenging. LED, a construct that is still evolving, is currently generating various conflicting approaches and debates. At the centre of these disputes are fundamental implementation issues of whether the traditional types of local strategies and approaches toward LED are successful, not only in generating “pro-poor development”, but in not marginalising the poor even further through uneven development (Bond, 2003).

In the light of the above, the theoretical framework set out in this chapter will, firstly, evaluate the concept and nature of local economic development within a global context;

secondly, evaluate LED within the context of development; and finally, establish a link between LED and poverty alleviation.

## **2.2 The Concept and Nature of Local Economic Development: A Global Perspective**

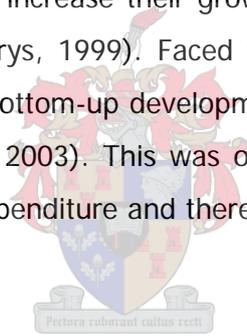
This section will trace the evolution of LED thinking within a global context, specifically the shift from a purely economic focus toward a more socio-economic focus. These changes will be highlighted by evaluating the historical patterns and influences of development on developing countries and its modification toward the contemporary trajectory influencing LED thought.

### **2.2.1 The history and concept of LED**

Pinning LED down under one definition is very difficult. Nel and Humphrys (1999) view LED as *"the process or strategy in which locally based individuals or organisations use resources to modify or expand local economic activity to the benefit of the majority in the local community"* (Nel & Humphrys, 1999: 277). Another definition states that LED *"is essentially a process in which local government 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"* (Zaaijer & Sara, 1993 in Nel & Rogerson, 2005: 4). More recently, the World Bank defined LED as *"a 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"* (Nel & Rogerson, 2005: 4). The World Bank also sees LED as *"about local people working together to achieve sustainable economic growth that brings economic benefits and improved quality of life to all in the community."* (Nel & Rogerson, 2005: 4). Even though these definitions emphasise different aspects, what is evident is that the core focus of LED is on partnerships, economic sustainability, job creation and the improvement of quality life and places within the context of communities or at local level (Nel & Rogerson, 2005: 4).

According to Nel & Humphrys (1999) and Simon (2003), the commitment of the South African government to promoting LED as a solution for the disadvantaged areas (in line with international trends) occurred when thinking about development was in a state of flux. Approaches to tackle economic development in disadvantaged areas were not as clear as in

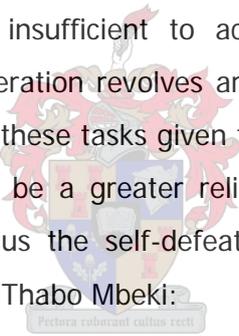
the middle of the twentieth century, when a Fordist regime of accumulation was dominant (Nel & Humphrys, 1999). This led to the expansion of mass production, accompanied by growth in consumption, and was matched by improvements in productivity and facilitated by favourable collective agreements with workers (Nel & Humphrys, 1999). Keynesian demand management and welfare policies, which helped wealth redistribution, were followed and top-down government interventions were accepted as the required route to achieving better spatial distribution of economic growth and development (Nel & Humphrys, 1999). In the 1970s the global economic crises and falling profits led to the adoption of cost-cutting strategies. The cutbacks led to a decrease in consumption and a decline in public sector incomes, influencing state welfare redistribution programmes, which further reduced consumption (Tomlinson, 2003). This brought about a change in the market as a whole, such as flexible specialisation and greater reliance on machine-based production, restructuring the workforce. These changes had a profound impact on local areas and their growth potential. Two options were available: firstly, focusing on localised or endogenous development, or secondly, trying to increase their growth potential through participation in the global economy (Nel & Humphrys, 1999). Faced with limited resources, governments began to move toward the idea of bottom-up development and local initiatives for achieving economic development (Tomlinson, 2003). This was obviously a more attractive way as it would mean a reduction in public expenditure and therefore LED seemed the right way to go (Nel & Humphrys, 1999).



Concurrently, a shift was taking place in contemporary development theory, as the realisation grew that current development attempts were not having the desired effect, especially in closing the gap between the rich and the poor, and developed and developing countries. Global changes in the political economy of development, along with techno-managerial changes of the new 'geo-economy', have fundamentally transformed the conditions for development initiatives such as LED (Helmsing, 2003). Since the 1970s governments have realised that, because of the high mobility of capital, their local economies were at risk of experiencing a shrinking employment base, which would in turn impact on the national economy as a whole ([www.worldbank.org/urdun/led](http://www.worldbank.org/urdun/led)). By actively examining their economic base, understanding the obstacles to growth and investment, and by strategically planning programmes and projects to remove these obstacles and facilitate investment, they could try and expand their economic and employment base ([www.worldbank.org/urdun/led](http://www.worldbank.org/urdun/led)). However, this deceleration in growth in the international economy caused a shift in power relations and increased pressure on municipalities to

become entrepreneurial, especially in terms of LED, causing competition for investment to intensify. “Smokestack chasing” became the order of the day as municipalities ambitiously endeavoured to “place-market” their area (Bond, 2003). What became evident, however, especially in Africa, was that this type of approach was not working, and along with this international debates signalled that the tide had turned on what was known as the “Washington Consensus” of rigid state-centred economic policy-making, toward what is now known as the “Post-Washington Consensus”, which focuses more on sustainable local development than on the failed structural adjustment strategies (Bond, 2003).

The importance of governments in the context of open markets and more liberal policy environments became evident. This meant that government failure had to be avoided through institutional innovation, and that democratic governance and municipalities had to find other alternatives to ignite their local economies – they had to be innovative and entrepreneurial (Khan, 2004). This also placed a lot of emphasis on state intervention, especially at national level, to ensure effective public entities. The current decentralisation of state functions has proven to be insufficient to achieve development objectives and, therefore, a significant policy consideration revolves around how to capacitate and support municipalities more appropriately for these tasks given to them. Along with these views goes the recognition that there needs to be a greater reliance on the mobilisation of internal resources, capacities and skills versus the self-defeating race to attract outside industry (Bond, 2003). As stated by President Thabo Mbeki:



*Notwithstanding some specific problems in some developing countries and especially African countries, there are many among these countries that have and continue to have stability and are at peace with themselves, countries that have responded positively, even under very difficult circumstances, to the prescriptions of both the prospective investors as well as the multi-lateral institutions. Many of these countries have created the necessary climate conducive to investment, for example by liberalising their trade, privatising state-owned enterprises, reforming their tax system and generally adhering to the prescribed injunctions, all done in an attempt to attract the necessary investments. The response from the developed countries, to these attempts by especially many African countries to stay within the confines of the rules, has been to treat the African continent as one country, and therefore, to punish a country on the one end of the continent for the deeds of another on the other end. (Mbeki, 2000 in Bond, 2003: 149).*

Another essential consideration in the argument for LED is that it does not only achieve economic development, but also comprehensive development by having social benefits. Firstly, it could assist in producing a trickle-down effect of expanding successes in the local economy to benefit the whole nation, and secondly, individuals who are involved have an opportunity to improve their standards of living and quality of life, while gaining self-esteem and personal development (Nel & Humphrys, 1999). In order for this to materialise, a concerted effort should be made to implement LED in such a way as to bring about a more comprehensive effect.

### **2.2.2 LED Approaches and Strategies**

As mentioned earlier, LED could be seen as a response to external factors which called for internal rearrangement. According to Nel & Rogerson (2005), these forces characterise the contemporary era and the most imperative are the following trends:

- The increasing decentralisation of power and decision making to the local level, which parallels the reduction of the role of the central state in the economy in a neo-liberal era;
- Globalisation forces, which in an era of the diminishing importance of the nation state, compel a local-level response to economic marginalisation and/or opportunities which globalisation presents;
- Economic change within localities, varying from de-industrialisation to local innovation which requires local leadership initiative, response and direction; and
- The dubious results often achieved by macro-level planning and regional development interventions historically.

According to the World Bank (2002), these challenges are even greater today, and include the following dimensions:

- International

Globalisation has the effect of increasing both economic and political competition for investment. Local businesses have the opportunity to penetrate new markets, while also presenting opportunities for international competitors entering local markets. Local conditions determine a community's advantage and therefore its ability to attract and retain local and foreign investment.

- National

Macro-economic and monetary policies obviously affect local economies. National regulatory, tax and other legal structures influence and shape local business climates, and these can either help or harm local economies.

- Regional

Communities within and between regions compete to attract both outside and local investment. Therefore there is the opportunity for collaboration to help their economies to grow. This will enhance overall competitiveness, while benefiting individual communities.

- Municipal

Firms often choose urban areas as their location for many obvious reasons. For these municipalities to draw full advantage from this, a great deal of emphasis should be placed on urban management to ensure a climate which is conducive to promote business development. A lot depends on the social development, infrastructure, safety and security. Another vital issue is to ensure an improvement in the processes and procedures that businesses have to go through in terms of business registration systems.

Regarding the conceptualisation of LED, the literature reveals clear and distinct differences in terms of approaches in the North and South (Nel 2001; Helmsing, 2001, 2003). According to Nel (2001), the development strategy of LED has been widely practised in the North for several decades, whereas in countries of the South it has only recently taken off in the formal sense. The emergence of LED in the North seems to have occurred not only as a result of local communities' actions to improve their economic and social situation, but also as a result of central government seeking a way to catalyse local-level growth (Nel, 2001: 1004). Local action was found to be taking place parallel to formal local government action, but with support and reliance on non-governmental organisations (NGOs) and the private sector (Nel, 2001: 1004). Even though these trends are also evident in the South and can be considered as reasons for the initiation for LED, one should add to these causes issues such as the debt crisis, the inability of many states to intervene at local level, imposed structural adjustment, massive currency devaluation, and the series of natural and political shocks within the region (Nel, 2001: 1004). However, LED in the formal sense was less evident than community-based variations, until government mandated the institutionalisation of formal

LED strategies. It is significant to note, however, that even though government policy promotes the implementation of LED, successful results are still few and far between.

Northern approaches to LED focus more on issues of investment, big-business support and large project development undertaken by relatively well-resourced local agencies, with or without external support (Helmsing, 2003; Nel, 2001). In the South, even though there is well documented evidence of urban entrepreneurialism in places such as Brazil, Peru and Korea, LED often relies far more on small-scale and community-based initiatives, utilising indigenous skills and seeking primarily to ensure survival, rather than participation in the global economy (Nel, 2001).

In terms of LED in the North and South, there are two broad levels on which it operates: firstly, the formal, which can be characterised by the involvement of local and higher authority structures and the formal business sectors; and secondly, the informal, which is characterised by action at the level of community-based organisations and NGOs (Nel & Humphrys, 1999; Nel, 2001). LED within these two levels requires partnerships between key agencies and at the community level there is great reliance on social cohesion (Nel, 2001). Community-based LED will normally focus on community-centred activities relating to improving the local economy and job creation, and support for small enterprises is a common trait (Nel, 2001). Local-authority-based LED encourages company establishment either through 'supply-side' incentives such as tax-related incentives (which are common in the United States) or 'demand side' incentives through new business development by employing strategies which build up demand for locally produced goods and providing support for emerging enterprises (this is common in Canada) (Nel, 2001). Some of the most common formal LED strategies pursued by local authorities include *financial support, land and building development, information and marketing assistance, new planning and organisational structures and training and employment* (Nel, 2001). LED implementation can vary from being a strategy applied in an entire city to one applied in a particular neighbourhood or community (Nel, 2001). In South Africa there are economic similarities with both the North and the South, and therefore LED strategies range from urban entrepreneurialism to rural survival strategies, but as yet there are difficulties in implementation.

The response of LED – which encapsulates the core issues of job creation, empowerment, economic growth, community development, and the pursuit of transforming local areas into vibrant self-sustaining economic entities, competitive nationally as well as globally – might

share similarities across countries, yet there are differences in terms of emphasis and focus. Countries' foci may vary from pro-growth approaches to pro-poor approaches to LED. Economic improvement was always seen as a priority in terms of LED, following neo-liberal approaches, but presently this debate has taken a new (and long overdue) turn and developing countries are realising that social and economic development should go hand in hand to fight the devastating impacts of poverty. In terms of LED evolution, there is a clear distinction between the "three waves of LED" as recorded by the World Bank (2002) and illustrated in Table 1:

**Table 1: Three Waves of Local Economic Development ([www.worldbank.org/urdun/led](http://www.worldbank.org/urdun/led))**

<b>Three Waves of Local Economic Development</b>	
<b>Focus</b>	<b>Tools</b>
<b>1960s to early 1980s</b>	
Mobile manufacturing investment attraction from outside local area. Attraction of foreign direct investment. Making hard infrastructure investment. (Public sector only)	Massive grants, tax breaks, subsidized loans for manufacturing investors. Subsidised hard infrastructure investment. Lowered production costs through techniques like recruitment of cheap labour.
<b>1980s to mid 1990s</b>	
Retention and growing of existing local businesses. Continued emphasis on inward investment attraction but usually more targeted to specific sectors or from certain geographic areas. (Public sector driven)	Direct payments to individual businesses. Business incubators/workspace. Advice and training for small/medium scale enterprises. Technical support. Business start-up support. Both hard and soft infrastructure investment.
<b>Late 1990s onwards</b>	
Making whole business environment favourable. 'Soft' infrastructure investment (e.g. human resource development, regulatory rationalisation). Public/private partnerships. Leveraging private sector investment for public good. Highly targeted inward investment attraction, building on local area competitive advantage. (Public sector led and facilitated)	Holistic synergy to provide a competitive local business environment and stimulate growth of local firms. Cross-community networking and collaboration. Facilitating economically linked business clusters. Workforce development. Supporting quality of life improvements. Inclusion of the poor and informal economy.

LED can take on various approaches, but current debates revolve around two prominent foci: pro-growth or market-led LED, which emphasises the promotion of economic growth strategies, and pro-poor or market-critical LED, which looks at poverty-alleviation strategies (Nel & Rogerson, 2005; Helmsing, 2003). The literature reveals that it is especially within the context of Western Europe and North America that pro-growth approaches are the focus, whereas in the developing world there is an undeniable need to focus more prominently on poverty alleviation, thus a pro-poor LED approach (Nel & Rogerson, 2005; Rogerson, 2003).

If one had to closely examine the differences between pro-growth and pro-poor LED approaches, one would find that, on the one hand, the market-led or pro-growth approach to business development aims to enable local economies to more successfully adjust to macro-economic reforms and emphasises the goals of promoting individual self-reliance, entrepreneurship, expansion of the market, competitiveness, reduction of unemployment and sustainable growth (Rogerson, 2003: 53). On the other hand, the market-critical or pro-poor approach of community development is characterised by a bottom-up approach geared to goals of achieving local self-reliance, empowerment, participation, local cooperation and environmental sustainability (Rogerson, 2003: 53).

Contemporary LED literature is represented by three essential internationally acknowledged works in terms of understanding the spectrum of LED interventions (Rogerson, 2003: 53). *Firstly*, that of Clarke and Gaile (1998), highlighting the prominence of a market-led approach in terms of North American cities, with a strong focus on economic-growth initiatives encompassing five major categories of LED as differentiated by Clarke and Gaile (1998, in Rogerson, 2003: 56) as:

- Locational (general tax incentives, enterprise zones, industrial parks);
- Pro-globalisation (sister cities programmes, export promotion, foreign trade zones, attracting international direct investment);
- General entrepreneurial (venture capital provision, targeted tax incentives);
- Entrepreneurial mercantile (business incubators, equity participation, local development corporations); and
- Human capital (employment training, human capital initiatives).

*Secondly*, there is the World Bank's interpretation of the role of LED initiatives as essential dimensions for city-wide development strategies. The World Bank's programme of "city development strategies" represents a prime foundation of their new, global urban and local government strategy (Rogerson, 2003: 56). This approach centres on the building of broad coalitions of local stakeholders and development partners, from both the national and international arena, working together to design a strategy focussing on one urban area with a shared understanding of the specific locality's socio-economic structure, constraints and prospects with a shared or holistic vision incorporating goals, priorities and requirements

(Rogerson, 2003: 56). It is important to note that the World Bank's view incorporates various interventions spanning both pro-growth to pro-poor LED strategies (Rogerson, 2003: 55).

And *thirdly*, the works of Helmsing (2001, and 2003) extensively analyses LED rooted in Africa, Asia and Latin America. Three categories are distinguished:

- Community-based economic development – activities are focused on facilitating the diversification of household economic activities to improve livelihoods and reducing poverty and vulnerability;
- Business or enterprise development – these include initiatives that directly target support at either individual enterprises or at enterprise clusters, with the focus on enhancing the opportunity for growth amongst small, medium and large enterprises, but would also build upon collective support of enterprises in the form of clusters;
- Locality development – this category is viewed as complementary to the first two and focuses on the overall planning and management of economic and physical development of the localities particularly planning and realisation of infrastructure and relevant social and economic capital.

These authoritative international approaches are often used to guide national and local initiatives and implementation examples are used to benchmark good practices. Fundamentally LED is part of a country's development strategy and therefore one should investigate contextual specifics which it should encompass to bring about development.

### **2.2.3 Actors within LED**

LED is seen as a strategy that requires a lot of support, facilitation and funding from government, as is evident in the many attempts that have been undertaken worldwide (Nel & Humphrys, 1999). What is meant by this is that in some way government has a contribution to make via policies which create an environment to target specific areas of much needed economic insurgence. According to Simons (1990) in Nel & Humphrys (1999), this could be regarded as a redistributive, welfare programme, with the difference being that the process should include affording those involved an opportunity to become self-reliant through capacity and empowerment. According to Nel (2001), LED can generally be considered as a cost-effective community-empowering process with a defined role which can yield tangible benefits for participating communities. In this process there definitely is a

clear, defined role for government, namely that of facilitating, supporting, part-financing and devolving control (Nel, 2001). Undoubtedly, government plays a fundamental role in creating the environment that is conducive (or not) to economic activity, through the creation of favourable or unfavourable economic, social, legal and political conditions (Nel & Humphrys, 1999).

Government also has a direct input with regards to local economies, either through public ownership, equity investments in industries and services, and/or wealth redistribution and subsidy (Nel & Humphrys, 1999). Activities such as these are mostly undertaken for national benefit and not merely for achieving economic returns. LED can be seen as such an activity when government creates an enabling environment of support and encouragement for local enterprise (Nel & Humphrys, 1999). These can have positive or negative outcomes. In terms of positive outcomes, it creates a platform from which initiatives can take shape. It can also provide resources and skills where they are lacking and, in doing so, provide a comfortable support base. However, it can impact negatively on local autonomy, offering too much guidance and boundaries to local LED initiatives in terms of their conforming to ideas from financing agencies (Nel & Humphrys, 1999). There is also the possibility of initiatives becoming too dependent on public sector funding, making them vulnerable in terms of policy changes and funding reductions (Nel & Humphrys, 1999).

LED involves various other actors as localities and regions have increasingly been pushed to take responsibility for their own actions and, whether by default or design, local actors have developed a range of processes to do this (Helmsing, 2003). Even though developing competence for local development policy is a slow and difficult social learning process, the Latin American experiences suggest that it is a prerequisite for launching successful LED initiatives (Helmsing, 2001, 2003). The central actors within any successful LED initiative are described below.

(a) *Community organisations.* Within community organisation there are two distinct types, namely grassroots territorial CBOs and 'self-selected' grassroots groups. The first type is all encompassing, broadly representative and multi-purpose, and is often framed by local tradition and custom and as well as by local or national government legislation (Helmsing, 2003). 'Self-selected' grassroots groups, however, are mostly single purpose, more homogeneous, less hierarchical and participation is by virtue of accepted membership (Helmsing, 2003). To strengthen the position of such organisations, the formation of second- and third-level organisations is crucial, as associations and federations have great

advantages (Helmsing, 2003). Firstly, they have greater numbers and therefore a bigger voice and apex organisations can yield more proportional influence (Helmsing, 2003). Secondly, associations can facilitate information sharing and experiences, and in so doing they contribute to learning (Helmsing, 2003). Thirdly, because of their larger size and scale of operation, associations can undertake functions that are less feasible at grassroots level (Helmsing, 2003). Lastly, second- and third-tier organisations can strengthen autonomy vis-à-vis the state as well as the market (Helmsing, 2003).

(b) *Local producers and their associations.* When it comes to enterprise-based development, the local producers clearly play a fundamental role as inter-firm cooperation and joint action are pivotal (Helmsing, 2003). But often local producers cannot combine competition with cooperation, making joint action difficult without an external catalyst or brokerage role (Helmsing, 2003). Yet one cannot deny the multiple roles of producer associations in economic development (Helmsing, 2003).

(c) *Local government.* According to Helmsing (2003), local governments realise that they are but one of many actors involved in LED and, even though they only spend a fraction of their budget on direct economic development support, their importance lies in the manner that they discharge their main functions and their significance as a source of economic opportunity and as a service enhancing or inhibiting enterprise-based development and competitiveness. This is debatable in the case of South Africa, however, as national government clearly stresses the constructive and deliberate role that municipalities should play in initiating social and economic development initiatives. Yes, municipalities should play an enabling and supportive role by providing economic activity infrastructure and services, but many poor communities rely heavily on municipalities for guidance to kick-start LED.

(d) *Donor agencies.* Even though current practice and legislation do not allow donor agencies to play a decisive role, they should be acknowledged as key actors in developing countries (Helmsing, 2003). Many municipalities have agreements with various donors, who through financial resources and support assist in many development initiatives. Many municipalities rely heavily on outside funding and support to be able to initiate projects.

Within a developmental context, LED can be based on the central idea that mobilising local actors and resources will result in a convergence of interests around the competitive advantages of localities. Added to this is the building of capacity for economic actors to take up economic opportunities, and this may arrest the damaging effects, and enable exploitation of the opportunities, created by new market conditions (Hindson, 2003: 2). This

idea links up with the global trend towards the decentralisation of powers from national to local government, in alignment with the shift from interventionist forms of governance to enabling forms of governance (Hindson, 2003, Helmsing, 2003). This is to promote development partnerships between local economic actors (Hindson, 2003: 2). It offers local government, the private sector, the non-profit sectors and the local community the opportunity to work together to improve the local economy (www.worldbank.org, 2002: 1; Helmsing, 2003). This is done by focusing on enhancing competitiveness and increasing sustainable growth by ensuring that growth is inclusive (www.worldbank.org, 2002: 1).

## **2.3 LED within the Context of Development**

A critical factor is the unclear link between LED implementation and development – that is comprehensive development, not only promoting economic growth. LED is ultimately about making a contribution to the overall development of a country and should therefore adhere to certain process requirements to achieve successful development outcomes. This is evident from the extensive trial and error attempts found in various examples of development literature emphasising the failures of the historical development theories of the past few decades. It is therefore in the light of these failures that this research must emphasise that, even though LED focuses on economically stimulating activities, it has to include vital development components and it is within these components that one shall also be able to address issues of a social nature – linking LED to development and addressing poverty by tackling the barriers that inhibit the poor.

### **2.3.1 Approaching Development for the Improvement of Quality of Life**

It is significant to emphasise that development has been proven not to equate with economic growth, but involves much more and therefore LED should also go beyond a focus on economic growth. Planning for development or, as it is more generally known, development planning, has a long history. For improved comprehension, a thorough understanding of the concepts of development is required and this will be explained under the headings of “The Illusion of Development”, “Conceptualising Development” and “The New Development Agenda” below.

### 2.3.1.1 The Illusion of Development

Development is often perceived as being synonymous with economic, social and political change in the countries of Africa, Asia, Latin-America, the Caribbean and the South Pacific (Turner & Hulme, 1997: 4). These countries have been labelled and grouped as underdeveloped, less-developed, developing, the Third World, and the South. This very diverse group has one similar feature – being united in their declared commitment to development (Turner & Hulme, 1997: 4). But development is a concept that is not easily pinned down; rather, it is perceived as entailing various interventions with a specific content relating to the specific context within which it is implemented. The word development can be seen to imply a favourable change, a movement from worse to better (Coetzee, 1996: 139). In broader terms, one can define development as: “ *a positive social, economic and political change in a country or community*” (Kotze, 1997:1).

The rise of concern for development can be seen in the response to the huge inequalities and the extensive poverty which are considered to be generated by the world economy (Kotze, 1997:1). Development, as well as the process of development, does not have a clear definition. This has brought about many varying ideas on the concept in the broader context of change and improvement. To define exactly what the outcome of development should be has also proven to be very difficult task. According to Monaheng (2000), development approaches can be divided into two categories, namely growth-centred and people-centred. In growth-centred theories of development, the goal is seen as ensuring economic growth (De Beer & Swanepoel, 2000:125). One criticism of such an approach is its failure to promote equitable distribution along with economic growth. In terms of development, it has been the experience that initiatives are started, but without clear, integrated, and holistic outcomes in mind. Therefore, before one can start a process of development, one need to determine what these processes should achieve, i.e. what are the goals of development? In other words: ***What is the state of developedness?***

According to Todaro (1994), having a narrow, economically-bounded definition of development ignores the fact that economic growth does not necessarily improve the levels or standards of living of the masses. This idea is supported by Conyers & Hills (1984), who argue that a change was necessary in the goals or indicators of development from an economic perspective to encompass a more comprehensive understanding of the concept. The state of development was considered according to criteria that assumed development as meaning a high national income, accompanied by a market economy, and a ‘specialised’

society, in which people work to produce goods and services for other's consumption (Conyers & Hills, 1984: 24). Indicators or goals for development or 'developedness' was seen in terms of the structure and growth of the national economy, and measured in terms of national income (Conyers & Hills, 1984: 24). The realisation that economic prosperity was not a goal achievable to all brought about the re-evaluation of what developedness is – a debate that has continued in various forms and with varying intensity (Conyers & Hills, 1984: 25). The shift in the debate occurred because of the evidence that one should be extremely cautious about promoting economic growth without any real social impact. Characteristics of this negative impact of an economic development view include the following (Conyers & Hills, 1984: 24):

- A breakdown of traditional social and political institutions, which leads to increased crime, deprivation and dependency;
- It increases inequality between individuals, groups and regions;
- It leads to damaging of the physical environment, such as pollution of the land, water and the atmosphere and the exhaustion of natural resources; and
- Added economic problems such as unemployment and inflation.

Even if one wants development to lead to the overall well-being of a country, it is difficult to measure this in terms of economic growth, as a result of the above negative influences. This means that developedness has become to mean much more than economic growth. Developedness encompasses more of a humanistic view. This view has two main concerns; firstly, the non-economic aspects of development, in terms of measuring development according to social well-being, political structures and the quality of the physical environment (Conyers & Hills, 1984: 28). The second concern is with distribution of the benefits of development and relates to the degree of inequality – encompassing inequality between individuals or social groups, as well as regions – as part of measuring development (Conyers & Hills, 1984: 29).

Fundamentally, development can be seen as a process of growth and change with essential qualitative dimensions in the development process (Meier, 1995:7). Many different processes of development have been imported from developed countries, but with little success. According to Remenyi in Kingsbury *et al.* (2004), the evolution of thought on development cannot be seen as uniform. It was rather disjointed and adhered to very unsustainable

assumptions (Kingsbury *et al.*, 2004: 22). Among these critical but false assumptions, the following four are fundamental (Kingsbury *et al.*, 2004):

- Blind faith in the belief that Western 'scientific' methods are superior to traditional practices;
- The belief that there is no gender issue to development;
- The proposition that the elimination of poverty can be achieved by realising sustained economic growth, poverty targeting notwithstanding;
- The priority of economic development over all else, so that governance issues are incidental to economic development.

These criticisms were expressed in a statement known as the Cocoyoc Declaration, which was adopted by participants at a seminar organised by the United Nations Council on Trade and Development (UNCTAD) and the United Nations Environment Programme (UNEP) in Cocoyoc, Mexico in 1974, which states:

*Our first concern is to redefine the whole purpose of development. This should not be to develop things, but to develop man. Human beings have basic needs; food, shelter, clothing, health, education. Any process of growth that does not lead to their fulfilment – or even worse, disrupts them – is a travesty of the idea of development. (Cocoyoc Declaration, quoted in Conyers and Hills, 1984: 27-28).*

According to Kotzé (1997), the principal lessons learnt as a result of the failure of development are as follows:

- The importance of the context for implementation of development;
- A holistic approach is needed towards development;
- The shortcomings of a pure top-down approach; and
- The realisation that development is an organic process that does not necessarily follow a predictable path (Kotze, 1997: 16).

This is a clear reflection of the change in terms of the contemporary understanding of development and illustrates the increasing concern with the non-economic aspects of development. This brought about the realisation that development was not a blueprint

process, but rather involved many contextual considerations. As a result of this opposition to enforced “Western ways” of development, three critical issues gained prominence in the development agenda:

- Firstly, there was a realisation that development had to have a human orientation;
- Secondly, participation by the poor masses was imperative; and
- Thirdly, development had to be sustainable (De Beer & Swanepoel, 2000: xv).

Development should not only be measured in economic terms, but also in terms of social well-being, political structures and the quality of the physical environment (Conyers and Hills, 1984: 28). Along with this, there is the concern with the distribution of benefits of development. This relates to the degree of inequality – inequality between individuals or social groups and inequality between regions (Conyers and Hills, 1984: 28). This is a central goal of development and concern for this is clearly stated by Dudley Seers, one of the first economists in the developed world to emphasise this aspect of development:

*The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development', even if per capita income doubled. (Seers, 1969, quoted in Conyers and Hills, 1984: 30)*

### 2.3.1.2 Conceptualising Development

According to Bryant & White (1982), development means increasing the capacity of people to influence their future and therefore development initiatives should not only produce concrete changes, but also need to do so in such a way that people have a greater capacity to choose and respond to these changes.

If one evaluates this change or shift in the understanding of development, one can assert that it boils down to the fact that development should address a range of issues. According to Todaro (1994: 16), these issues relate to ***“the sustained elevation of an entire society and social system toward a better or more humane life”***. According to Todaro, this includes the three basic core values of *sustenance, self-esteem, and freedom*, which represent common goals sought by all individuals and societies (Todaro, 1994: 17).

However, these development outcomes are only brought about through deliberate processes. In other words, if those outcomes are to be achieved within any development initiative, there must be a deliberate attempt to do so.

- **Sustenance: The ability to meet basic needs**

Basic needs can be seen to include food, shelter, health and protection, and when these are lacking or in short supply, the quality of people's lives can be considered to be in a state of poverty (Todaro, 1994: 17). All development activities, and more specifically economic development in the context of this thesis, have to provide people with a means to overcome the helplessness and misery associated with the lack of these basic needs (Todaro, 1994: 17). Therefore, the outcome of development should be an improved quality of life.

- **Self-esteem: To be a person**

This relates to a sense of worth and self-respect. These qualities may be further defined as authenticity, identity, respect, honour, or recognition (Todaro, 1994: 17). Respect and esteem have been reserved for the developed nations because of the value given to material worth, and it for this reason that so-called underdeveloped countries aspire to a state of development. In the light of this, another outcome of development should be improved self-esteem and self-worth.

- **Freedom from servitude: To be able to choose**

According to Todaro (1994), this relates to the idea of human freedom and the freedom of choice. People should not be limited by lack of accessibility. This includes social as well as political choices (Todaro, 1994: 18). Freedom in this context is to be understood as "*the emancipation from alienating material conditions of life and from servitude to nature, ignorance, other people, misery, institutions, and dogmatic beliefs*" (Todaro, 1994: 18). This freedom should allow people to be in control of their own lives and promote them to be able to sustain their own livelihoods. In the light of this, development outcomes should create an environment that allows people accessibility to every opportunity that allows them to improve their quality of live, which will help to increase their self-esteem and self-worth. Therefore, as an outcome, developedness should mean an increased ability of choice and access to exercise those choices.

This clearly highlights the importance of what is also known as "people-centred development". People-centred development (PCD) is an approach developed as an

alternative to the “blueprint” approach to development and takes into consideration various inherent elements within the community. The idea behind PCD is that developers should “place people at the centre of the development process” (De Beer & Swanepoel, 2000; 125). Underlying these concepts is the idea that with people-centred development the focus is on the depth of the participation (within the specified context) of those intended beneficiaries. The use of their knowledge and understanding (social learning) in conjunction with expert or technical knowledge of developers will ensure successful development leading to sustainability. The foundation for the above is the consideration of the human orientation – the involvement of the people in the process as a whole to ensure that development includes their human development to becoming more empowered people, who can take responsibility and ownership of the needed changes that are taking place. This in effect means that, by following this approach, not only will one ensure participation and ownership of development initiatives, but it should also lead to the empowerment of beneficiaries.

According to Korten (1984), development can be seen as a process whereby the members of a society increase their potential and institutional capacities to mobilise and manage resources to produce sustainable and justly distributed improvements in their quality of life consistent with their own aspirations. Development should include the various aspects to promote development on different levels. According to Burkey (1993), development should be considered as occurring on the levels described below.

- ***Human (Personal) Development***

This can be seen as a process whereby an individual develops self-respect and becomes more self-confident, self-reliant, cooperative and tolerant of others by becoming more aware his/her shortcomings, as well as his/her potential for positive change (Burkey, 1993: 35). Human or personal development is seen as the starting point of the development process from an individual perspective. Unless motivation comes from within, the external efforts to promote change will not be sustainable by that individual (Burkey, 1993:35). This is done through working with others, by gaining new knowledge and skills, and through active participation in the economic, social and political development of their community. This also leads to taking responsibility and to the empowerment spoken of by De Beer & Swanepoel (2000).

- ***Political Development***

This is the process of gradual change over time during which there is an increased awareness of peoples' own capabilities, their rights and their responsibilities (Burkey, 1993:37). According to Burkey (1993:37), this knowledge is then used by people to organise themselves to acquire real political power to:

- participate in decision making at local level and to choose their own leaders and representatives at higher levels of government who are accountable to the people;
- plan and share power democratically; and
- create and allocate communal resources equitably and efficiently among individual groups.

This then also leads to increased awareness in government or those in power of the expectations of the citizens, and of their responsibility to ensure that their actions lead to improvements for all citizens.

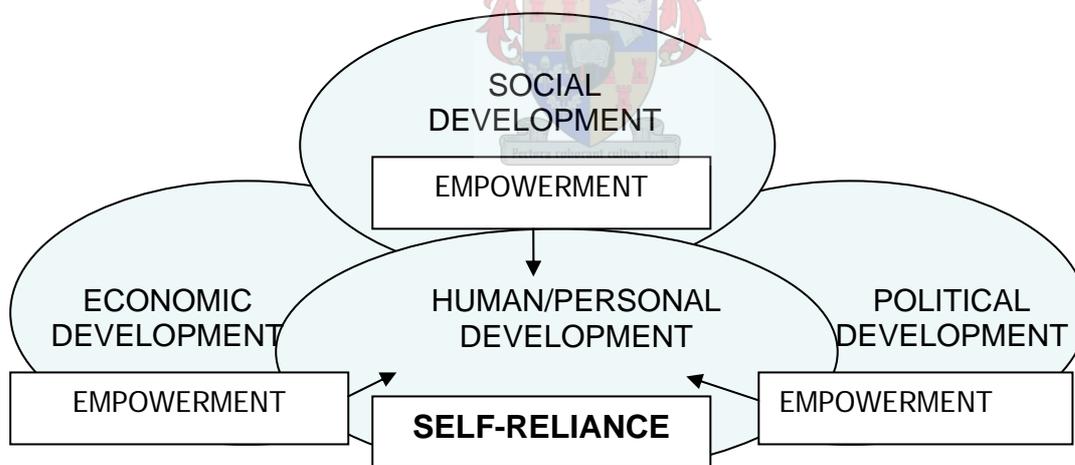
- ***Social Development***

Burkey (1993: 37) states that in this sense social development refers to those investments and services provided by a community for the mutual benefit of the people of that community. These can include health services and facilities, education, water supplies, energy, transport systems and communications, which could be provided by private individuals or companies, but equity should be considered and ensured (Burkey, 1993: 37). Social development needs to be sustained through various forms of public sector or political involvement, as it is not possible for all communities to support such development privately. This then in effect means that there is a prerequisite or need for some political development to have taken place to ensure a well-organised public sector capable of mobilising sufficient resources, managing the processes of development and having effective accountability systems to ensure implementation and avoid corruption (Burkey, 1993: 37). In order to ensure effective social development, there are financial implications, and therefore strong economic development should also be seen as an interdependency word, so as to provide a strong resource base (Burkey, 1993: 37). This base would provide a financial means for both government and its citizens on various levels.

- ***Economic Development***

This is the process whereby people, through their own individual and/ or joint efforts, boost production for direct consumption as well as for producing a surplus, which they can then sell for cash (Burkey, 1993:36). A requirement for this is that people organise themselves in order to coordinate and mobilise the effective application of all factors of production at their disposal (Burkey, 1993:36). These factors include land and/or raw materials, labour (skilled and unskilled), capital, energy, tools, machinery, plant, management and entrepreneurship (Burkey, 1993:36). In effect, they should analyse the problems, identify the causes, set their priorities and acquire new knowledge to plan, implement and manage their own economic activities (Burkey, 1993:36). In order to ensure that economic activity leads to development, it must be carried out in a sustainable manner (Burkey, 1993:36). In other words, it must be profitable by ensuring that the returns on the activity must be greater than the costs.

The interdependency of these levels of development can be illustrated as in Figure 1. This illustration shows human or personal development as the base for the other levels of development, with economic and political development being the support pillars for social development (Burkey, 1993: 38).



**Figure 1: Levels of Development (Adapted from Burkey, 1993: 38)**

According to Burkey (1993), these dimensions of development see human development as a fundamental outcome and for this to happen there is a process that should be followed. This process includes participation, capacity building leading to empowerment, and these in turn bring about self-reliance, as illustrated in Figure 1. It is this state of self-reliance that will ensure that comprehensive development has taken place. This can only happen once the intended beneficiaries are empowered through capacity building. For this to happen a certain

level of participation is required so that the beneficiaries are part of the development process. In other words, all development initiatives should include the above process so as to ensure holistic development.

To bring the reality of development to these different levels, there are various development interventions that can be undertaken. These interventions should, however, take cognisance of the interrelated nature of these dimensions. In other words, if one wants to improve economic growth, one has to take into consideration the state of the human, political and social dimensions, which will influence the outcome of any economic development intervention. The above example is especially significant in any developing country, because of the high priority given to economic development without appropriate consideration given to the impact on other levels. Several concepts, described below, are vital in achieving development.

- ***Empowerment***

Extensive research has been undertaken by various writers such as Chambers (1983: 131 – 137) and Hughes (1987) in De Beer & Swanepoel (2000) to prove the relationship between powerlessness and poverty in different contexts (De Beer & Swanepoel, 2000: 133). There are various reasons why the poor lack the power to influence decisions. In many cases they are not well-enough organised and therefore do not have a strong enough voice to be heard by government and those who are in control of resources (De Beer & Swanepoel, 2000: 133). Empowerment can be seen as a process whereby those intended beneficiaries have the power over decisions made about their situation. According to Coetzee *et al.* (2001), this implies the acquisition of power, or countervailing power, for the poor, oppressed and exploited groups to enable them to be proactive in terms of improving their situation. De Beer and Swanepoel (2000) also note that the process of development has a number of interrelated dimensions: firstly, it involves a political process of democratisation of decision making in society. This process will enable people, especially the poor, the power to elect representatives to act on their behalf, the most fundamental form of empowerment (De Beer & Swanepoel, 2000: 133). Secondly, it involves social and economic aspects. According to Haricharan (1995) in De Beer & Swanepoel (2000), this relates to the fair distribution of resources and opportunities to the previously disadvantaged and a conscious effort to ensure access for all the poor (De Beer & Swanepoel, 2000: 134). Empowerment also involves the process of capacity building, which relates to the transfer of knowledge and skills, the ability have access to use those skills, and the cementing of those skills within sustainable

institutions (De Beer & Swanepoel, 2000: 134). Lastly, empowerment rests on the process of participation – making sure that all development ensures that the intended beneficiaries are actors within their own process of upliftment. This is a fundamental process in any development attempt. For many decades development was seen as an intervention by outsiders or “developers”, and once they left, the intended beneficiaries were not always able to sustain the process.

- ***Equity***

Equity is essentially about fairness and implies that the most vulnerable and needy groups within a society require access to greater resources than those communities that are more robust ([www.hst.org.za/hlink/equity.asp](http://www.hst.org.za/hlink/equity.asp)). This then in effect would mean that a conscious attempt is made to close the gap for previously disadvantaged communities through proportional distribution. This equity is different to equal shares or equal opportunities. For example, equal shares would mean every community having the same amount of money to spend on each person ([www.hst.org.za/hlink/equity.asp](http://www.hst.org.za/hlink/equity.asp)). In contrast, bringing about equity would mean that communities with the most vulnerable populations and worst facilities receive more money than more affluent communities. This is a critical aspect within the South African context, where many decades of inequality have separated the “haves” and the “have nots” as a result of apartheid discrimination on all levels of societal life. This is reflected in a range of interventions within previously disadvantaged areas, such as the subsidisation of services, but a lot has yet to be done. Another clearer attempt has to do with the current taxation system within the country. Equity should not only be considered on the individual level, but also in terms of society as well as regions (Conyers & Hills, 1984: 28).

- ***Capacity building***

According to De Beer & Swanepoel (2000), the process of capacity building entails three components. Firstly, it involves the acquiring of knowledge and skills needed by the poor to improve their situation. This means that development should not take place without a conscious effort to educate the poor by transferring skills and knowledge through various training enterprises to ensure the sustainability of the development. Secondly, capacity building is about ensuring that the necessary productive resources are available to the poor and they are able to access those (De Beer & Swanepoel, 2000: 134). This relates directly to the issue of equity, discussed above. According to Bryant and White (1982), the third aspect of capacity building involves the establishment of effective and efficient administrative and

institutional structures, such as community-based organisations etc., to ensure better coordination and communication between the different actors in development. This is to help strengthen the institutional capacity for self-sustaining development (De Beer & Swanepoel, 2000: 134; De Beer & Swanepoel, 1997: 21-22).

- ***Participation***

According to the United Nations Research Institute for Social Development (UNRISD), participation can be defined as follows: "Participation involves organised efforts to increase control over resources and regulative institutions in given social situations, on the part of groups and movements of those hitherto excluded from such control". According to Burkey (1993), participation in the above context leads to greater control by the poor over their own life situation. This is done through acquiring of knowledge and awareness, helping those to understand the situation better, and therefore being in a better position to improve their situation through optimum mobilisation and use of the resources available (Burkey, 1993:69). According to Rowlands (1995), in De Beer & Swanepoel (2000) people's participation in development implies empowerment and vice versa (De Beer & Swanepoel, 2000: 135). Genuine participation, therefore, can be seen not only to mean having the power to influence the decisions that affect their lives, but also the processes, and to participate fully in determining their own needs (De Beer & Swanepoel, 2000: 134). For participation to be meaningful, empowerment is of fundamental importance. This in effect means that all the previously discussed aspects should be present.

- ***Self-reliance***

People cannot be made self-reliant; they become self-reliant (Burkey, 1993; 50). According to Burkey (1993), self-reliance is more a question of attitudes than money and materials. For self-reliance to emerge, people must believe and feel that it is their own efforts driving their development (Burkey, 1993; 50; see also Coetzee *et al.*, 2001: 125-126). They must be promoted to contribute the maximum of their own human, financial and material resources, and be able to access outside assistance only for that which they cannot yet manage themselves (Burkey, 1993; 50). This in effect means that self-reliance requires a wide range of knowledge and skills: people need to learn how to form and manage their own organisations and then use these organisations to gain access to resources and services; they need to learn how to acquire and adapt new knowledge and technology for financial improvement and other income-generating activities, and then be able to establish and manage these activities; and finally, they must develop confidence in their own knowledge

and skills, and in their ability to identify problems and find solutions in order to improve their own lives (Burkey, 1993; 50). Developers play a vital role in guiding communities toward this state of self-reliance, as it is a process that evolves with time. Yes, it could be a very long process of building the communities' self-confidence, but it is the only way self-reliance is acquired – it can be learned, but it cannot be given (Burkey, 1993; 50). It is a process of empowerment and capacity-building and contributes towards the long-term effectiveness of development. Self-reliance relates to the idea of people having the ability to raise their standard of living.

- ***Sustainability***

In order to make development sustainable, one has to move away from a mere concern with economic growth to taking into consideration issues relating to the quality of growth (Fitzgerald *et al.*, 1997: 3). This in effect relates to aspects such as making sure people's basic needs are met, that the resource base is conserved, that there is a sustainable population level, that environment and cross-sectoral concerns are integrated into decision making processes, and that communities are empowered (Fitzgerald *et al.*, 1997: 3-4). According to Fitzgerald *et al.* (1997: 4), sustainable development implies self-reliant and cost-effective development, facilitating access to all basic services, helping the poor to improve their lives without destroying the environment, and focusing on people-centred initiatives. Having a sustainable approach to development places many social concerns in the forefront of growth and development (Fitzgerald *et al.*, 1997: 4).

The above concepts should be considered by developing countries as outcomes that should be striven for and which will ensure long-term or sustainable growth and development. Thinking has moved away from merely how the rand/dollar exchange rate is going towards also addressing social issues within a country. It is the issues discussed so far in this section that ultimately also contribute to meaningful development. Yes, economic development is important, but what this thesis explains is that social considerations are also of fundamental importance in any development initiative. This is what is known as comprehensive development and can be brought about by what Khan (2004) describes as a process of "deliberative development". This deliberative development focuses on bottom-up, pro-poor, participative methods that ensure that the humane aspects are also seen as part of any development initiatives.

Underlying these concepts is the idea that with people-centred development, the focus is on the depth of the participation (within the specified context) of those intended beneficiaries.

With the use of their knowledge and understanding (social learning) in conjunction with the expert or technical knowledge of developers, successful development leading to sustainability will be ensured. The foundation for the above is the human orientation – the involvement of the people in the process as a whole to ensure that development includes their human development to become more empowered people, who can take responsibility and ownership of the needed changes that are taking place. This in effect means that by following this approach, not only will one ensure participation and ownership of development initiatives, but it should also lead to the empowerment of beneficiaries. As mentioned earlier, development should also include a human aspect in terms of growth and change. The achievement of deliberate development lies within this process. Therefore:

- Development should be considered on all levels to ensure that all levels are promoted, because of their interdependence;
- Involvement of both benefactors and beneficiaries is a necessity;
- Government has a central role to play in ensuring fair redistribution and equitable development initiatives;
- Local development initiatives should be supported through an enabling environment created through collaboration and cooperation of all sectors of society.

The above can be considered as a broad framework in any development vision and will help to ensure that strategies are focused on ensuring positive development, but it is imperative to evaluate contemporary development debates and their influence.

### **2.3.1.3 The New Development Agenda**

During the past two decades traditional neo-liberal growth and development (dubbed the Washington Consensus) has undergone fundamental challenges as a result of its highly dubious results (Khan, 2005). This Consensus framed and guided the stabilisation and structural adjustment programmes imposed on developing countries. Financial crises, state collapse and growing poverty called for the refocusing of attention on issues such as poverty, governance, human rights, gender equality and empowerment. This is especially significant because of the influence it had on the shift of policy focus of key institutions such as the World Bank and the International Monetary Fund (IMF) away from hard-core neo-liberalism to a new approach now described as the Post-Washington Consensus (PWC). Imperative in this new approach is the recognition of the importance of the state in the

context of open markets and a more liberal policy environment, and therefore the prevention of state failure through institutional innovation and democratic governance (Khan, 2005).

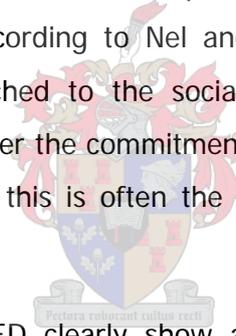
A vital consideration is the significance of the human factor or the concept of “humane development” in considering development and especially in addressing the issues of poverty. The way poverty is defined will obviously determine development policy, and therefore it is important to focus on the right issues. A critical issue highlighted by Kanbur and Squire (2001) is the inaccuracy of growth, consumption, income and other purely economic indicators as a measurement of development and more specifically of poverty. What is also highlighted is the necessity of non-economic indicators for a more accurate reflection of poverty levels and also measuring development (Kanbur & Squire, 2001: 196). A key factor, which should receive extensive attention, is the definition of poverty in terms of capabilities (Sen, 1981 in Kanbur & Squire, 2001: 197). This refers to the substantive freedoms people enjoy that permit them to lead the kind of life they have reason to value, such as social functioning, better basic education and health care, and longevity (Sen, 1999 in Kanbur & Squire, 2001: 197).

This illustrates a clear connection between capability improvement leading to greater earning power and not only the other way around (Kanbur & Squire, 2001: 197). It is therefore imperative that, when focusing on poverty alleviation strategies and development, one should not only address the creation of economic opportunities, but also ensure that the citizenry are well prepared to take advantage of economic opportunities, be they externally generated or their own entrepreneurship. This is especially crucial in LED strategies. The most abundant asset available to the poor is labour and these social aspects of poverty such as health, education, poor nutrition, and safety and security that create impediments to their ability to use this asset (Abrahams, 2005). For example, a well-nourished person living in a safe and healthy settlement can work more hours, thereby earning more money, and allowing more spending and saving power as well as the ability to provide his/her children with better education opportunities for improved qualifications, and so not only extend the cycle, but improve the opportunities of future generations.

The above discussion reflects the multifaceted approach required to bring about *bona fide* poverty alleviation and development. Fundamentally, economic growth and economic opportunities are limited in their effect without the necessary social conditions which allow the poor to take advantage of these opportunities. Thus LED too should address these issues in order for communities to be able to improve their quality of life.

### 2.3.2 Linking LED to Poverty Alleviation

Despite the growing amount of literature available on LED, there seems to be only a limited focus on the contribution of LED to poverty alleviation. This might be because it is inherently assumed as an outcome, as has been the case with most development approaches and strategies implemented throughout history. Yet, development history has proven that a single focus on economic improvement (implying social improvement) is insufficient in addressing the real, grassroots causes of underdevelopment and poverty which so many developing countries find themselves facing. Poverty alleviation through social development should be an explicit focus within any development approach to yield real tangible results. LED undoubtedly provides a mechanism to improve the economic activities of localities, but without the inclusion of social development goals, it would seem to be unsustainable. The current focus of pro-poor LED signifies the needed shift toward poverty alleviation. The policy entitled "Refocusing Development on the Poor" clearly proves this commitment in terms of making poverty alleviation a vital focal point, but often these intentions are not realised during implementation. According to Nel and Binns (2002), the legal and policy imperative in South Africa is matched to the social responsibility of promoting socially appropriate development, but whether the commitment and resources are always in place at municipal level is questionable and this is often the impediment to achieving these social goals.



Current approaches in terms of LED clearly show a bias toward pro-growth strategies, especially in urban centres. Mainstream LED planning in South Africa is continuing to be dominated by market-led activities, which are geared toward achieving sustainable high economic growth rates (Nel & Rogerson, 2005). LED activities are focused on supporting the building of local competitiveness by launching city improvement programmes supporting the growth potential of small, medium and micro-enterprises (SMMEs) (Nel & Rogerson, 2005). Place entrepreneurialism is still promoted by viewing localities as competitive spaces for production, consumption and information-processing activities and, despite a highly competitive global environment, the retention and promotion of manufacturing continues to be seen as significant (Nel & Rogerson, 2005). Tourism-led LED activities have also evolved as a vital economic driver and is seen as an approach in almost every IDP document of localities. The question still remains: what influence do these activities have on alleviating the poverty of the people within these localities?

In order for LED to have an appropriate impact, Nel and Rogerson (2005) highlight three critical policy areas. The first has to do with *improving regulatory frameworks*. Here the first core question relates to land management and the improved access of the poor to new or improved sources of shelter, and second, the importance of urban agriculture, which is seen as a vital element in the survival strategy of many poor households. The second deals with *municipal services*, which generally include water supply, sanitation, refuse removal, drainage, flood protection, local roads, public transport, street lighting and traffic management (Bond, 2003). The access to these services is not only an end in itself, but also a means to improved economic activity within localities. The third policy addresses *issues of employment creation through the stimulation of local economic activities*. Job creation and infrastructure provision through public works programmes are seen as the two most popular LED strategies amongst South African municipalities (Nel & Binns, 2002). According to Nel and Rogerson (2005), municipal actions targeted at creating employment represent important options for poverty alleviation, but one should realise that without access to basic services and infrastructure, poor people will always remain at a disadvantage to take up those opportunities.

Another essential factor for policy consideration is the survivalist informal economy, which includes a range of home-based enterprises and micro-enterprise activities. Municipalities should play an active role in trying to support these activities. Interventions that are vital include local information bases, zoning changes, marketing support and promotions, facilitation of periodic markets, and assisting in developing appropriate vocational training (Nel & Rogerson, 2005). More direct interventions include improving the built-up environment for emerging entrepreneurial activity, including facilitating small business hives, incubators or nurseries, the provision of markets and making premises available for information centres (Nel & Rogerson, 2005).

### **2.3.3 Pro-Poor LED – Implementation for the Improvement of Quality of Life**

The previous subsection looked at the gaps in terms of linking LED and poverty alleviation attributable to inadequate approaches and implementation strategies. Looking at the various elements already highlighted thus far in Chapter 2, it is evident that within a developmental context pro-poor LED should endeavour not only to create economic opportunities, but also to empower the poor to take advantage of those economic opportunities by deliberately

focusing on alternative initiatives to build appropriate capacity and skills. In the light of the literature examined, an appropriate definition for pro-poor LED could be:

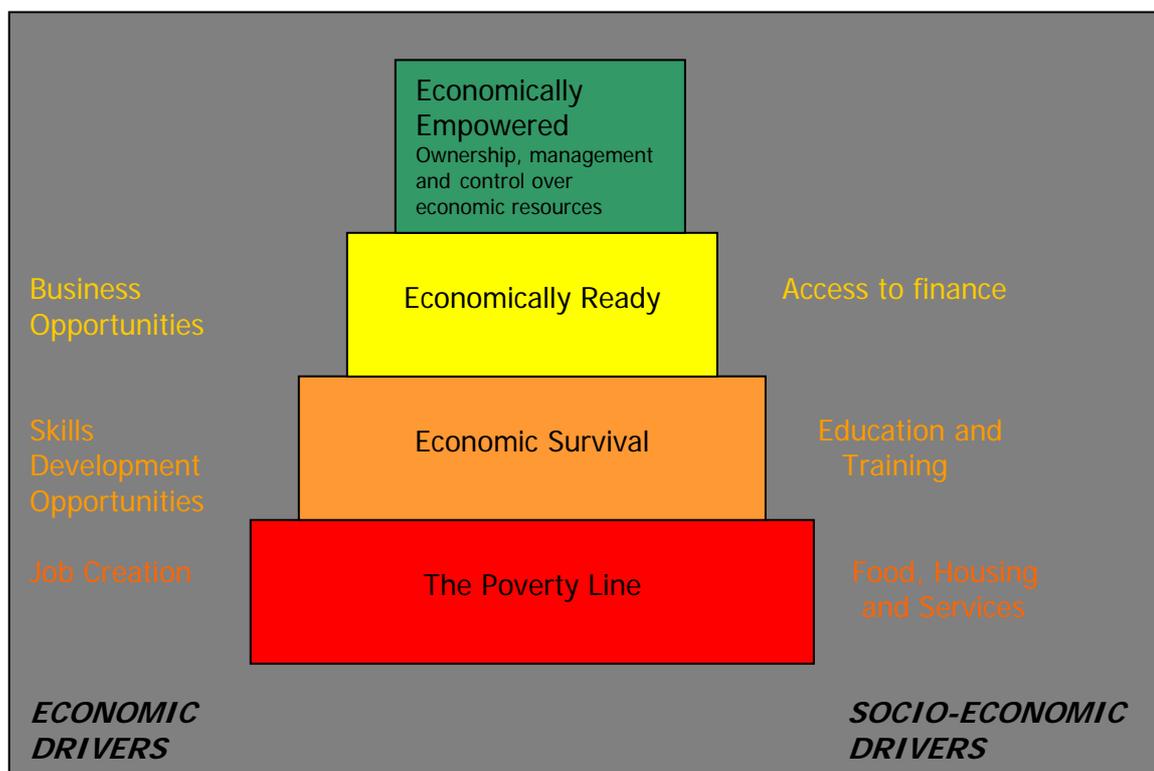
***Pro-poor LED in developing countries is the stimulation, support and enabling of local actors through a developmental process of participation to empower the poor to gain access and take advantage of economic opportunities and to deliberately create a conducive environment for the poor to become self-reliant and ensure sustainability.***

The stimulation, support and enabling role should be a direct function of municipalities, as mandated by the previously discussed legislation. This should also reflect the ability of municipalities to be innovative and to create partnerships to expand their capacity and capability. The developmental process refers to the idea of developmental local government, which strives toward maintaining financially viable municipalities capable of meeting the social, economic and basic needs of their communities (Davids, et al., 2005). This process includes active participation, inclusion and empowerment to ensure sustainability by building community capacity. By deliberately creating a conducive environment, municipalities are forced not only to meet the basic needs within communities through services, but should also go beyond that to focus consciously on alleviating poverty. This should be an outcome of all municipal activities.

With the above definition in mind, the final step in this analysis of LED, or more specifically pro-poor LED, is to determine an appropriate approach and interventions that constitute pro-poor LED. Firstly, in order to guide actions to create economic activity among the poor, it is essential to determine a progressive model of economic activeness.

According to Jack (2004), a sustainable model of economic empowerment should explore and promote a broad-based inclusive approach. The model proposed divides the population into four socio-economic categories (see Figure 2), namely, below the poverty line, economic survival, economically ready and economically empowered (Jack, 2004: 14). These categories also represent stages of growth, which can only take place if all sectors implement appropriate economic as well as socio-economic drivers to promote economic growth and development. These stages will be discussed in more detail below.

- **The poverty line:** this represents the population living on the fringes of the economy, and who are struggling to acquire sufficient resources to ensure physical or economic survival. In order to support this group it is necessary to focus on drivers such as job creation, the provision of food, housing and basic services (Jack, 2004: 14). Without the security of these basic needs, it is very difficult for this population to acquire new skills required for advancement and near impossible for them to take advantage of business opportunities provided through initiatives aiming at developing new or current businesses.
- **Economic survival:** this category consist of people with stable jobs and income streams, but who have a need for training opportunities to develop additional skills or even to gain qualifications for skills required for advancement (Jack, 2004: 14). They require informal and formal training assistance.
- **Economically ready:** this category consists of people who possess the required skills and intellectual resources to develop and expand their ownership and control over economic resources, but they may lack the business opportunities, sufficient resources or business networks to establish or expand their economic influence (Jack, 2004: 15). They require access to opportunities, resources and information, and support.
- **Economically empowered:** this group exercises ownership, management and control over economic resources and are fully integrated into the mainstream economy (Jack, 2004: 15). The aim remains to expand the inclusion of as many of the poor as possible into this category by implementing the drivers for the previous three.



**Figure 2: Sustainable Model of Economic Empowerment (Jack, 2004)**

The above model is vital in the consideration of economic empowerment initiatives, especially LED, as many initiatives often focus entirely on creating opportunities for the economically ready to become economically empowered through the provision of business opportunities and support. The risks involved in such a narrow focus are, firstly, that these types of initiatives only benefit those who are economically ready and exclude those in the poverty and economic survival stages (Jack, 2004: 16). This promotes further marginalisation of the poor. Secondly, it increases the possibility of fronting, window-dressing and other opportunistic mechanisms to take advantage of initiatives intended for the poor, who do not have the skills and resources to take up these opportunities, resulting in the poor being used and thus further obstructed from moving toward economic growth and development (Jack, 2004: 16). A good example of this is BEE opportunities that are awarded to companies that are not really transformed, but merely reflect this on paper.

This model is fundamental in guiding LED initiatives that deliberately target the poor to become more economically empowered and should represent a framework in determining appropriate types of strategies aimed at economic growth and development of the poor. It can also guide LED implementation in developing countries where most of the population are often in the last two categories and the approaches implemented are more geared toward

the top two categories. It therefore clearly defines the types of initiatives that should be followed to provide the necessary drivers to alleviate the plight of the poor.

With the above model in mind, Helmsing (2003) offers an extensively researched approach to pro-poor LED strategies (2000, 2001, 2003), which are also reflected in various other sources (see Rogerson, 2003; Nel, 2001; Nel & Rogerson, 2005). A meaningful argument is made by Helmsing (2003) in terms of deliberate “pro-poor” LED approaches, without having to be “out of the global game” in terms of creating a conducive environment for foreign investment. This was alluded to earlier, but now requires further explanation as it provides a guide and framework for implementation, especially where countries are struggling to determine an appropriate approach to address both economic and social obstacles to stimulate growth and to provide poverty alleviating strategies. This constitutes the other essential part of an appropriate approach to pro-poor LED with the following as core components:

- ***Community based economic development***

(a) *Creating local safety nets.* To assist in withstanding economic shocks it is vital to create local safety nets to reduce insecurity and thereby create improved conditions for local economic development. Mutual support safety nets such as day-care centres run by women’s groups from the community are essential at a neighbourhood level, whereas financial safety nets such as savings and credit groups assist with income emergencies (Helmsing, 2003). A neighbourhood watch could also deal with the safety aspect, which also poses a serious economic problem.

(b) *Housing improvement and settlement upgrading.* Settlement upgrading involves a package of activities, including design improvements such as creating space for basic services such as water, sanitation, roads, community facilities for health and education and also improving homesteads and housing quality. Along with this, settlements should cater for home-based economic activities.

(c) *Basic service delivery.* The delivery of basic services is another vital component in ensuring that the communities are geared towards economic activities. Speeding up the process of ensuring access to service is essential and one way of doing this is by privatising services (either commercially or on a non-profit basis), which can also contribute to community enterprise development, but still requires direct public sector responsibility (Helmsing, 2003).

(d) *Stimulating community economy.* According to Helmsing (2003), households influence the local economy as consumers or as micro-entrepreneurs and as workers, and can act individually or as an organised (functional) group with a community of interest (Helmsing, 2003). Because of the vulnerability of the poor, they are seen as weak market parties and their limited and insecure resource base results in low productivity (Helmsing, 2003). When this is combined with intense competition, it results in low incomes and exposes the poor to unequal market exchanges (Helmsing, 2003). In order to provide these communities with a better opportunity and an equal chance, policies should “level the playing field”. If government focuses on policies that aim at increasing the reliance on markets for resource allocation and the provision of goods and services, it may put the poor at greater risk (Helmsing, 2003). According to Helmsing (2003), *micro-enterprise programmes* would constitute the central part of community-based economic development and ideally would consist of three or more components, i.e. credit, training and technical assistance, and marketing. The idea is to reduce the barriers for the poor and make participation in the local economy easier and in so doing making the national and even global economy a little more accessible.

- ***Business or enterprise development***

In this approach the core of a LED programme would focus on the expansion, restructuring or creation of the economic base of the area, which may consist of a single or multiple concentrations or clusters of local producers in particular industries (Helmsing, 2003). These initiatives of local producers can unfold in two ways; firstly, they can involve the strengthening of the cluster-formation process as outlined above, establishing new enterprises in related services, or secondly, they could focus on advancing the participation in the corresponding commodity chains through new investment of existing local producers or by selective drawing in of external enterprises, or the combination of both (Helmsing, 2003).

Specialist *business development services* (BDS) are generally required to make external markets more accessible for local producers to enable them to obtain appropriate knowledge. These services are also needed to prepare their own operations financially, technologically and organisationally for internationally competitive production (Helmsing, 2003). When it comes to small and medium enterprises, they often have to gain access to external resources and rely on specialist business service providers to obtain market and production information, tools and technologies, skills, etc. (Helmsing, 2003; Ackron, 2004).

Evidence reflects the relative importance of different models of BDSs in different circumstances (Helmsing, 2003). Research on export marketing and on technological and financial support services indicates that local producers prefer private sources (buyer-trader, similar firms, subcontracting principals and their own business associations) to collective public sources (Helmsing, 2003; Ackron, 2004). Public and collective support mechanisms are vital in the early stages of export growth and function, especially when decentralised to and supporting private channels, including business associations (Helmsing, 2003).

One can distinguish between various types of *special programmes*: the first type focuses on generating 'passive' agglomeration economies such as a *growth point* or growth centre, which have been attempted in African countries, but these have as yet had limited sustained success (Helmsing, 2003). This involves government concentrating public infrastructure investment in particular places, often in combination with other incentives to attract firms, as geographical concentration may generate specialisation (Helmsing, 2003). A second type of programme goes further and seeks the promotion of the formation of clusters of enterprises where geographical concentrations of local producers already exist to encourage joint action to create a new range of competitive advantages (Helmsing, 2003). In this approach business support services and inter-firm cooperation are key avenues of action (Helmsing, 2003). A third type of programme centres on the idea of group learning to acquire new competencies such as group learning of norms, standards and quality of products and associated production practices and techniques (Helmsing, 2003). In its most advanced form, this type of programme promotes the generation of collective learning also known as a local innovative milieu, which refers to the interaction between enterprises, research and training institutes, other BDS organisations and local authorities, and the main challenge is to get the interaction right among these elements (Helmsing, 2003). A locality/region can perform a better strategic enterprise support function than if it were centrally initiated, but local networks must be established to facilitate coordination and convergence across the elements (Helmsing, 2003).

- ***Locality development***

Locality development has various dimensions and represents interrelated and continuous processes, necessary for the sustainable development of areas, as explained below.

(a) *Participatory LED planning*. Because LED is a multi-actor endeavour, there are essential investment complementarities within the private and community sectors and between public and private agents, which – when managed correctly – can result in vital

economic gains and external benefits that would otherwise not materialise (Helmsing, 2003; Ackron, 2004). Local government's contribution of aligning its in public investment programmes with the needs and priorities of communities and private firms are of the utmost importance (Helmsing, 2003). Local convergence among actors is crucial to LED initiatives and pivotal to this is information exchange and broad-based procedures for decision making, as a participatory approach allows for local development strategy integration. This will identify overall local development priorities, define strategic issues and related action programmes, for both public and private sectors, and in so doing provide a basis for coordination of complementary investment programmes (Helmsing, 2003).

(b) *Physical planning and development controls.* Government regulation is essential for urban land markets currently rife with distortions (Helmsing, 2003). Land and building regulations, such as zoning, can be important tools if carried out with flexibility and a development attitude, but regulations should be simplified, understood and agreed upon by both parties (Helmsing, 2003). Local authorities should uphold these regulations and ensure transparency to eliminate the opportunity for rent-seeking and corruption (Helmsing, 2003).

(c) *Urban planning and design.* Improved and upgraded commercial centres are vital for improved economic performance (Helmsing, 2003). This can be achieved through improving commercial streets and premises, often involving selective land use conversions and higher densities (Helmsing, 2003). 'Townscaping' is seen as actions geared toward improving town/city central areas to make them more attractive for local communities and prospective investors (Helmsing, 2003).

(d) *Infrastructure.* Land is considered more attractive to potential users if it has already been developed or if the development can be done at a lower cost (Helmsing, 2003). Available infrastructure shortens the time between acquisition and operations, and therefore basic services such as water and sewerage, electricity and street lighting, and access roads and sidewalks are vital infrastructure needed and should be provided timeously, taking into account diverse demands depending on users (Helmsing, 2003). Public-private partnerships are one way of increasing local government capacity to provide infrastructure.

(e) *Socio-economic overhead capital.* The creation and expansion of economic and social overhead capital is significant for locality development (Helmsing, 2003). This includes public, non-profit and private institutions in education and training, research and technology, information and communication and social capital serving the locality as a whole as well as institutions dedicated to its specialised industries (Helmsing, 2003). A central role of local

government, along with other private sector and civil actors, is to help create overhead capital internally in the locality and/or to attract specialist providers of overhead capital (Helmsing, 2003).

The above three components of community-based economic development, business or enterprise development and locality development are complementary and, in order to achieve a positive impact, all necessary dimensions and parts should be in place.

## **2.4 Conclusion and Deductions: Chapter 2 Theoretical Framework – Local Economic Development (LED)**

### **2.4.1 The Concept and Nature of Local Economic Development: A Global Perspective**

In the light of the above, it is clear that LED should lead to much more than merely economic improvement, and therefore reinforces the socio-economic role of LED development intervention strategies. What is evident from the literature on LED is that South Africa has to establish a strategy which deliberately focuses on pro-poor LED implementation. This is seemingly difficult in the wake of neo-liberal and market-driven approaches, where various international and other donor agencies maintain that LED is about “creating a competitive market” (Meyer-Stamer, 2003), especially when the poor are becoming poorer precisely because of those market-driven initiatives. Finding the balance, or should one rather say, deliberately promoting the upliftment of the poor is something that still eludes LED policy and implementation. As mentioned earlier, it is often the way that the process is executed that could bring the social focus of LED into perspective. In terms of that some discussion is necessary in terms of how development should be approached.

Fundamentally, LED is about partnerships between local governments, community groups and the private sector to manage existing resources, to create jobs and to stimulate the economy of an area (Helmsing, 2003). Because of this, LED should be seen as a way to mobilise actors, organisations and resources, developing new institutions and local systems through dialogue and strategic actions (Helmsing, 2003). In this process the identification, recognition and participation of key stakeholders often culminate in new forms of local economic governance and therefore the practice of LED often results in the establishment of new local institutions (Helmsing, 2003). The establishment of local economic development agencies, platforms, joint public-private commissions, and similar types of institutions can

play an important coordination, promotion and support role. With the specialisation and localised learning that they can promote, local capabilities will be enhanced and, ultimately, this could lead to the broadening of the local institutional base (Helmsing, 2003).

## 2.4.2 LED within the Context of Development

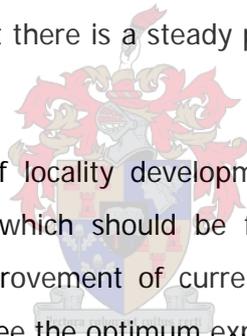
Ultimately LED could play a significant role in poverty alleviation, but often this link is not as strongly emphasised as it should be (Abrahams, 2005). The provision of infrastructural services, for example, is seen as vital for LED and is also essential for poverty alleviation, as access to municipal services expands the asset base of the poor (Abrahams, 2005). Bond (2003) and Rogerson (2005) also argue this point, as many service improvements break the chains of the limitations experienced by the poor. A simple example would be the provision of electricity, which could have immense benefits for the poor – electricity could assist in allowing the household to pursue a small business from home; it could assist in allowing the learners within the household longer hours to study and lead to a better education; it could help prevent respiratory diseases by replacing gas, wood and other alternatives, thereby leading to better productivity; and so one could go on. Because the greatest asset the poor have to offer is their labour capacity, it should be harnessed through the actions of municipalities to provide options for poverty alleviation (Abrahams, 2005).

The primary idea behind a pro-poor LED strategy is to affect positively the economic activities, access to economic activities and capacity to take advantage of economic activities within communities or local areas through socio-economic considerations. The difference is that this approach does not only focus on business development *per se*, but should also attempt initiatives which will assist the poor to create and take advantage of economic opportunities. This should be done by creating viable economic gateways to allow the poor access to either economic activities or support and information to build capacity for future economic opportunities. Pro-poor LED is also not about *what* is being done, but also about *how* it is being done, and therefore it should incorporate the fundamental principles of development of participation, social learning, capacity building and empowerment to ensure self-reliance.

### 2.4.3 A Comprehensive Approach to LED

In determining a feasible framework to guide LED implementation, one should incorporate the previously discussed indicators of the levels of economic empowerment (as discussed by Jack, 2004) and then incorporate the above-mentioned components (as determined by Helmsing, 2003). Figure 3 illustrates a comprehensive LED approach. This approach makes a distinction between the different levels of economic empowerment experienced by people in areas and aligns strategies specifically targeted to improve their status and elevate them to a higher level. This approach suggests the following:

- Firstly, that LED should be area specific and that each area should be evaluated to determine the level or levels of economic empowerment experienced by the community;
- Secondly, once the level or levels have been identified, appropriate strategies should be designed to target those levels according to those identified in Figure 3;
- Thirdly, the aim is to ensure that there is a steady progression towards the economically empowered level; and
- Lastly, that the determinants of locality development represent a framework for the development planning process which should be followed for existing and new area development to ensure the improvement of current communities' ability to undertake economic activity and to guarantee the optimum exposure for future communities.



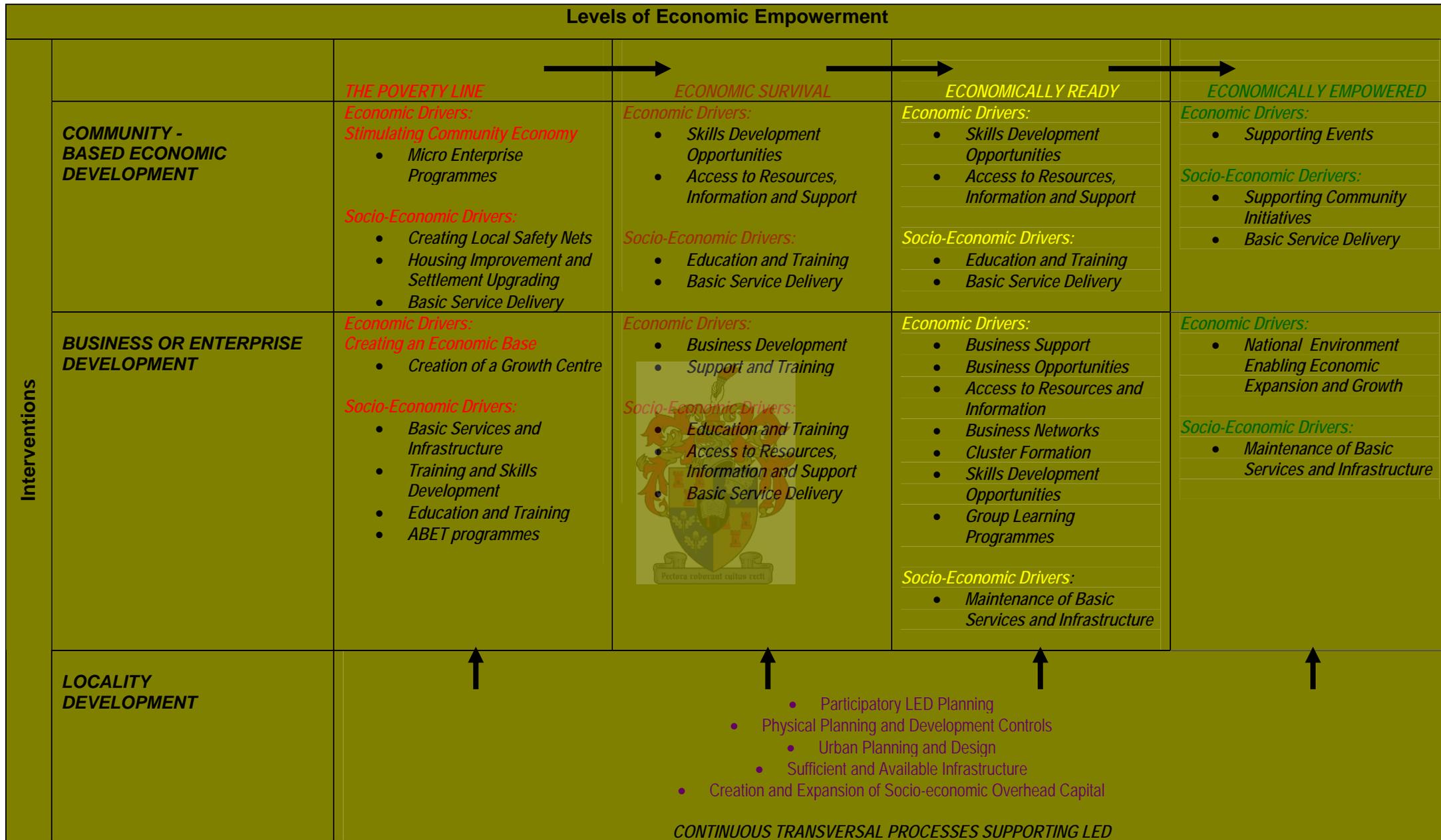


Figure 3: Comprehensive Pro-Poor Approach towards Economic Empowerment Model

## Chapter 3

# Contextual Framework - Local Economic Development (LED) in South Africa

### 3.1 Introduction

South Africa has not been left untouched by the extensive effects of globalisation. Not only were economic activities influenced, but more specifically, it changed the perceived roles of the different sectors and the way in which they operate. The overall emphasis shifted towards the need for local entrepreneurship, which means that local government, business and communities need to play innovative and active roles in securing growth and development within their localities (Urban Foundation, 2000:2). Fundamentally, municipalities had to realise that within this global context of economic change, the traditional activities of local government cannot be considered sufficient. Municipalities were challenged to become more innovative and entrepreneurial, businesses had to become more active in securing the economic future of their localities by addressing local conditions outside their immediate business concerns, and local communities had to be able to get actively involved to ensure empowerment and sustainability (Urban Foundation, 2000: 2).

The biggest difficulty that localities face is the historic, traditional perception of LED, which focuses more on pro-growth approaches. The new contemporary LED trajectory requires the transformation from the traditional approaches to LED toward the much needed contemporary approach of pro-poor LED. Even though there were some shifts in emphasis toward the pro-poor aspects of LED, it is still lacking, not only in terms of implementation, but also within the policy context. Within South Africa there is still a contradiction when it comes to LED implementation and even approaches (as discussed in Chapter 2). Some see it as achieving growth, while others view it as a way to alleviate poverty. But it is the context which will dictate the approach to LED. Pro-poor LED can achieve development as it focuses on economic development, but more importantly, it aims at creating a conducive environment for encouraging economic activity – and it is here where the socially excluded become part of the process through the introduction of basic services and other social benefits into areas where they previously did not exist.

This chapter will look at LED within the South African context by, firstly, evaluating the policy framework which creates the guidelines for LED; secondly, evaluating approaches and implementation of LED in South Africa and the level of success attained; thirdly, looking at the challenges to LED implementation in South Africa; and finally, determining a way forward for LED in South Africa.

## 3.2 LED within the South African Context

### 3.2.1 The Policy Context

The concept of community or locality-based development was implicit in the 1994 Reconstruction and Development Programme (RDP) and was further institutionalised through the 1996 Constitution, which mandated local government to pursue a 'developmental role' (Nel & Rogerson, 2005). The RDP states:

*In order to foster the growth of local economies, broadly representative institutions must be established to address local economic development needs. Their purpose would be to formulate strategies to address job creation and community development ..."* (Tomlinson, 2003).

This process was envisaged as wide-ranging, consultative and participatory, and great prominence was given to community economic development (now known as pro-poor development) and programmes to support and sustain the emerging black, informal and small enterprises, which – along with public works programmes – would foster job creation (Tomlinson, 2003). In accordance with the Constitution of South Africa, current legislation promotes LED and delegates the function to local government in the following manner:

Section 152 (1) clearly defines the objects of local government as:

- a. to provide democratic and accountable government for local communities;
- b. to ensure the provision of services to communities in a sustainable manner;
- c. **to promote social and economic development;**
- d. to promote a safe and healthy environment; and
- e. to encourage the involvement of communities and community organisations in the matters of local government

Also, section 152 (2) states that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1).

Section 153 defines the following developmental duties of municipalities:

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; and
- participate in national and provincial development programmes.

**The Local Government Transition Act, 1993 (Act of 1993)** and its 1996 Amendments (RSA, 1993, 1996c) can be considered as vital post-apartheid local government legislation which requires municipalities to promote economic and social development (Nel, 2001). The Act compels municipalities to draw up Integrated Development Plan (IDPs) that address various development needs of their constituencies within a process of public participation. These plans are fundamental and are “conceived as a tool to assist municipalities in achieving their developmental mandates” (DPLG, 2000). IDPs are vital in bringing together the various functions and development objectives of municipalities and also assists with funding allocation as budget allocations to municipalities are determined according to the planning priorities set out in IDPs (Nel & Rogerson, 2005).

In terms of the **White Paper on Local Government, 1998** municipalities have a responsibility toward the people within their area of jurisdiction and therefore they are accountable for all actions. The White Paper also highlights the following challenges facing South African municipalities (White Paper on Local Government, 1998):

- Addressing skewed settlement patterns, which can be considered functionally inefficient and costly;
- Addressing redistribution between and within local areas as there is an extreme concentration of taxable economic resources in formerly white areas;
- Concentrating on creating viable municipal institutions for dense rural settlements close to the borders of the former homelands with minimal access to services and little or no economic base;

- Addressing the spatial separations and disparities between towns and townships and urban sprawl;
- Creating municipal institutions which recognise the linkages and dependencies between urban and rural settlements.

The White Paper also puts forward tools, techniques and approaches to create a framework in which municipalities can develop their own strategies for meeting local needs and promoting the social and economic development of communities (White Paper on Local Government, 1998). This should be done within a developmental local government mindset (defined in Chapter 1). The following four characteristics are spelled out by the White Paper as vital to development local government.

- ***Maximising social and economic growth.*** The powers and the functions of municipalities should be carried out in such a way as to have maximum impact on the social and economic development of communities. Municipalities have a great influence on the local economy and, even though municipalities are not directly responsible for job creation, it is their mandate to ensure that the overall economic and social conditions of the locality are conducive to encouraging employment opportunities. Issues such as basic services and the provision of basic household infrastructure are crucial to the positive contribution toward social and economic improvement. Municipalities can directly exert an influence through preferential procurement, linking municipal contracts to social responsibility, speeding up approval procedures, or proactively identifying and releasing land for development. Municipalities also have the power to promote social development and this social welfare function is critical to social and economic development.
- ***Integrating and coordinating.*** Developmental local government places emphasis on the coordinating role that municipalities must play to ensure integration and cooperation amongst the various role players within communities such as the private sector, NGOs and CBOs. One of the key instruments toward achieving this is the Integrated Development Plan (IDPs). This strategic plan allows municipalities to prioritise development initiatives and steer limited resources toward the most critical developmental needs. This tool also allows coordinated and integrated action of parties, ensuring that all efforts work together towards common goals. It is also important to ensure the municipal functions are coordinated and integrated. To achieve development, municipalities must also work closely with other spheres of government and other service providers and it is up to municipalities to guide action and facilitate development within their area of jurisdiction.

- ***Democratising development.*** It is through municipalities that local democracy is promoted and the needs of the communities are represented. In addition to this, councillors should ensure the participation of citizens and community groups in the design and delivery of municipal programmes. Municipalities should support community action and also facilitate community action directed toward projects aimed at the greater good of all within the locality. Municipalities should also ensure the participation of marginalised and excluded groups in community processes, especially women and the youth. This participation process is also vital to empower citizens and municipalities should be actively involved in supporting community organisations.

- ***Leading and learning.*** Within constant global changes it is up to municipalities to play a pivotal role in providing strategic and visionary leadership to better position localities. Municipalities should vigorously work toward creating conditions for local solutions to development and build social capital for increased sustainability.

The White Paper also directly states that LED should be a developmental outcome of municipalities, as they can play an essential role in advancing the creation of jobs and boosting the local economy. To be able to do this, municipalities should first invest in the basics, such as providing good-quality cost-effective services and by making the local area a pleasant place to live and work.

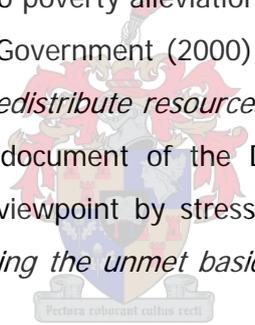
Along with this, the **Urban Development Framework** (Department of Housing, 1997), and the **Integrated Sustainable Rural Development Strategy (Republic of South Africa, 2000)** specifically look at LED as a strategy which has the potential to address the economic problems within various localities within South Africa for particular urban and rural contexts. The **Municipal Systems Act, 2000 (Act 32 of 2000)** also focuses on economic and social development with a LED focus (Nel, 2001). The Act itself compels municipalities to undertake developmentally-oriented planning so as to ensure that it:

- (a) Strives to achieve the objects of local government set out in section 152 of the Constitution;
- (b) Gives effect to its developmental duties as required by section 153 of the Constitution;
- and

(c) Contributes, together with other state organs, to the progressive realisation of the fundamental rights contained in sections 24 – 29 in the Constitution (The Municipal Systems Act, 2000).

One of the core components of a municipality's IDP, as spelled out in section 26 of the Municipal Systems Act, 2000, is the council's development priorities and objectives for its elected term, including its local economic development aims (The Municipal Systems Act, 2000).

It is within this legislation that one finds the mandate for LED. Municipalities have an obligation to ensure that their communities are included in all development initiatives. In terms of an approach to LED, the Department of Provincial and Local Government established the role of provincial and national government in a supportive and informative role (Brynard & van Rooyen, 2002). This commitment to serve the basic needs of South Africans and poverty relief efforts can be found in the Department of Constitutional Development (no date) linking LED to poverty alleviation and in a LED manual drafted by the Department of Provincial and Local Government (2000) which states: "*The aim of LED is to create jobs, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents.*" A later policy document of the Department of Provincial and Local Government (2001) reiterates this viewpoint by stressing that "*[our] pro-poor LED policy must be focussed primarily at meeting the unmet basic needs of the community, including employment.*"



Along with the legislative commitments, DPLG also established a LED unit and produced LED manuals, directed at enabling municipalities to undertake LED; it also established a LED fund and a Social Plan Fund as attempts by national government to assist in LED implementation. However, these funds are insufficient in terms of the extensive resource support required from municipalities (Tomlinson, 2003).

In terms of this, LED is seen as the instrument to promote positive economic development. National, provincial and local governments are expected to play an active role in promoting economic development and it is therefore vital that they understand what their responsibilities are regarding LED, and that good coordination exists among them (White Paper on Local Government, 1998). In order for LED implementation to be successful, many policy considerations are critical for successful implementation. Along with that, the following national considerations also play a vital role (Brynard & van Rooyen, 2002):

- macroeconomic policies have to be considered when implementing LED;
- as the RDP is seen as the foundation for development and along with it GEAR, whose national priorities should be reflected in LED programmes;
- there should be a strategic links between all relevant legislation and LED programmes;
- it is of utmost importance that local and provincial structures are well informed about national strategies and priorities set by government;
- local development will depend heavily on financial support from higher spheres of government and such financing requires the necessary budget procedures to be followed.

The above points highlight a very important assumption about LED within developing countries, namely that government has a critically important role to play within LED initiatives. This adds another dimension of institutional capability in terms of development implementations and brings to the fore the question of the required role of government in creating a suitable environment for success.

### **3.2.2 Regional Integration**

LED can be considered as interventions aimed at exercising the economic welfare function of government, which is aimed at the development and material welfare and prosperity of the individual, in conjunction with the social welfare function, which is to enhance the personal social welfare of an individual and to maintain it at a certain minimum level (Gildenhuys, 1993). The combined consideration of these two functions is indicative of the manner in which LED should be implemented, once again focusing on the pro-poor principles of LED and, by incorporating the social welfare component, attention is given to the creation of a conducive environment for increased economic activity, as stated in Chapter 2. As stated in Gildenhuys (1993), the scope and nature of both these functions (i.e. the extent to which they will focus on LED) depend on the policy and prevailing ideological views of the government in power. In turn, the creation of levels of government are aimed at divisions of labour and allocation of functions to those levels where they will be executed in the most effective and efficient way (Gildenhuys, 1993: 183), and in accordance to set policies.

This in effect means that to ensure strategic alignment it is vital that actions geared toward the implementation of various functions at various levels are guided and coordinated. As stated by Gildenhuys (1993), well-balanced relations between the various levels of

government demand a national and overarching framework within which the functions and activities of the various levels complement and supplement each other in a logical way. Even though Gildenhuis refers to financial coordination, it is also true for all government action. The outer limits of such a framework are determined by, firstly, the social, economic and political objectives of the state as a whole; secondly, the demographic nature of the national community; thirdly, the existing government institutions; and fourthly, the statutory requirements of the constitution and other legislation (Gildenhuis, 1993: 183). Within the limitations or boundaries of this framework, a macro-organisational structure should be created which continuously emphasises and reaffirms the interdependence of the various government levels for appropriate execution of all public functions and activities (Gildenhuis, 1993: 183).

### ***3.2.2.1 Rural-Urban Interface***

The most critical factor with regards to LED implementation is the consideration of the effect outside its jurisdictional boundaries and therefore its impact on regional development. Within South Africa the three spheres of government are obliged to observe the principles of co-operative government, as put forward by the Constitution. These three spheres are seen as distinctive, interdependent and interrelated, and in order to meet the developmental challenges it is imperative that the components of government function as a whole (White Paper on Local Government, 1998). Intergovernmental relations can be defined as the set of multiple formal and informal processes, channels, structures and institutional arrangements for bilateral and multilateral interaction within and between spheres of government and they have the following strategic aims (White Paper on Local Government, 1998):

- To promote and facilitate co-operative decision making;
- To co-ordinate and align priorities, budgets, policies and activities across interrelated functions and sectors;
- To ensure a smooth flow of information within government, and between government and communities, with a view to enhancing the implementation of policy and programmes; and
- The prevention and resolution of conflicts and disputes.

Critical to this is the coordination and alignment that should exist among all three spheres of government, particularly to ensure the sustainable development of their specific area of

jurisdiction, but this should happen within the framework of provincial and national guidelines. This can be problematic, especially where local and provincial IDP and LED planning are not integrated and coordinated, resulting in negative externalities. This can be especially detrimental with regards to urban development and the effects it has on rural areas.

### ***3.2.2.2 Externalities***

Because of the nature of this coordination and interdependence, there should also be consideration of what are known as externalities or spill-overs. Externalities or spill-overs are defined by Gildenhuys as **“government-initiated benefits or costs not limited to the jurisdictional area of the government concerned, and which result in benefits or costs in the jurisdictions of other governments or at other government levels”** (Gildenhuys, 1993: 185).

With regards to LED in South Africa, these externalities can have far-reaching and long-term effects internally at the level government, as well as outside their area of jurisdiction. These effects refer specifically to the regional implications of LED with regards to local and provincial government, as well as the urban and rural interplay on the regional level. Some of the key negative externalities that should be considered are the following.

- ***Increased competition for investment and limited resources.*** A decision taken in a boardroom in a developed country can increase unemployment in a remote developing country – this is the effect of a globalised interdependent world. This is also significant within regions. The competition for investment and scarce resources among localities can impact negatively on other localities within the same region. Luring investment from one locality to another to increase employment and economic growth could result in the closing of major industries in yet another area, causing increased unemployment without any regional economic improvement. Without a guiding framework for sustainable regional development, LED implementation can have severe negative externalities by transferring unemployment and poverty from one area to another within the same provincial region. This places emphasis on the capacity or ability of localities to coordinate LED initiatives. LED creates the potential danger of building a divide between potential winners and losers in terms of South African larger cities, secondary cities, small towns and rural areas ( Poverty and Inequality Report (PIR), 1998).

- **Urban development bias.** The majority of the poor in developing countries reside in rural areas. This is also true in South Africa, where almost three quarters of people below the poverty line live in rural areas (Rural Development Framework, 1997). The importance of rural development is emphasised by the fact that the lack of rural development can have disastrous consequences for developing countries. A lack of rural development could result in rural areas becoming peripheral to the urban areas, and services and infrastructure would then be concentrated in the urban areas (Davids, 2003). Because of this, the economically active people in the rural areas migrate to the urban areas, leaving the rural areas with a severe shortage of human resources; consequently the rural areas get the "bad name" of being inhabited by "unsophisticated, uneducated, backward" people (Davids, 2003).

A psychological aversion builds up in the minds of people, leading to a massive influx of people to the urban areas to the point where the urban infrastructure becomes overburdened. Developing urban areas to the detriment of rural areas (i.e. "urban bias") will in the long run not only harm the rural areas, but also the urban areas, and thus the developing country as a whole (Davids, 2003). The approach that should be followed is one of holistic development, where both urban and rural areas are developed according to contextual circumstances. This is where the importance of regional development plays a critical role and where provincial coordination and integration should guide development to promote the sustainable development of its provincial area of jurisdiction. As stated by Davids (2003): **"Rural development is therefore as important as urban development and it is essential to understand rural and urban are an integrated unit which should be approached in a holistic manner. If the two sectors are seen as separate entities, the development of one becomes self-destructing because of their inter-relatedness."**

- **Over-urbanisation and increased pressure in urban infrastructure and services.** Increased urbanisation, because of increased urban development without equivalent rural development, can be detrimental to both rural as well as urban areas. Continuous significant growth in the urban population can be considered as a direct result of a shift in balance between the rural and urban sectors, which is closely linked to economic growth and changing patterns of employment (Hope, 1996: 83). This can largely be attributed to the continuing urban bias in development strategies, which has resulted in the development of commerce and industry, and the growth of transportation, communication, education and other types of infrastructure in urban areas (Hope, 1996: 83). Despite the fact that urban areas experience natural population increase, it is also valid to say that there is

also increased rural-urban migration, as people move away from rural areas to urban areas in search of better opportunities. This perception of better opportunities will increase and continue to lure people to urban areas, depriving rural areas of skilled and able people, as well as placing increased pressure on urban infrastructure and services. Some of the consequences of over-urbanisation are (Hope, 1996: 91-92):

- widespread unemployment and underemployment;
- problems of inadequate housing;
- inadequate access to urban services;
- traffic congestion; and
- environmental pollution.

Despite the regional impact, rural development has been neglected for many reasons; however, the two most fundamental are either a lack of political commitment and/or a lack of political will (Davids, 2003). According to Davids (2003), developing countries, in general, are not politically committed to the idea of rural development and even South Africa, where the political commitment exists in the form of enabling policy directives and legislation, the political will to implement rural development strategies is lacking. Some of the reasons include the following (Davids, 2003):



- Developing countries view agriculture as a declining sector and most developing countries rather focus their resources on the urban (mainly industrial) sectors;
- Rural areas are mainly agricultural and falling real food prices over the last two decades has led to complacency about the agricultural sector;
- The rural people are perceived to have little political power. Because rural communities are geographically dispersed, and because rural communications and transport infrastructure are often poor, rural people have great difficulty organising and expressing their preferences through the political process;
- The concentration of access to resources in the hands of a privileged few. This “rural elite” often see rural development as a threat to their undeserved positions of power and privilege, and will therefore try their utmost to prevent the implementation of rural

development strategies which, after all, aim to *change the social structure of rural communities* in accordance with the principles of **equity, equality** and **justice** for all.

Despite the advantages of balanced development (i.e. rural and urban development), and the fact that most of the poor live in the rural areas; rural development is still not considered to be a priority, and with that comes the danger of increasing negative externalities by implementing LED outside a regional framework. Therefore regional integration or, more precisely, district and provincial frameworks are imperative to guide development.

The effects of negative externalities can be avoided with proper alignment of policy and implementation among the three spheres of government. Critical to this is the spatial development context. The National Spatial Development Framework (NSDF) is a framework that aims to align provincial with national and local development strategies (PIR, 1998). The NSDF sought not to produce a rigid master plan, but rather to realign spending with the objective of creating a more rational and coordinated geographical allocation of government spending. Averting a spatial divorce between job creation in one area and houses and infrastructure in another will assist in poverty eradication and inequality reduction (PIR, 1998).

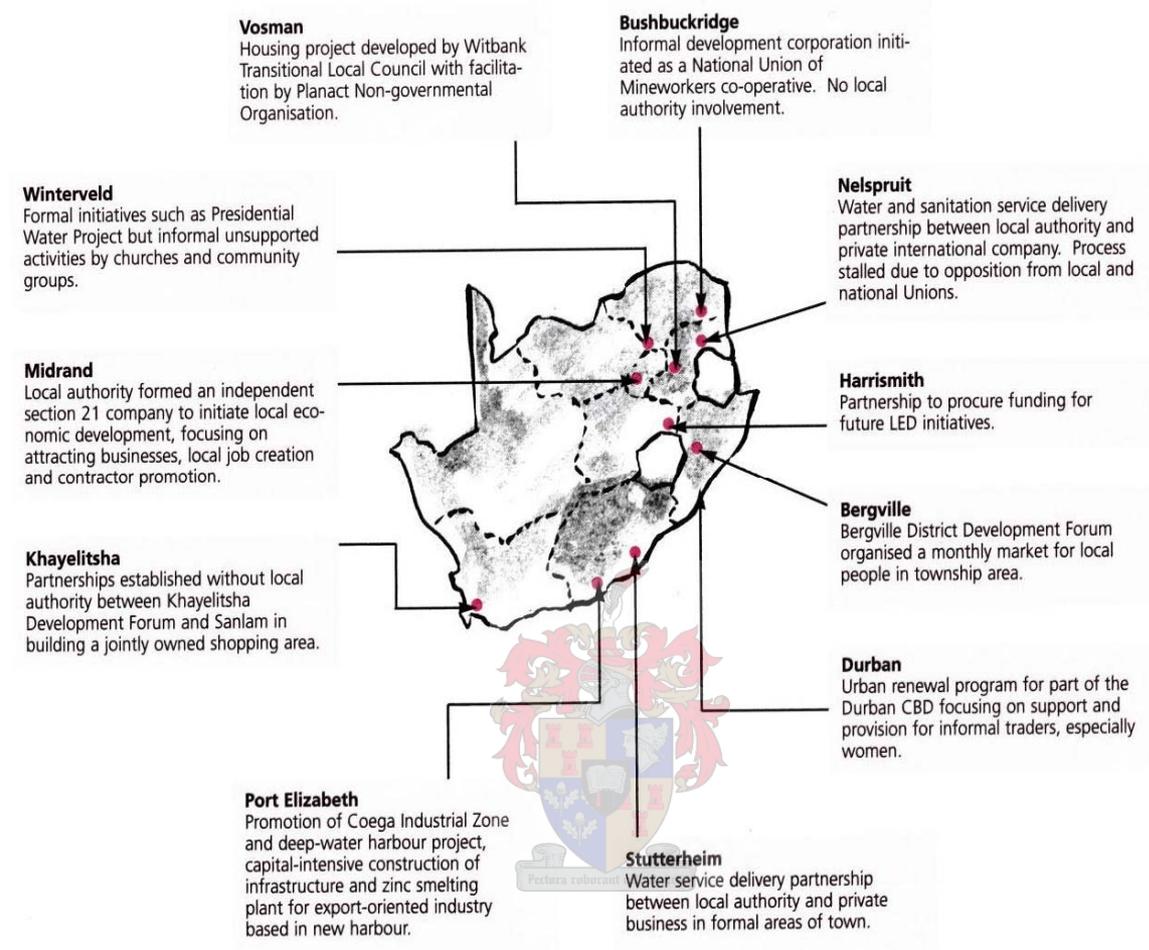
### **3.3 LED in South Africa: Approach and Implementation**

In South Africa the concept and implementation of LED is enjoying widespread acceptance and credibility and it is presently being initiated in diverse forms ranging from Northern-style approaches pursued by major cities through to various community and NGO initiatives (Nel, 2001).

From a policy perspective, LED fits in with the South African government's pursuit of a neo-liberal economic strategy and a commitment to the devolution of powers to the local level, as well as support for community-based endeavours (Nel, 2001). According to Simon (2003), this particular neo-liberal conceptualisation and vision for LED are generally insufficiently modified for local conditions and not flexible enough to accommodate the very different circumstances facing the diverse localities within South Africa – ranging from metropolitan, aspirant world cities to small, rural settlements.

LED can really be regarded as a post-1990 phenomenon and, although it is not as progressive as in the North, there have been numerous endeavours in South Africa which have sprung from the local economic crises and initiatives from local leaders and their

communities, notably the town of Stutterheim, the City of Johannesburg and the industrial development points of Atlantis (Nel, 2001). Figure 4 illustrates various LED initiatives around South Africa.



**Figure 4: LED Initiatives around South Africa (Urban Sector Network, 1998)**

Local government-led LED only began in the mid-1990s, except in Cape Town, which actively started to investigate the issue in 1986 (Nel, 2001). However, many of these initiatives followed the orthodox, internationally accepted approaches which regard the key to prosperity as attracting investment through concessions such as tax breaks, cheap land, reduced rates and even direct financial rewards in return for locating in the area (Bond, 2003). The argument behind this view is that investments create jobs and provide taxes, which can be used for service provision. Included in this traditional view of LED are the subcomponents, which include strategies, termed entrepreneurial-competitive, urban efficiency and progressive competition. Entrepreneurial-competitive strategies focus on the importance of local comparative advantages and small business in job creation and require local authorities to identify actual or potential growth sectors and then provide support

through research, loans, grants, consultancy, premises and technical infrastructure (Bond, 2003). Urban efficiency requires the improvement of urban productivity by lowering the cost of living and doing business in a locality through minimising government intervention, especially by cutting taxes and service charges and privatising services where possible (Bond, 2003). Progressive-competitive strategies focus on human resource development as the low skill levels, especially among the poor, are a key constraint for potential investors. Therefore appropriate skills should be acquired either via local training bodies established by municipalities or requiring that newly-established firms provide a minimum amount of training for their employees (Bond, 2003).

These strategies are seen as inappropriate as opposed to contemporary 'community-based' LED strategies, which emphasise the importance of working directly with low-income communities and their organisations as they must be active participants to ensure that they truly benefit (Bond, 2003). Support for institutions such as community development trusts and worker- or community-controlled enterprises are a key feature of this approach (Bond 2003). The aim of this approach is to explicitly link profitable growth to redistributive development, more in line with the RDP principles (Bond, 2003).

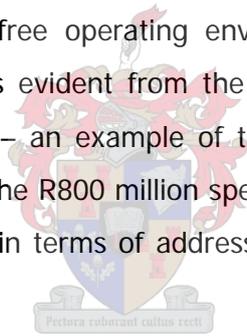
A significant shift in government policy from the failed efforts of RDP to the macro-economic development policy of Growth, Employment and Redistribution (GEAR) signalled the inevitable globally influenced shift to neo-liberal fundamentals (Tomlinson, 2003). Essentially GEAR, a self-imposed structural adjustment programme, was seen as government's market-oriented response to make the national environment more conducive to external investment – again an overly optimistic plea toward the developed world to renew African investment interest. Hence, the implementation and focus on Spatial Development Initiatives (SDIs) and Industrial Development Zones (IDZs), a reflection on the traditional LED approach of place-marketing, smokestack-chasing and urban-entrepreneurial approaches (Bond, 2003). According to the Department of Trade and Industry (DTI), SDIs are seen as the practical implementation of government's economic strategy as envisaged by GEAR and they aim to:

- Overcome the spatial legacy of apartheid – rectifying the distorted distribution of economic activity and infrastructure and focusing on neglected areas;
- Reorient economic activity, especially in industry, away from a narrow focus on import substitution and domestic markets, toward production for global markets (Tomlinson, 2003).

Bond (2003) also emphasises that SDIs are seen as joint efforts by the state and the private sector and sums up government SDI aims as to:

- Promote export orientation among South African firms;
- Earn foreign exchange;
- Ensure sustainable job creation;
- Ensure better utilisation of infrastructure and resources;
- Broaden the ownership base of the economy.

IDZs are seen as a special type of SDI and are intended to encourage international competitiveness of the South African-based manufacturing sector (Tomlinson, 2003). According to DTI, the programmes aim to link purpose-built industrial estates to an international port or airport in which quality infrastructure and accelerated customs procedures are coupled with duty-free operating environments suited to export-oriented production (Tomlinson, 2003). As is evident from the above aims, SDIs and IDZs involve huge expenditure on infrastructure – an example of this is the R2.65 billion spent on the construction of the Coega port and the R800 million spent for the industrial infrastructure for an IDZ, without substantial returns in terms of addressing poverty (Tomlinson, 2003; Bond 2003).



According to Bond (2003), the theory behind the SDI strategy can be criticised for being spatially determinist, environmentally destructive, extraordinarily capital-intensive and inappropriate for backward-forward linkages, and it does not lead to the necessary empowerment of previously disadvantaged people – a vital component for development. Due to the export focus, inappropriate attention is given to supplying the South African firms and therefore inhibiting the promotion of job creation (Bond, 2003). Another problem highlighted by Bond (2003) is downstream pricing, particularly in the steel industry, where Saldanha Steel charges export parity prices for foreign customers, while charging import parity prices for South Africans, which are much higher, discouraging domestic companies from embarking on job creation. Ultimately evidence reveals that, even though there have been some new jobs created, they are insignificant in terms of what was envisaged: because of the capital-intensive nature of the approach, jobs are expensive and may be phased out, and because of incentive-driven investments, relocation of companies chasing these incentives leads to replacing unemployment in one area with unemployment in another

(Bond, 2003). An added problem with this is that not only do companies relocate, but workers are also drawn toward the available temporary jobs, bringing their families along; with insufficient housing infrastructure the result is squatter camps, which put more pressure on local resources (Bond, 2003).

Another fundamental flaw with this approach is the limited inclusion of the role of municipalities. Even though municipalities are tasked with social and economic development, central government macro-economic reforms and export-led growth inform the managerial elites in the public and private realms and shape their perceptions of desirable forms of local economic growth (Tomlinson, 2003). This once again emphasises the two noteworthy issues: the undeniable desire of developing countries to employ Northern-style LED approaches seeking foreign investors, which do not work and secondly, the impact of the “bigger picture” in terms of the national impact on local circumstances, and the consequences of a lack of coordination.

But like the RDP, GEAR was unsuccessful in creating jobs and alleviating poverty, and thus during his 2001 budget speech the Minister of Finance, Trevor Manuel, signalled a shift toward “a more interventionist state role through targeted investment and incentives” - a move from focusing on macro-economic fundamentals to micro-economic fundamentals (Tomlinson, 2003).

### **3.3.1 Challenges to LED Implementation in South Africa**

According to Bond (2003), South Africa is a socio-economic time-bomb and a new approach to development is desperately needed. This should not be seen as negative view, but rather emphasises the urgency with which development policy-makers and initiators should review current strategies and seek more appropriate approaches to achieve success, especially in terms of poverty alleviation. If one analyses current statistics (Statistics SA, 2000), it is evident that there is definitely cause for concern:

- African household incomes declined by 19% in the period 1995 – 2000, while white household incomes rose by 15%;
- The average black household earned one sixth as much as the average white household in 2000, reflecting a decline from one quarter in 1995;

- Households with less than R670 per month – mainly black African, Coloured and Asian – increased from 20% in 1995 to 28% in 2000;
- Across racial divides, the poorest half of all South Africans earn just 9.7% of the national income, a decline from 11.4% in 1995;
- The official measure of unemployment rose from 15% in 1995 to 30% in 2000;
- Adding frustrated job seekers, the percentage of unemployed people stands at 43%.

Along with this Bond (2003) adds,

- 10 million people reported having had their water cut off;
- 10 million people had their electricity disconnected because it was unaffordable;
- 2 million had been evicted from their homes or land since 1994.

These figures reveal worsening poverty and, even though many of these issues can be attributed to the legacy of apartheid, the situation exacerbated by economic inactivity as a result of national and international factors. Inadequate attempts at social and economic upliftment do not help the situation either.

Significant obstacles in terms of development challenges, specifically LED, can be highlighted as (Nel & Rogerson , 2005: 12):

- The problem that the decentralisation of powers from the national level to the local sphere has placed “huge additional LED responsibilities on a sphere of government which often has very limited capacity to implement them effectively”
- 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 in local government circles.

In terms of the strategic approach to LED, the following comparisons can be drawn in terms of the Pro-Poor Approach towards Economic Empowerment Model. Figure 5 highlights in grey the historical focus of LED initiatives and thereby illustrates the lack of comprehensiveness.



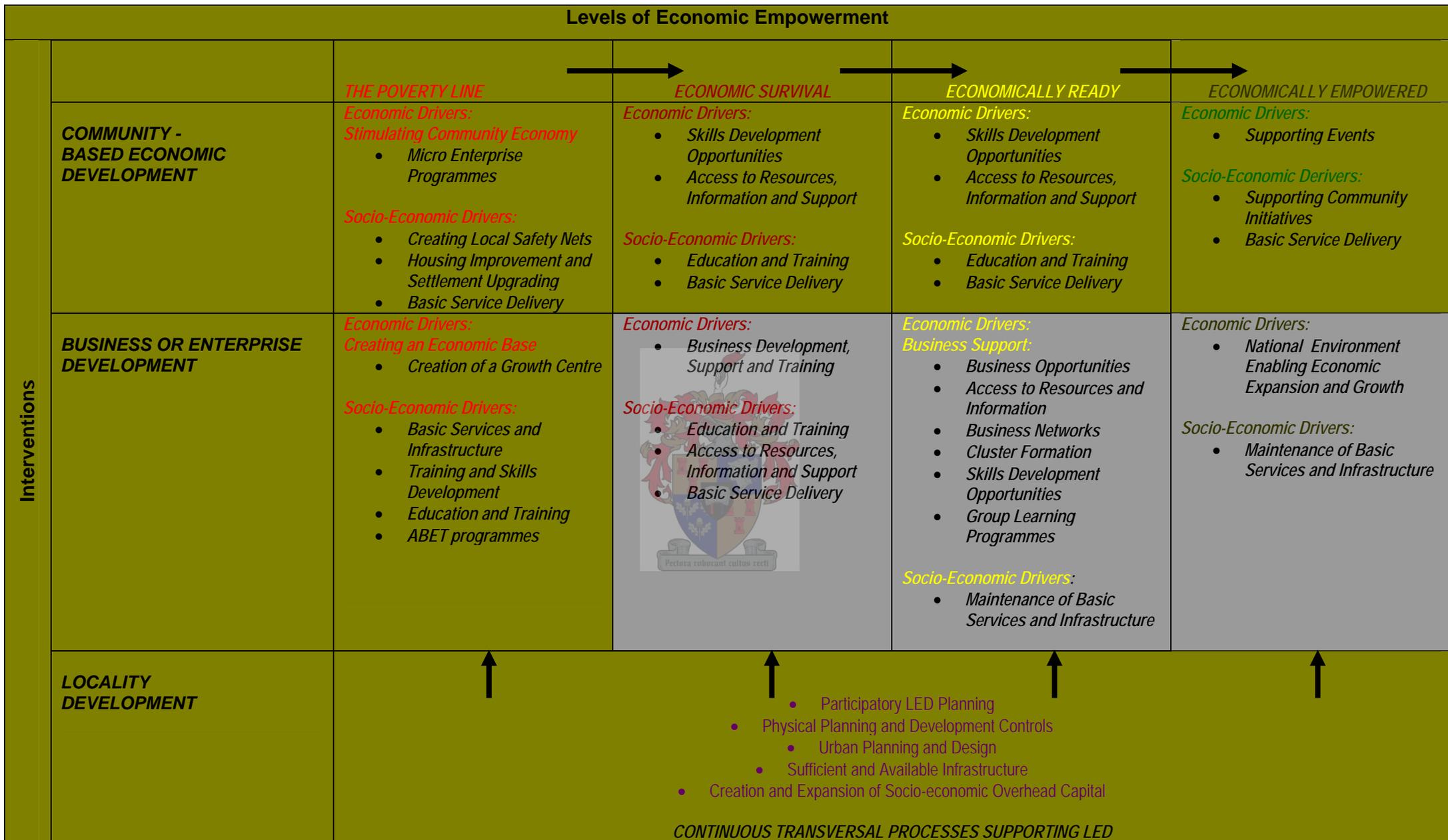
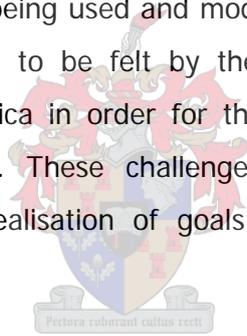


Figure 5: Historical focus of LED

Figure 5 clearly indicates the historical pro-growth approach of LED initiatives, which looks only at the economic support for business and focuses only on the last three levels of economic empowerment. The lack of consideration of the poverty-line level of economic empowerment, as well as the other interventions, could be seen as contributing towards their lack of impact and their ability to tackle poverty.

Many observers view the decentralisation of power from the national level to municipalities as government shifting its responsibility, with detrimental consequences for delivery (Tomlinson, 2003; Bond, 2003; Nel & Rogerson, 2005). Decentralisation has its honourable intentions, but without the necessary skills, resources and commitment, these will not be achieved. National government's intended support through various programmes – such as the LED Fund, the Urban Renewal Programme, the Integrated Sustainable Rural Development Strategy, the Expanded Public Works Programme and the revised framework for small business development, the Integrated Small Business Development Strategy – seems to be insufficient and is not being used and modelled at grassroots level to allow the effects of appropriate development to be felt by the poor. This calls for a serious re-evaluation of LED within South Africa in order for the desired goals of job creation and poverty alleviation to be reached. These challenges are serious impediments to the implementation of LED and the realisation of goals such as job creation and poverty alleviation.

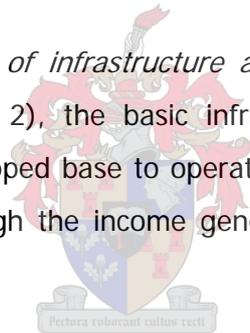


### **3.3.2 LED - Shifting Emphasis to Developmental LED**

During 2002 the national LED policy document, entitled "Refocusing Development on the Poor" was in the process of being drafted and, according to Nel & Rogerson (2005), it had a clear 'pro-poor' focus of LED explicitly targeting low-income communities and the marginalised. According to Bond (2003), the draft LED policy highlights the follow six 'developmental' LED strategies which it had made a commitment to support.

- *Community economic development.* This refers to municipal assistance aimed at grassroots level and the beneficiaries would range from community businesses and co-operatives to 'local exchange and trading systems' (LETS), to 'third sector' development experiments (e.g. People's Housing Processes), savings collectives and informal lending arrangements, community-based environmental management and maintenance schemes, urban farming projects, etc. This emphasises the importance of working directly with low-income communities and their organisations.

- *Linking profitable growth with redistributive development/financing.* This approach is a deliberate attempt to consciously ensure that the poor also benefit, no matter where development takes place to promote redistribution. An example of this strategy would be 'planning gain', whereby planning or zoning permission in profitable geographical areas is linked to a commitment to invest in an impoverished neighbourhood (e.g. affordable housing). Another example would be that, if a bank or financial institution opens a branch in a wealthy area, they must also do so in a low-income area and invest in small business. This is a wonderful approach, but to enforce it presents various challenges. How viable is it to set such conditions for much needed investment?
- *Human capital development.* This approach is key to ensure the holistic development outcomes of both economic as well as social benefits. This is only achievable with direct linkage between 'living wages', human capital development and productivity. Minimum wage enforcements and an emphasis on Corporate Social Responsibility (CSR) are ways of ensuring that resources and benefits are circulated within local communities.
- *Development and maintenance of infrastructure and services.* As discussed earlier in locality development (see Chapter 2), the basic infrastructure and services are vital in providing localities with a well-equipped base to operate economic activities. These services will then also be sustainable through the income generated through the revenues earned from these economic activities.
- *Plugging the leaks in the local economy.* This approach attempts to inhibit the outward flow of money out of localities by encouraging the communities to buy locally, supporting and building periodic markets, funding special events and festivals, providing infrastructure using local labour and locally-manufactured material, promoting employee training, and networking enterprises of all sizes in the local area.
- *Retention and expansion of existing business.* This approach is common and vital to create a firm foundation of economic activity from which to expand; this can be achieved by assisting local businesses to improve their productivity, increase their market share and graduate to higher value-added levels in the production chain.



These strategies show a significant policy shift in terms of refocusing development initiatives toward local people and addressing local issues, but the changes are still not occurring at grassroots level. To try and assist, various guidelines were published by national government to guide LED implementation toward a more developmental approach. This developmental

approach requires new and innovative strategies and recognises that meeting basic needs is an essential component for economic development (Planact, 1998). This shift is illustrated in Table 2.

**Table 2 Market-Based Approach vs Developmental Approach (Planact, 1998)**

Market-Based Approach	Developmental Approach
Attract external investment  Provide subsidies and incentives to external investors Growth first, equity later Emphasis on exports  Low-cost labour and wage control The market and the private sector can best allocate resources	Local business enterprise can promote development – improved social services and infrastructure can promote local enterprise Support for local small business  Growth can be generated through social equity Domestic market equally important – can improve the distribution of national income Improve the quality of labour The state is an important role player in the economy

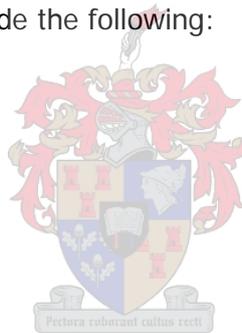
This shift is also emphasised by the aforementioned IDP guides, and sees the goals of LED as to (Planact, 1998):

- Alleviate poverty by creating income generating opportunities and growth in jobs;
- Integrate towns and cities by linking towns and townships through
  - development corridors and improved public transport, and
  - promoting mixed-income and mixed-use development;
- Ensure development and redistribution through
  - addressing backlogs in infrastructure and services, and
  - special programmes to target disadvantaged areas;
- Ensure democratic local government through
  - promoting community participation in setting development goals and budgeting, and
  - encouraging community co-operatives and corporations and ownership by community-based organisations;

- Promote growth through
  - support to small business or SMMEs
  - in larger towns and cities, support for local businesses to improve their competitiveness so that they are able to export goods and services, and
  - encouragement of international investment in jobs through such measures as targeting new growth sectors – at the same time ensuring job creation is enhanced and investment is linked to the social and economic goals as stated in the IDP.

The leadership role of local government is also vital for LED success. Municipalities are compelled to undertake a strategic planning process which involves all stakeholders such as the community, business, labour, as well as coordinating efforts with the other spheres of government – provincial and national (Planact, 1998). Some of the roles municipalities must play to achieve successful LED include the following:

- Entrepreneur / developer;
- Co-ordinator;
- Facilitator / enabler;
- Stimulator / inducer;
- Strategic leader.

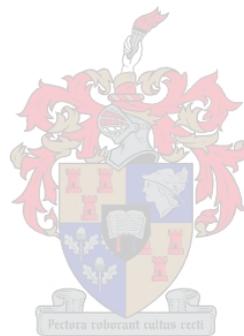


In terms of the debate on whether LED is a growth strategy or an anti-poverty strategy, it is evident that LED should achieve poverty alleviation through redistributive economic development interventions, as growth does not necessarily mean a decrease in poverty. LED should operate within the mandated developmental context and this requires innovating strategies and that:

- Local governments must be strong and dominant role players to target the LED initiatives so that the poor benefit the most;
- LEDs do not occur in a vacuum, and should be elements of the municipality's IDP and thus agreed on through consultative methods;

- Municipalities need to retain the controlling interests in public-private partnerships to make them effective tools for implementing and maintaining developmental local government.

This shift is also evident in the change of focus of policy implications of government in terms of development planning, including LED. LED is seen as an integral part of Integrated Development Plan (IDP) planning because all other development planning elements – social, environment and others, all have an impact on LED, and LED has an impact on development in general (Planact, 1998). This refocuses municipalities on integration and holistic development, especially concerning the continuous transversal processes, as indicated in pink in Figure 6. This then illustrates the inclusion of wider consideration. However, this does not necessarily mean that implementation has as yet followed. Noteworthy is the limited influence on the economic empowerment of those on the poverty line through community-based economic development.



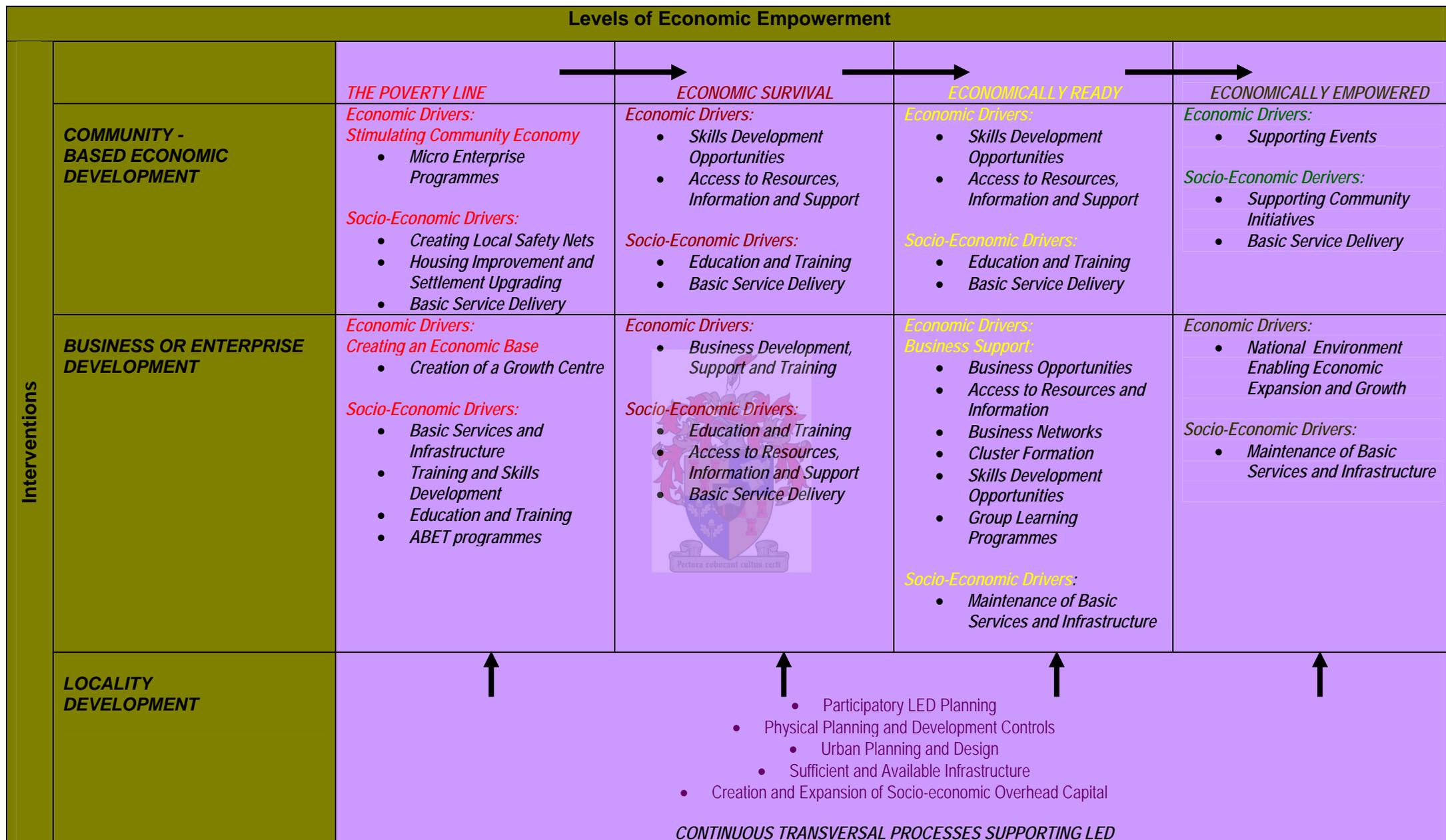
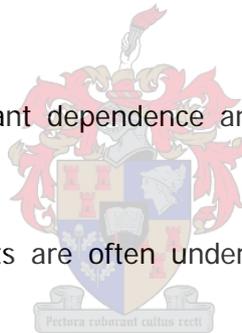


Figure 6: Pro-Poor Approach towards Economic Empowerment – Towards a developmental focus of LED Initiatives

Despite these shifts, Nel & Rogerson (2005) emphasise several key issues which emerged in a recent scholarly assessment (Nel *et al.*, 2002; Rogerson, 2002; Hindson, 2003; Tomlinson, 2003) of applied LED in South Africa, which presents serious problems:

- The failure rate of LED initiatives is high;
- In many ventures, particularly in smaller centres, there is limited private sector involvement;
- What is being achieved at one level is the provision of facilities of a global standard versus constrained achievements in poorer areas;
- The “politicisation” of development is an issue where individual interests often 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 aspect of projects are often undersold 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 merely facilitating such activities;
- Many regard LED as an “unfunded” mandate, that is, municipalities are required to pursue it, but lack the necessary funds and staff;
- There is a clear need for more training, facilitation and funds;
- The rhetoric of pro-poor planning by municipalities is not always matched in practice;
- There is currently inadequate facilitation support;
- Community-focused programmes are often difficult to sustain.



### **3.4 Conclusion and Deductions: Chapter 3 - Contextual Framework - Local Economic Development (LED) in South Africa**

After evaluating international and national literature on LED theory and practice, it is evident that there is a definite distinction between the two broad approaches of pro-growth LED and pro-poor LED. The strong emphasis on pro-poor LED within developing countries is due to the changing global environment, but more specifically due to the ineffectiveness of purely pro-growth strategies within this context. Pro-poor strategies encourage community participation and partnerships, leading to more effective and sustainable initiatives. It also encourages empowerment and capacity building, which assist communities and individuals to acquire skills and therefore be in a better position to become more self-reliant.

Emphasis is placed on the role of municipalities to create an enabling environment through service delivery and infrastructure to assist in building localities that are better equipped to become more economically active. In order for this to materialise, national and provincial government should equip municipalities better through appropriate legislation, resources and support to enable them to fulfil these tasks. Even though LED focuses on the local level, it should be supported from a national level, without introducing conflicting approaches, strategies and programmes. It is the local endeavours and initiatives that should inform district and city-wide frameworks. This will ensure accurate resource distribution as well as create the redistributive mechanism which is much needed for integration. It is vital that areas not only share best practices, but also resources through subsidising economically less active areas. South Africa's policy considerations and implementation approaches are currently not meeting the needs and producing the benefits envisaged.

Many could argue that LED should also consider social benefits, but it is ultimately an ECONOMIC strategy aimed at stimulating the local ECONOMIC activities of the poor, which SHOULD have positive social spin-offs. This is not always the case, as is evident from the above literature review, hence the current emphasis on pro-poor LED. Ultimately, the idea of all development initiatives should be to address poverty deliberately, and this is often not just in WHAT we do, but more so in HOW we do it. According to Dr Jorg Meyer Stamer (2003), LED is not industrial policy, it is not regional planning and it is not community development. It is, however, aimed at creating favourable conditions for business, promoting business, making local markets work better, and making better use of locally available resources. This might be some of the aims of LED, but these market-driven goals cannot alleviate the extreme poverty experienced by grassroots South Africans, because they do not

deliberately focus on the other vital obstacles experienced by the poor. LED might be an economically focused strategy, but it should also consider other non-economic issues which impede and inhibit economic activities within communities. It is not possible to start and promote business development in all areas, and therefore an alternative should be to create an environment conducive to those communities improving their situation and having access and capacity to take advantage of opportunities elsewhere. Also, future development planning should focus on eliminating obstacles created by previous policies and should promote the idea of “locality development” as explained by Helmsing (2003), which looks at building localities which fulfil all the needs of the communities, including providing housing which allows better access to economic activities, proper basic services and an environment which enables the poor to become self-reliant.

Fundamentally, LED should follow the process of deliberate development, which through participation, capacity building and empowerment, and seeks to create self-reliant communities for sustainable development. These are the fundamental in correctly defining and implementing successful LED in South Africa.

### **3.4.1 The Way Forward for LED in SA**

Contemporary LED debates, signifying a return to the basics of “bottom-up” approaches to development, with significant involvement of established roles and responsibility for government, the private sector and civic organisations, are seemingly creeping back into broad policy considerations. Yet the effects are still not felt at grassroots level. Bond (2003) sees the following aspects as critical for LED policy and practice.

- The “Washington Consensus” epoch of export-led growth is drawing to a close and therefore renewed focus on pro-poor and sustainable development will require that municipalities should pursue a more active and community-focused LED strategy.
- Despite numerous genuinely pro-poor development tools and redistributive strategies that have been established, various non-developmental strategies such as SDIs, IDZs and EPZs have proven to be not as effective as anticipated and therefore require re-evaluation.
- There is a strong argument for focusing on basic infrastructure development and service delivery as crucial in creating viable economically active environments; this will mean that the “public goods” aspects of municipal services offers a way of ensuring that the

upgrading and cross-subsidisation of services such as water and electricity can be justified in part on the basis of the economic benefits that such services provide.

- Ultimately LED is a tool which can reap success and the lack of a clear definition of LED should not detract from the potential achievements that can be accomplished. In order for this to materialise the following points should be considered.
- **A change or shift is necessary in terms of pro-poor LED strategies.** Firstly, a mix between pro-poor and pro-growth strategies is a viable option, but should be tailored in a way that takes into account the unique context of each municipal area with regard to the physical aspects of the area, its geographic location, the local economy and employment structure, the local population and labour market and the potential for partnerships (Abrahams, 2005). Secondly, every area should pursue some form of pro-poor strategy, as extreme poverty is becoming more evident within not only rural areas, but urban areas as well. With the influx of the poor into urban areas, more strain is placed on municipalities. This also presents municipalities with an opportunity to cross-subsidise struggling areas from revenues generated from flourishing economically active areas.
- **LED should be viewed as not only creating economic benefits, but plays a vital role in poverty alleviation and therefore should have a strong social focus.** This can be achieved through provision of services and other needed infrastructure. Along with this, empowerment and capacity building should be seen as important goals.
- **Partnerships and participation are necessary mechanisms to not only achieve more sustainable development, but will also assist in achieving empowerment goals.** For this to materialise greater emphasis should be placed on creating the opportunities for communities to be more involved in decision making. Partnerships between government, the private sector, NGOs and communities should be considered as a prerequisite for attempting LED.
- **LED regional integration and coordination between spheres of government and other levels of local government programmes is another aspect which requires attention.** LED can take place at various levels, but without a coordinated and integrated approach, the desired impact will not be achieved.
- **Municipalities often lack the resources and capacity to implement LED successfully.** A concerted effort should be made by all three spheres of government to

address these challenges through better coordination, support, capacity building and partnerships.



## Chapter 4

# Local Economic Development (LED) in the City of Cape Town – A Case for Cities

### 4.1 Introduction

Across the world cities are considered as the centres of innovation, growth, dynamism and ultimately the linchpins for pervasive modernisation and development (Khan, 1996: 209). Cities, which are seen as the engines for growth and development, produce goods and services regarded as a major and dynamic part of the national economy, and they thus bind the economic success of countries and regions to the productivity and competitiveness of their urban centres (Khan, 1996: 209). According to Nel & Binns (2005), one of the key features of the late 20<sup>th</sup> century and the early 21<sup>st</sup> century is the apparent “redefinition” of the role of “city” within national and global economies, as “cities are becoming central to economic development” (Nel & Binns, 2005: 37). This can be attributed to a contemporary policy shift of enhancing the role and status of municipalities as a result of the devolution of various powers and responsibilities to lower levels of government, as alluded to in Chapter 3.

However, this newfound status also includes immense responsibilities, challenging municipalities to undertake the daunting tasks of socio-economic transformation to tackle the issues of poverty, unemployment and growth, so prevalent in developing countries. This mammoth task is often unfamiliar territory for many municipalities, which are still grappling with institutional problems as a consequence of apartheid policies. The lack of resources and skills to take up the role of enabler, facilitator and implementer of development leaves many municipalities vulnerable and unable to execute their duties successfully as required and mandated by the Constitution. Other legislative requirements can also not fully be adhered to and development implementation is slow. Along with these organisational challenges, the influx of people to cities in search of jobs and better prospects also heighten the burden on municipalities in tackling the issues of social and economic change.

In addressing the above issues, the Integrated Development Plan (IDP) is seen as a fundamental strategic process to guide development planning within municipalities for a 5-

year period. It involves the identification of all development needs, priorities and strategies in a comprehensive way, in consultation with affected communities (Nel & Binns, 2005: 42). LED forms a key component of the IDP of most municipalities in South Africa and is seen as a crucial strategy to tackle unemployment and address poverty, and it is within this context that this chapter will evaluate the current status and implementation strategy of the City of Cape Town's LED strategy by exploring the global trends in urbanisation, identifying distinctive characteristics of cities within South Africa and evaluating the determinants for LED within South African cities.

## 4.2 LED within the Context of Cities

One of the most significant and increasing demographic phenomena is the rapid growth of cities in developing countries (Todaro, 1994: 248). This can primarily be attributed to development strategies that emphasise urban growth at the expense of agricultural and rural development (Hope, 1996: 80). Urbanisation can be defined as the process of growth in the urban proportion of a country's entire population and not only the growth in the urban population per se (Hope, 1996: 80; Todaro, 1994: 248).

### 4.2.1 Global Trends in Urbanisation

Some of the global trends in terms of urban areas are outlined below (South African Cities Network, 2003: 5).

- **Irrevocable population shifts from rural to urban areas.** Globally, more than 38% of all people lived in urban areas by 1995 and this percentage is projected to increase to 57% by 2020, with three quarters of all population growth occurring in urban centres of developing countries ( South African Cities Network, 2003: 5). This level of urbanisation places added pressure on the ability of cities to provide sufficient goods and services, and to ensure sustainable development.
- **The increase in large cities.** Currently, large cities with a population of more than 1 million inhabitants are experiencing a dramatic influx of people. It is projected that by 2015 a total of 53 cities in developing countries and 11 cities in industrial countries will each have a population which exceeds 5 million inhabitants ( South African Cities Network, 2003: 5).
- **The process of trans-national migration is resulting in cultural and ethnic diversification within cities.** An average of six million people move from one country to

another per year, increasing population numbers as well as diversification. This is also proving to be steadily on the increase (South African Cities Network, 2003: 6).

- **There proves to be a strong correlation between urbanisation and economic growth.** Cities provide concentrations of services and infrastructure, labour, skills, entrepreneurship and markets and, as a key generator of economic activity, a well-functioning city is a critical component of national competitive advantage (South African Cities Network, 2003: 6).

- **Cities are inextricably linked to the process of globalisation.** Economic restructuring has had significant implications for both developed and developing countries, and with the relocation of manufacturing production the competition among cities has increased, resulting in economic specialisation as a critical component of many city development strategies (South African Cities Network, 2003: 7).

- **Implications for the restructuring of the urban form and the sustainability of cities in the wake of economic difficulties.** Strategies to diversify local economies and to attract new economic sectors are consequent with pressures linked to urban sprawl and environmental sustainability (South African Cities Network, 2003: 8).

- **The urbanisation of poverty is becoming increasingly apparent, despite the fact that cities provide the basis for economic growth and development.** This is especially true within the African context, where economic growth within cities has not been able to match the rate and scale of growth within cities, resulting in widespread and deepening urban poverty.

- **Problems of social and economic exclusion.** The increasing spatial fragmentation of cities into wealthy and poor enclaves undermines the equitable distribution of public goods and services and reinforces poverty, with escalating social tensions and violence. This is often exacerbated by the balkanisation of immigrant neighbourhoods.

- **The global trend towards democratisation and decentralisation has implications for local governance.** The transfer and devolution of authority to local government has critical repercussions for urban policy, as this places the bulk of responsibility and accountability for the quality of life in cities with local government. Local government often lacks the capacity to respond to these challenges within the constraints of limited resources. Therefore it is crucial that good inter-governmental relations exist among the different levels

of government and that there is proper coordination and support to ensure alignment of development interventions.

- **The relationship between local government and civil society is in a state of considerable flux.** The role of local government is changing from being the traditional sole or main provider of public goods and services, to one of enabling or ensuring its delivery in partnership with other stakeholders such as the private sector and civil society organisations. Along with this, local government has the responsibility to ensure broad-based participation and responsiveness to an increasingly demanding civil society. With limited resources, local government has to become innovative and entrepreneurial to perform its functions.

These trends might not be new, but what is evident is that these trends are experienced in major metropolitan cities in both developed and developing countries. The effects, impacts and severity may not be similar in all cities, but these trends clearly indicate a greater polarisation and disequilibrium between the concentrations of wealth and poverty within and between cities (South African Cities Network, 2003: 7). Within South Africa there are also clear disparities within and between cities, with the poverty gap continuously increasing.

#### **4.2.2 Cities in South Africa**

Within South Africa, 20% of towns and cities produce 82% of the national GDP, and approximately 80% of all manufacturing activity is concentrated within six metropolitan areas (South African Cities Network, 2003: 9). But South African cities are faced with particular challenges linked to the legacy of apartheid, delayed urbanisation and political transformation. Skewed settlement patterns which are functionally inefficient and costly, a dysfunctional urban environment, huge service infrastructure backlogs in historically underdeveloped areas and large spatial separations and disparities between towns and townships (South African Cities Network, 2003: 9). Approximately 55% of the population occupy urban areas and, with the continuing process of urbanisation, this will continue to grow as proven by the 20% increase in the Gauteng population (South African Cities Network, 2003: 9).

Cities in South Africa are experiencing immense challenges as a result of city growth, but with dysfunctional city structures and increased disproportion between rich and poor. This dysfunctional structure is considered an outcome of apartheid policies, associated planning approaches and economic forces which have influenced city, town and township development for many decades (Department of Housing, 1997). The implications are

increasing social and economic exclusion, impacting negatively on both economic activity and living conditions (South African Cities Network, 2003: 10). The urban settlements are therefore characterised by spatial separation of residential areas according to class and race, urban sprawl, disparate levels of service provision, low levels of suburban population density and the concentration of the poor in relatively high-density areas on the urban peripheries and the wealthy in the core and intermediate areas (Department of Housing, 1997). These features characterise cities and towns which are very inequitable, inefficient, unsustainable and expensive to manage and maintain, and this in turn exacerbates poverty and unemployment (Department of Housing, 1997).

Some of the urban realities that South African cities face are indicated below (Department of Housing, 1997, South African Cities Network, 2003):

• **A large and growing urban population.** South African cities are experiencing rapid urbanisation and this will continue to increase and should be planned for timeously. 67% of the urban population are situated in the four major metropolitan areas of Gauteng (6.9 million), followed by Durban/Pinetown (3.3 million), the Cape metropolitan area (3.2 million) and the Port Elizabeth / Uitenhage metropole (2.7 million). These metropolitan areas also serve as the economic engines for their surrounding areas as they hold the largest potential to address the socio-economic needs of the growing population. Unfortunately, medium and smaller cities and towns, especially rural towns, are economically quite vulnerable and will be challenged with both population increases as well as decreases.

• **The persistence of inequality and poverty.** Cities and towns are marked by stark contrasts. On the one hand, there are well-maintained and well-serviced low-density white suburban residential areas as opposed to the under-developed high-density lower-income residential areas, most notably the townships and informal settlements, which have become the features of virtually every city and town. Most of the worst housing is occupied by blacks, but whereas about 20% of blacks in Gauteng live in informal housing, as much as 50% of the black population in the Durban and Cape Town metropolitan areas occupy these inhumane structures. These townships and informal settlements are marked by poverty and squalor associated with overcrowding, high levels of pollution, and lack of access to potable water and proper sanitation. These areas often lack sufficient community facilities and are relegated to the urban periphery, which adds the high cost of transportation and other social costs to their deprivation. Social disintegration, high levels of unemployment and crime are rife.

• **The financial pressure on municipalities.** Municipalities have to reorganise themselves to serve the interest of not only the minority, but all the citizens within their areas of jurisdiction. They face the pressures of trying to rectify past mistakes and undo the legacy of separate development and remove the inequities of the old system. Municipalities have been restructured through the amalgamation of former white and black authorities and through the formation of metropolitan governments. However, their ability to undertake necessary capital expenditures depends on their financial position as well as their capacity to manage these processes. Many municipalities face increasing deficits in their operating budget because of non-payment for services, which adds to their burden.

• **A vibrant and dynamic civil society.** South Africa has a highly developed network of institutions, organisations and associations within civil society with the ability to organise to defend and promote their interests and values. Three of the most instrumental types of organisation are community-based organisations (CBOs), non-governmental organisations (NGOs) and business organisations. Civic organisations have played a fundamental role in negotiations at the local level for new forms of representation, while being influential in the original conception of the RDP. With the current focus of developmental local government and the prominent feature of broad participation of society, the interaction and cooperation between local government and its constituents is key for successful formulation and implementation of urban policy.

• **Economic and financial potential for urban revitalisation.** South Africa's metropolitan areas have well-functioning urban economies that produce and distribute a wide range of goods and services nationally and abroad. The consolidation, extension and more equitable distribution of urban infrastructure have the potential to significantly contribute towards creating employment opportunities and alleviate the poverty of a growing urban population. However, the historical legacies and impacts of the processes of transformation and change are not distributed evenly throughout cities, but are evident as either growth or decline within specific geographic neighbourhoods, increasing polarisation and fragmentation within cities, undermining their economic base and productivity.

To address the problems and challenges associated with these realities, various interventions and goals need to be implemented and attained. *Firstly*, a lot of focus is placed on the urgency of *integrating the city* through integrated planning (Department of Housing, 1997). To ensure that economic, spatial, social and environmental planning is integrated it is vital that planning should be integrated and this requires coordination to maximise urban

generative capacity. This is especially critical to improve local economic development which should be considered in all forms of planning. **Secondly, improving housing and infrastructure** is critical to providing basic needs, removing the profound inequities of the past and also to ensure viable communities and sustainable human settlements (Department of Housing, 1997). This package contributes greatly to the ability of the poor to become economically active. **Thirdly, building habitable and safe communities** is essential for security and continued investment of communities in their own areas as well as from outside (Department of Housing, 1997). Investments in the public environment (schools, clinics, parks and police stations, to name a few) contribute positively to the perceptions of neighbourhoods, which influence their social and economic well-being. **Lastly, promoting urban economic development** and the above three strategies are very much interdependent (Department of Housing, 1997). These are directly linked to a pro-poor LED approach, which looks at social and economic development through meeting basic needs, providing basic services and creating jobs. Effective urban areas are a prerequisite for attracting investment, while economic development is crucial to making our cities and towns more habitable, efficient, competitive and sustainable. Without a vibrant and productive urban economy urban areas will stagnate and decline, which will be detrimental for the national economy.

### 4.2.3 LED within Cities



Despite the fact that South African cities are clearly characterised by extreme poverty, LED initiatives have extensively been focused on pro-growth interventions. According to the Urban Development Framework (1997), LED is perceived as having the potential to address the economic problems which prevail in various localities within South Africa. LED does not only improve conditions to attract investment, but also facilitates the creation of a conducive, habitable environment through improved service provision and addressing basic needs. The Urban Development Framework (1997) states: ***“For LED to be successful, the process must include the participation of local political, community and business actors in the economic and social development of their urban area or region.”*** This once again emphasises the prominence of both economic and social considerations in LED approaches. The framework goes further and highlights that both social and economic interventions are key strategies in LED and reiterates that local circumstances, needs and realities will influence the nature and form of the strategy adopted.

The situation within cities and the current realities clearly indicate that South African cities are experiencing social and economic difficulties, especially as a result of urbanisation increasing the pressure on historically dysfunctional city structures. Social and economic disparities, continued inequity and limited access by the poor to economic and social resources contribute to the pressures and challenges that municipalities face. It is within this context that cities should implement a comprehensive approach to LED, as it is occupied by citizens with varying levels of economic empowerment and it should therefore implement appropriate interventions.

### **4.3 The City of Cape Town – a Background**

Cape Town is South Africa's second largest city economy and its contribution was estimated at 11%, or R105 billion of national output in 2002 ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005). It also accounts for 80% of the Western Cape's economy. Statistics in 2002 showed that Cape Town continued to outperform the national economy, with growth in real terms at 4,1%. This growth was strongly driven by tourism, exports and the film industry. The region's export value during 2001 – 2002 grew by 48% compared to the national average of 24%. These figures reflect a definite pattern of growth, but this does not necessarily constitute development. Poverty in Cape Town is widespread and the ongoing concentration of poverty in the South East (see Map, Figure 7) is a cause of major concern ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005).



In measuring poverty in Cape Town, the Household Subsistence Level (HSL) was calculated to be +/- R 12 000 pa in 1996 and +/- R 20 000 pa in 2001, showing that the proportion of households living below the HSL increased from 25% to 32% between 1996 and 2001 ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005). A common trigger of poverty is disease and in Cape Town tuberculosis (TB) is very prevalent. The number of TB cases in Cape Town increased from 13 870 in 1997 to 24 129 in 2004 ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005). It has been calculated that from 2001 to 2004 the incidence rate of TB increased from 577 to 800 per 100 000 people, showing that TB is increasing over and above population increase, in part because of the link between TB and HIV and AIDS ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005).

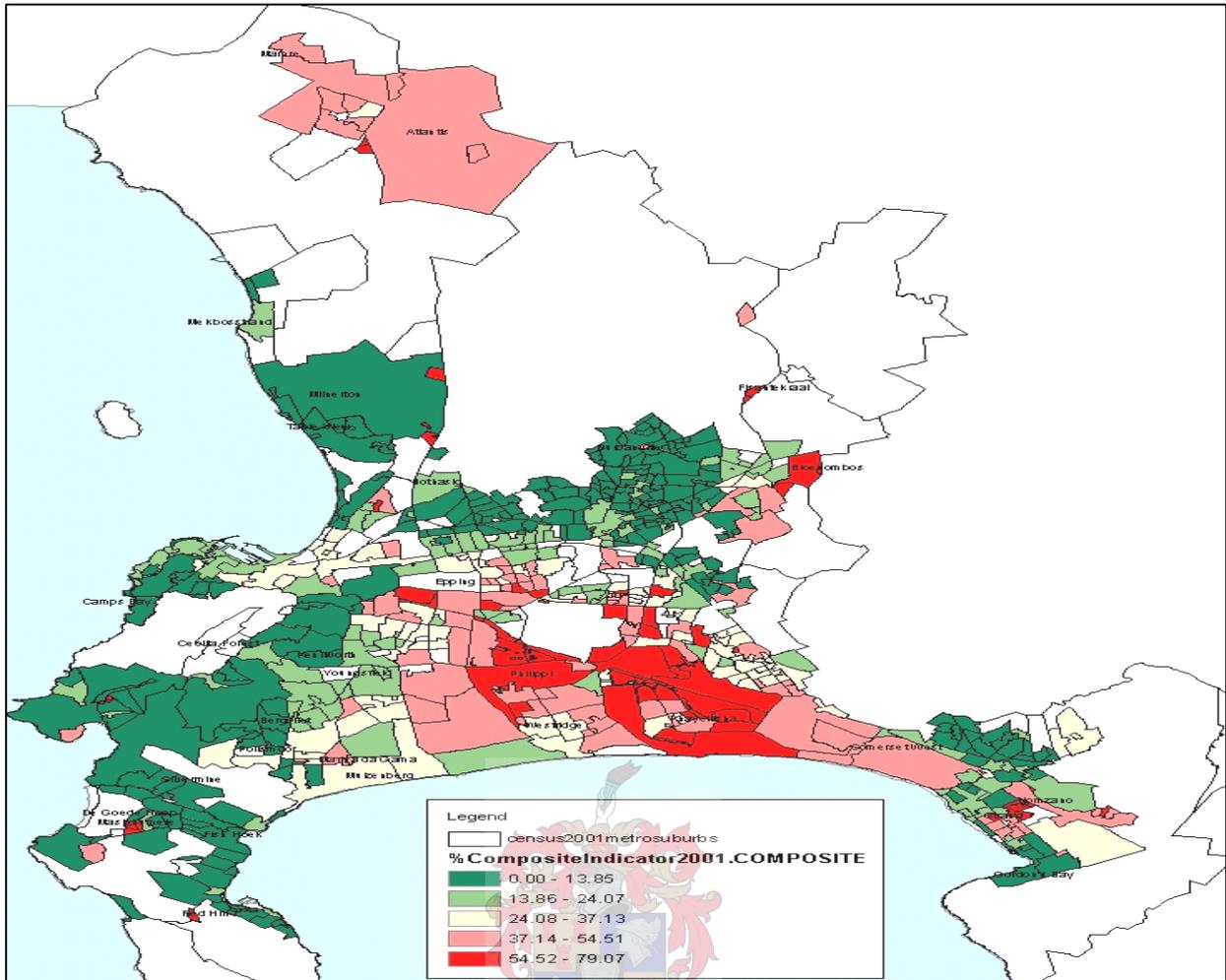


Figure 7: Map of Cape Town (www. capetown.gov.za, November 2005)

In terms of unemployment figures, there has been an increase from 16.5% in 1999 to 23.2% in 2003 (www. capetown.gov.za, November 2005). The inability of the formal economy to absorb the excess labour has also resulted in the informal economy becoming an alternative source of livelihood for many of the poor. According to census report, there has also been disproportionate growth in unemployment between genders and racial groups in the metropole (www. capetown.gov.za, November 2005).

**Table 3: Unemployment in Cape Town [www. capetown.gov.za](http://www.capetown.gov.za), November**

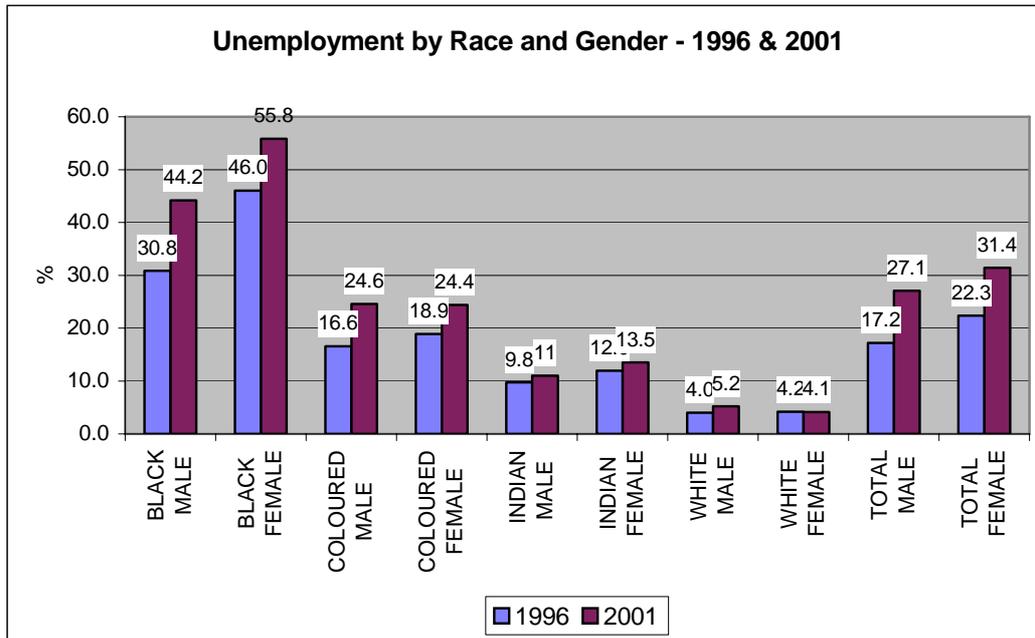


Table 3 illustrates the increase in the level of unemployment among black males from 30.8% to 44.2% between 1996 and 2001, and among black females from 46% to 55.8%. There was also a drastic rise in the unemployment levels among coloured males and females. Another significant increase is the rise of unemployment among young adults (aged 20 – 34) from 19% to 30% among males and 26% to 37% among females ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005). There is also unequal racial distribution of household income as the average income of white households is about seven times greater than that of black households and about three times greater than that of coloured households ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005). Although there has been a considerable increase in the black population from 19% in 1996 to 32% in 2001, their share of income increased only from 6% to 9%; while the white population declined from 26% to 19%, their share of income only declined from 60% to 58% (see Table 4) ([www. capetown.gov.za](http://www.capetown.gov.za), November 2005).

**Table 4: Income Distribution within Cape Metropole (www. capetown.gov.za, November 2005).**

<i>Population Group</i>	<i>Average Monthly Household Income (2001)</i>
African	R 2 144
Coloured	R 5 630
Indian	R11 312
White	R16 147
Average	R7 389

Between 1995 and 2001 the Western Cape economy grew at an average annual rate of 3.3%, with the Gross Geographical Product (GGP) for the region in 2001 was estimated at R187.6 billion and the Cape Town economy constitutes three quarters of the provincial economy (www. capetown.gov.za, November 2005). It is estimated that a growth rate of between 6% and 7% (or the creation of approximately 40 000 jobs annually) is needed to significantly reduce unemployment.

In terms of the different economic sectors as sources of employment, there was a significant shift between 1996 and 2001, with an increase in the proportion of skilled workers employed in the commercial and financial sectors (www. capetown.gov.za, November 2005). Also, manufacturing as an important semi-skilled employment sector showed a strong decline from 21.9% in 1996 to 18.4% and unemployment levels as a whole continued to increase, rising from 16.5% in 1999 to 23.2% in 2003 (www. capetown.gov.za, November 2005).

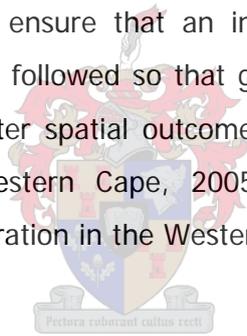
The skills levels within the city showed some improvement between 1996 and 2001, but still remain very low. The proportion of adults (20+) with a matric qualification increased from 20.7% to 25.4%, with only a slight increase in post-matric diploma or degree qualifications (www. capetown.gov.za, November 2005).

Due to the job shortages within the formal economy of the city, the informal economy has become an essential source of livelihood for many, employing an estimated 22% of the labour force and contributing 12% to economic output (www. capetown.gov.za, November 2005). This sector is especially prevalent in the old black areas of the City, but there is limited information available on the size, nature and exact location of informal activities

(www. capetown.gov.za, November 2005). Because of limited information, the estimated GGP of Cape Town excludes the second (and third) economies.

#### **4.4 LED Integration – Regional Planning**

A critical facet is the regional integration, specifically in terms of provincial and local development. This highlights the critical interdependence of development in both rural and urban areas, and the implications of development strategies. The Western Cape Spatial Development Framework (WCSDF) is a provincial plan which aims to provide a new spatial pattern for future development and, in so doing, to guide development planning within the province. This framework is aligned with the National Spatial Development Framework (NSDF), and other national frameworks, and also supports the vision of the Western Cape Provincial Government to create “A Home for All”, its *iKapa Elihlumayo* Strategy. Evident from the WCPSDF is that future economic, social and environmental threats that have been identified in the past are now materialising Provincial Government of the Western Cape, 2005).The WCSDF is necessary to ensure that an integrated and effective approach to economic and social development is followed so that government infrastructure investment and development spending has better spatial outcomes than are currently being achieved (Provincial Government of the Western Cape, 2005). Some of the key issues and considerations vital to regional integration in the Western Cape are Provincial Government of the Western Cape, 2005):



- The greatest proportion of the population is located within the city of Cape Town. Because of this, it demands a greater share of the provincial budget to assist in the management of the city, which could lead to an urban bias;
- The greatest challenge facing the province is over the 500 000 unemployed, of whom 370 000 are found in the City of Cape Town, approximately 50 000 each in the Winelands and Eden, 17 000 on the West Coast, 16 000 in the Overberg and approximately 7 500 in the Central Karoo;
- This challenge is compounded by the fact that many of the unemployed are illiterate and unskilled at a time when the skills required in the growing sectors of the economy are for highly skilled professionals.

Until recently LED implementation within the province has been hampered by the lack of skill and capacity within municipalities. Despite the fact that LED projects are included in

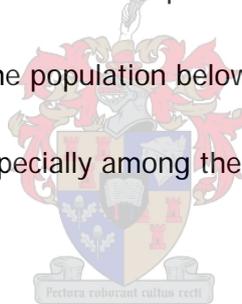
municipal IDPs, the understanding of LED as a process rather than loose-standing actions has limited success. LED integration is currently taking place via the establishment of Economic Development Units within districts, which are the contact point for province to engage with district municipalities and provide support to the local people.

The City of Cape Town plays a critical role within the Western Cape, but runs the risk of over-urbanisation and putting more pressure on already over-utilised and insufficient structures. Because of this factor as well as the externalities discussed in subsection 3.2.2.2, it is critical that the LED strategy and interventions of the City of Cape Town take cognisance of regional integration and are aligned to provincial and national policy.

## **4.5 Challenges to Economic and Social Improvement in the City of Cape Town**

Taking the above background into consideration, the following can be highlighted as significant factors in terms socio-economic development in the City of Cape Town:

- A high rate of poverty (32% of the population below HSL) within the area;
- A high rate of unemployment, especially among the previously disadvantaged population;
- Limited economic growth;
- Limited capacity to absorb available labour due to mismatch in skills and available employment;
- Limited skills within the population due to low levels of education;
- Inadequate transport systems and infrastructure;
- Increased reliance on the informal economy for livelihoods, which is insecure, as well as on social grants;
- Huge backlog of the poor to access to basic services and housing; and
- Increased migration of the poor into the city in search of jobs and better living conditions.



These are critical issues within the City of Cape Town that need to be addressed. In response to the above challenges, the municipality has devised a 5-star strategy (see Figure 8) for economic and human development to guide social and economic development initiatives in Cape Town. This document is also the framework within which LED is implemented, and will be discussed in more detail in the following section.

#### **4.6 A strategy for Economic and Human Development in the City of Cape Town**

The Economic and Human Development Strategy of the City of Cape Town, a draft strategy finalised in September 2005, seeks to fulfil the mandate given to local government by the Constitution and other legislation (as discussed previously in section 3.2.1). According to the document (Department for Economic and Human Development – Cape Town, November 2005), *“The strategy focuses on the core economic competencies of the Department for Economic and Human Development and on those human development issues that impact most directly on residents’ economic livelihoods.”* The Department defines economic and human development as *“an improvement in the material status of individual residents, households and the city population as a whole”*. This is measured according to the following indicators (Department for Economic and Human Development – Cape Town, November 2005):

- improved income levels or gross geographical product;
- access to subsidies and transfers that enhance the material well-being of the poor;
- the capacity of people to access resources and reach their potential, though diverse livelihood strategies;
- skills and the social capital of communities that promote human development and enable residents to participate fully in the economic life of the city

Economic and human development is stated to lie at the core of the City’s mission and this strategy seeks to positively influence and reverse the current trend of increasing poverty and unemployment within the area. In terms of the hierarchy of policy and plans, Figure 9 illustrates where this strategy fits in.



**Figure 8: Hierarchy of Policies and Plans – City of Cape Town (Department for Economic and Human Development – Cape Town, November 2005)**

The Economic and Human Development Strategy of the City of Cape Town has the following aims (Department for Economic and Human Development – Cape Town, November 2005):

- increase economic growth to more than 6% by 2014, in line with national targets;
- create jobs, especially low skilled jobs, and halve official unemployment by 2014;
- reduce the gap between rich and poor and improve the GINI coefficient;
- halve poverty (those qualifying for the indigent grant) by 2014;
- build social and human capital, in line with national and provincial strategies, to meet the changing needs of the economy and the needs of the poor.

According to the City, this strategy affirms the mandate of developmental local government and takes the following issues into consideration (Department for Economic and Human Development – Cape Town, November 2005):

- Increasing poverty and unemployment. Here poverty is defined as “an individual’s or a household’s access to income, jobs and/or infrastructure is inadequate or sufficiently unequal to prohibit full access to opportunities in society”;

- Economic growth. In view of the forecast growth rate of 4% in 2004, a significantly higher rate is needed to reduce unemployment in the future;
- Empowerment. As a result of the disproportionate growth in unemployment between genders and racial groups, there is a need to address these imbalances. Indicators of empowerment include employment and household income.
- Current trends. Within the overarching economy there are significant trends relating to, firstly, the increase and decrease of economic opportunities within the city's economic sectors; secondly, there are specific public policies relating to economic and human development; thirdly, human development relating to skills and training; and lastly, environmental factors (the triple bottom line), all of which have an influence.

Given all of the above, the interdependent objectives of the Strategy are (Department for Economic and Human Development – Cape Town, November 2005):

- to enhance global competitiveness through accelerating economic growth and maximising opportunities;
- to maximise empowerment;
- to reduce poverty through enhancing access to economic opportunities and meeting basic needs.



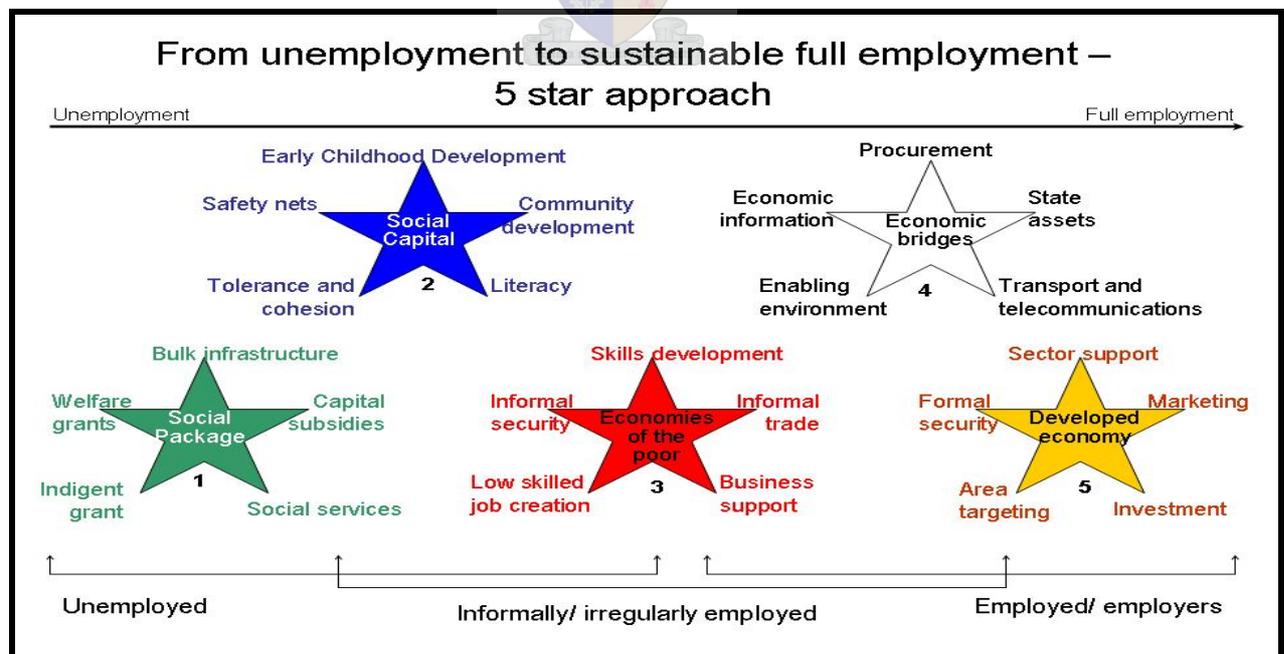
The Strategy provides a framework for addressing the objectives and focuses on the following (Department for Economic and Human Development – Cape Town, November 2005):

- Growing the formal developed economy and broadening participation in this economy;
- Growing the formal and informal economies of the poor and broadening economic participation;
- Establishing economic bridges to ensure greater inclusiveness, integration of the first and second economies, and redress of historical imbalances;
- Building the social and human capital of the poor;
- Ensuring all residents are able to access the social package, including government grants and subsidies.

Interventions are located in the first instance in the host department, the EHD Department. In the spirit of integrated and co-operative governance, the strategy also includes strategic programmes that fall under the mandate of other Council Departments including the Departments for Community Development, Roads and Transport, Human Settlements and the Executive Management.

This 5-star Economic and Human Development Strategy illustrated in Figure 8 provides a framework for addressing economic production, consumption and distribution as follows:

- Production support is focused on growing both the city economy and the household asset base of the poor;
- Consumption support recognises that the economic livelihoods of the poor depend in many instances on income from grants, and that the economy as a whole depends on increasing buying power;
- Distribution support involves facilitating the distribution of goods and services to consumers, in such a way as to enhance the economic livelihoods of the city economy and the residents.



**Figure 9: 5 Star Approach of the City of Cape Town (Department for Economic and Human Development – Cape Town, November 2005)**

Combined these make up the 5 prongs or stars of the Economic and Human Development Strategy, each with five strategic interventions. The five prongs of the strategy, and the five strategic interventions within each, are explained in Table 5.

**Table 5: Strategies of the City of Cape Town (Department for Economic and Human Development – Cape Town, November 2005)**

Enhance global competitiveness reduction ←————→				Targeted poverty
▪ Developed economy	▪ Economies of the poor	▪ Economic bridges	▪ Social package	▪ Social capital
<i>To increase the number of economic opportunities by growing the economy.</i>	<i>To increase and broaden participation of the poor in the economy.</i>	<i>To strengthen linkages between the first and second economies.</i>	<i>To facilitate universal access to basic needs and social services.</i>	<i>To build the human and social capital of the poor.</i>
a. Sector support	a. Skills development and training	a. Supply chain management and development	a. Bulk and business infrastructure subsidies	• Early Childhood Development
b. Destination brand management and marketing	b. Informal trade support	b. Use of state-owned assets (incl. land) to achieve greater economic inclusiveness	b. Capital subsidies and grants for assets for the poor	• Community development especially for vulnerable groups
c. Investment (inward and outward)	c. Low-skilled job creation (e.g. EPWP)	c. Transport and telecommunications infrastructure	c. Social services infrastructure	• Adult Basic Education and Training
d. Co-ordination of area targeting and management	d. SMME and co-operative business support	d. Enabling business environment	d. Subsidised access to basic services (indigence policies)	• Tolerance, inclusion and cohesion
e. Formal business and consumer security	e. Informal business and consumer security.	e. Economic research and information	e. Welfare grants including pensions, child support and disability grants	• Individual and community safety nets

The first three stars in Figure 8 are explicitly economic. The other two stars are about human development. The 5 stars provide a suite of services aimed at assisting people from unemployment to full sustainable employment. These 5 strategic interventions, along with each sub-division, will now be evaluated further and factors for successful implementation will be highlighted.

## **4.6.1 Developed Economy**

### **4.6.1.1 Sector support**

This strategic intervention takes a proactive approach to identify sectors and clusters which are considered globally competitive and which possess potential for growth both locally and globally. The idea behind this initiative is to provide specific support to realise growth opportunities and also to minimise growth constraints in these key sectors to accelerate job creation and to meet unemployment challenges. With this initiative the idea of “clustering”, discussed by Helmsing (Chapter 2) assists in indicating advantages to smaller companies in acting collectively, thereby reaping the benefits of acting collectively, such as economies of scale, co-ordinated international lobbying, and other initiatives, which would relieve individual financial and other resource burdens through cooperation. Because of its economic resources, research and development ability, the role of the municipality is seen as one of facilitator, co-ordinator and initiator of such activities. According to the Department for Economic and Human Development (2005), the City of Cape Town has a draft strategic sector and cluster growth and development support policy. This policy aims to facilitate accelerated economic growth, job creation and black economic empowerment through the implementation of sector development strategies and the alignment of City of Cape Town service strategies, infrastructure investments and priorities that meet the needs of a number of priority sectors as they collectively comprise approximately 20% of all jobs and 30% of business turnover (Department for Economic and Human Development – Cape Town, November 2005). These sectors include tourism, boat-building and supplies, oil and gas supplies and services, business process outsourcing (which includes call centres), craft and jewellery, clothing, film, and information communications technology (ICT).

The City is assessing methods of providing strategic sector support to additional sectors such as construction, ship repair and other creative industries as additional resources become available (Department for Economic and Human Development – Cape Town, November 2005).

In terms of the organisational implementation implications, the Department for Economic and Human Development states that the City will focus on the following:

- Providing operational funding and strategic guidance (Board representation) to existing Sector Development Organisations (Section 21 Companies) in terms of their three-year sector development strategy and business plans;

- Raising awareness of the economic importance of strategic sectors and their Council service delivery needs and requirements within the Council administration;
- Facilitating investment in key sectors as well as priority economic infrastructure such as the port, airport, film studios, the Convention Centre and the metropolitan telecommunications network;
- Facilitating access to job opportunities in key sectors, particularly for the previously disadvantaged;
- Facilitating the identification of future priority sectors and partnering with private sector champions and other government institutions to develop the sector;
- Facilitating the establishment of new sector development organisations and sector development strategies;
- Supporting major business events that assist in growing and developing strategic sectors;
- Providing economic and statistical information on strategic sectors;
- Monitoring the implementation of sector development strategies and services;
- International trade and tariff negotiation forums



#### **4.6.1.2 Marketing**

This intervention focuses on the branding of the city as host to particular types of economic activities, particularly on expanding on current possibilities, especially as a place to do business (Department for Economic and Human Development – Cape Town, November 2005). The Department for Economic and Human Development and the City are working to devise and support destination and trade marketing of Cape Town for the purposes of increasing economic activity (Department for Economic and Human Development – Cape Town, November 2005). This is implemented in partnership with the Province through the recently established province-wide Destination Marketing Organisation (trading as Cape Routes Unlimited) and Wesgro, the investment and trade promotion agencies (Department for Economic and Human Development – Cape Town, November 2005).

In order to ensure successful implementation, the process requires a coordinated approach between spheres of government and synergy of Council and the various agencies' brand

promotions. Accurate information on the city services, opportunities and constraints should also be available in order to ensure honest, effective and appropriate marketing. It is also vital that the City understands potential investors to assist in lobbying.

#### **4.6.1.3 Investment**

This intervention aims to focus on attracting both foreign direct investment and local investment and to redirect it towards areas whose economic potential is still latent and to redistribute the benefits of economic growth and development (Department for Economic and Human Development – Cape Town, November 2005). The City prioritises investment through Wesgro and in various sector policies and has a draft investment incentive policy (Department for Economic and Human Development – Cape Town, November 2005). The primary objective of these policies is to attract new investment to Cape Town and to direct this to priority disadvantaged areas, with the aim of accelerating job and business opportunities (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.1.4 Area Targeting**

This intervention aims to overcome historical patterns of exclusion in areas with economic potential and to reverse the effects of these areas degenerating or becoming pockets of extreme poverty (Department for Economic and Human Development – Cape Town, November 2005). Area-based interventions by the City may involve the Council targeting a particular area for increased marketing and investment, improved service delivery and increased citizen involvement to enhance the local economy (Department for Economic and Human Development – Cape Town, November 2005). Alternatively, it may involve the establishment of semi-autonomous area-based partnerships (such as the Cape Town Partnership). Nationally the government has targeted certain areas for urban renewal to address the needs of the poor. In Cape Town, Khayelitsha and Mitchell's Plain have been targeted. In addition the City has identified a range of development nodes/ corridors at decentralised locations to facilitate better integration and all targeting needs to support formal and informal businesses (Department for Economic and Human Development – Cape Town, November 2005). The City has a by-law providing for the establishment of business or improvement districts, but there is no other Council policy on area targeting (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.1.5 Formal Business and Consumer safety**

The issue of lack of security is considered a major deterrent to economic growth, especially considering that increased poverty seems to lead to increased crime and insecurity (Department for Economic and Human Development – Cape Town, November 2005). According to the Department for Economic and Human Development, security involves the protection of goods (including their movement and storage), consumers, traders and service providers, as well as business information and intellectual property. The Department for Economic and Human Development promotes the City as being directly involved in the creation of an urban environment that is safe from crime at the design and planning stages (e.g. ensuring lighting and surveillance), and in the management of commercial and industrial precincts during the day and at night. The idea of mixed land use will ensure activity in the day and night, providing 24-hour surveillance in the area (Department for Economic and Human Development – Cape Town, November 2005). Enforcement of by-laws (especially those of Environmental Health) adds further to city business safety. Less direct City action involves fostering an environment in which people, property and goods are safe from crime, and this comes through intergovernmental co-ordination on safety and security enforcement, and public education including Adult Basic Education and Training (ABET) and Early Childhood Development (ECD) (Department for Economic and Human Development – Cape Town, November 2005).



#### **4.6.2 Economies of the Poor**

##### **4.6.2.1 Skills development**

The workforce within Cape Town lacks the skills demanded by key growth industries and a recent survey confirms that various jobs in a range of firms could not be filled, despite the prevailing unemployment rate (Department for Economic and Human Development – Cape Town, November 2005). The supply shortage is especially prevalent with regard to technical skills, language skills for business, and small business management skills (Department for Economic and Human Development – Cape Town, November 2005). This intervention aims to prove the City of Cape Town's commitment to developing the skills base of its residents as reflected in the IDP, the human resource development strategy and this strategy (Department for Economic and Human Development – Cape Town, November 2005). The EHD Department focuses on facilitating skills-based training in partnership with local businesses, educational institutions and non-governmental organisations, in order to reduce poverty and unemployment by enhancing competitiveness, productivity and sector-

based skills (Department for Economic and Human Development – Cape Town, November 2005). Based on this, the training areas prioritised include literacy training, basic business skills, entrepreneurship training, sector-based training in priority sectors, language and communication training, learnerships and internships and ICT training.

#### **4.6.2.2      *Informal Trade Support***

Informal trade constitutes 18-29% of the economy in Cape Town and it has been revealed that 42% of traders have to engage in the informal sector as a result of job losses or not finding employment. This sector therefore plays a vital role in addressing the economic needs of the poor (Department for Economic and Human Development – Cape Town, November 2005). This intervention aims at increasing the value of informal trade and enriching livelihoods. The City adopted a policy on informal trade in 2004, which defines the informal sector as employees, employers, self-employed people or family business workers who work for private sector enterprises with 20 or fewer employees and in enterprises that are not registered or incorporated, and do not keep a set of accounts separate from the household budget (Department for Economic and Human Development – Cape Town, November 2005). Informal trading is defined as the economic activity undertaken by entrepreneurs who sell legal goods and services within a space deemed to be public property, within the informal sector (Department for Economic and Human Development – Cape Town, November 2005). The City recognises the relevance and contribution of informal trading to the creation of jobs and the opening up of economic opportunities and it therefore aims to support and grow the informal sector (Department for Economic and Human Development – Cape Town, November 2005). The strategy provides for an enabling regulatory environment, safety and access to information on markets, new goods, training and resources (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.2.3      *Maximise Low-skilled Job Creation***

Even though Cape Town has the highest growth rate in South Africa, i.e. 3% per annum (2004), it still falls short of the required growth rate of 7% to prevent the current unemployment rate from worsening and to overcome the characteristic of jobless growth, where Cape Town lost 9 753 jobs between 2003 and 2004 (Department for Economic and Human Development – Cape Town, November 2005). The City does not have a single job-creation policy; however, it is a priority in the IDP and is reflected in the City's the Expanded Public Works Programme (EPWP) as well as in most department policies (Department for

Economic and Human Development – Cape Town, November 2005). The Expanded Public Works Programme (EPWP), one strategy for providing (temporary) jobs, involves re-orientating line function budgets and conditional grants so that government expenditure results in more work opportunities, particularly for unskilled labour (Department for Economic and Human Development – Cape Town, November 2005). This can include a focus on labour-intensive production, sub-contracting out service delivery to local communities, and the creation of learnerships within the city. Structured training is a key component of each intervention (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.2.4 *SMME Business Development and Support***

In Cape Town 93% of formal businesses are small and contribute 50% of the total output and 40% of the total employment (Department for Economic and Human Development – Cape Town, November 2005). Adding the informal sector would increase these figures. To ensure small business growth there is a need for information and knowledge about small business opportunities, increased capacity to run a business and access to services (Department for Economic and Human Development – Cape Town, November 2005). This intervention aims to facilitate a shift from Cape Town being a city of job seekers to one of job providers, focusing on entrepreneurship (Department for Economic and Human Development – Cape Town, November 2005). The City has a business support policy, adopted in 2003, and a draft strategy and programme (Department for Economic and Human Development – Cape Town, November 2005). The City's aim is to grow existing businesses and support the development of new businesses through maximising knowledge, capacity and opportunities (Department for Economic and Human Development – Cape Town, November 2005). Business services include training, advice, counselling, marketing support and information, which will be provided through advice centres, a voucher system and on a one-on-one basis (Department for Economic and Human Development – Cape Town, November 2005). In addition there is a need to raise awareness about business and entrepreneurship and facilitate greater links between educational and entrepreneurship activities (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.2.5 *Informal Business and Consumer Security***

Many informal traders and consumers experience lack of security as a major problem, especially considering the unprotected locations of many informal trading operations and

emerging businesses (Department for Economic and Human Development – Cape Town, November 2005). This intervention aims to address these issues and create a safer and more secure business environment (Department for Economic and Human Development – Cape Town, November 2005). The City aims to be directly involved at the design and planning stages in the creation of an environment that is safe from crime (e.g. ensuring lighting and surveillance), and in the management of health, sport, commercial and industrial precincts around which informal traders often gather (Department for Economic and Human Development – Cape Town, November 2005). Less direct City action in fostering an environment in which people, property and goods are safe from crime comes through public education, including ABET and ECD, and in the appropriate enforcement of by-laws (Department for Economic and Human Development – Cape Town, November 2005).

### **4.6.3 Economic Bridges**

#### **4.6.3.1 Procurement**

This intervention aims to reverse the historic exclusion of small businesses, black people and women from the benefits of public tender, by putting appropriate procurement policies in place (Department for Economic and Human Development – Cape Town, November 2005). The City has a procurement policy (approved on 03/09/03), which is currently in review to ensure compliance with the Municipal Finance Management Act, Act 56 of 2003 (Department for Economic and Human Development – Cape Town, November 2005). The goal of the policy is to ensure that the City of Cape Town procures goods and services that meet its needs in a manner that is cost effective, while simultaneously pursuing certain specific socio-economic objectives through a preference system that gives attention to issues of empowerment (Department for Economic and Human Development – Cape Town, November 2005). The following general principles will guide City procurement (Department for Economic and Human Development – Cape Town, November 2005):

- to stimulate and promote local economic development in a targeted and focused manner;
- to facilitate the creation of employment and business opportunities for the people of Cape Town, with particular reference to historically disadvantaged individuals (HDIs);
- to promote the competitiveness of local businesses;

- to increase access by the small business sector, in general, to procurement business opportunities created by Council;
- to increase participation by small, medium and micro enterprises (SMMEs);
- to promote joint venture partnerships.

These guidelines have been translated into targets, of which the current target is 30% black economic empowerment and 50 SMME contracts (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.3.2      *Utilisation of State-owned Assets***

This intervention aims to redress the imbalances of past exclusion of the majority from the mainstream economy. This will be done through improved access and equity, most notably through land and bulk infrastructure (Department for Economic and Human Development – Cape Town, November 2005). Land, infrastructure and public entities owned by the state are to be utilised to maximise social, economic and environmental good and not for profit (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.3.3      *Transport and Telecommunication Infrastructure***

Cape Town, as one of the most urbanised areas in South Africa, requires a redirection of development patterns and the rebuilding of the systems of urban administration (Department for Economic and Human Development – Cape Town, November 2005). Fundamental in achieving this is the need for planning and spending to shift the emphasis towards public transport through improved infrastructure, ensuring affordability and sustainability (Department for Economic and Human Development – Cape Town, November 2005). National government acknowledges the challenges facing cities and provides a range of grants and incentives to assist local government (Department for Economic and Human Development – Cape Town, November 2005). These include national grants, such as the restructuring grant, and incentives that enable cities to implement programmes to redress historic problems and to provide equitable access to transport and infrastructure (Department for Economic and Human Development – Cape Town, November 2005). Land use planning is critical to ensure mixed land use of well-located land and will reduce the need for transport, while increasing densities of developments at certain transport nodes also allows for better density (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.3.4      *Enabling Business Environment***

Factors that often hinder economic development are current City regulations and administrative processes (Department for Economic and Human Development – Cape Town, November 2005). This intervention will focus on overcoming these obstacles, especially in historically black and informal areas (Department for Economic and Human Development – Cape Town, November 2005) in order to develop a culture and an administrative and regulatory environment that will facilitate economic development (Department for Economic and Human Development – Cape Town, November 2005). This includes establishing appropriate minimum standards and transparent enforcement (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.3.5      *Economic Research and Information***

Partnerships are vital in the pursuit of economic development, especially amongst the public and private sector, non-governmental organisations (NGOs) and community-based organisations (CBOs), who all have a role to play, especially in the poor communities. This intervention aims to create and facilitate these partnerships (Department for Economic and Human Development – Cape Town, November 2005). The intervention involves formalised co-operative arrangements facilitated by Council between more than one party to achieve a common economic purpose (Department for Economic and Human Development – Cape Town, November 2005). Partnerships between public and private sectors, between public sector and communities, and private sector groups should all be pursued (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.4      *Social Package***

##### **4.6.4.1      *Infrastructure Subsidies***

Limited financial resources limit local government's ability to expand and upgrade urban infrastructure. This therefore requires funds to be raised from outside Council resources (Department for Economic and Human Development – Cape Town, November 2005). This intervention involves optimising access to national and provincial grants, and leveraging resources through partnerships, especially from the private sector, to fund physical and social infrastructure (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.4.2      *Capital Grants and Subsidies***

The backlog of housing and services has been addressed through a system of nationally and provincially allocated subsidies and many of the post-apartheid transfers to the poor have bypassed Cape Town (Department for Economic and Human Development – Cape Town, November 2005). For example, of the 143 000 housing units (together with the associated service subsidies) that have been made available in the Western Cape, less than a third have been in Cape Town, this despite the fact that over 80% of the population lives in the metro area (Department for Economic and Human Development – Cape Town, November 2005). Most of the poor live on the peripheries and are located in areas with limited access to transport and jobs (Department for Economic and Human Development – Cape Town, November 2005). The Council aims to assist with facilitating community applications for capital grants and supporting capital programme implementation (notably housing) (Department for Economic and Human Development – Cape Town, November 2005). It can also help to ensure that appropriate well-located land is made available and that planning, housing and other service departments are able to absorb housing development at scale and promote mixed land use and high-density housing development on well-located land (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.4.3      *Social services Infrastructure***

The dominance of housing in the development of new settlements for the poor has meant that there are not always adequate community service facilities and/or that these facilities are not well integrated into the plans, and hence are poorly conceived, located and/or managed (Department for Economic and Human Development – Cape Town, November 2005). The problem is compounded because funding for some community services, such as schools and sports facilities, is derived from outside the City (Department for Economic and Human Development – Cape Town, November 2005). Integrated settlement planning, grounded in community participation and local knowledge that ensures those community service facilities – such as libraries, crèches, clinics and transport hubs – are prioritised in land allocation, township planning and funding (Department for Economic and Human Development – Cape Town, November 2005). It is also important to utilise the conditional grants, such as school feeding schemes, special poverty relief funds and EPWP opportunities (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.4.4 Indigent Policy**

Universal access to basic services is in the public interest, but a significant percentage of the population of Cape Town cannot afford to pay for these without state support (Department for Economic and Human Development – Cape Town, November 2005). The City has an indigent policy, approved in 2003, which provides for the cross-subsidisation of service charges to provide for free basic services for households below a specific threshold (Department for Economic and Human Development – Cape Town, November 2005). Subsidies exist for water, electricity, rates, refuse and rental (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.4.5 Welfare Grants**

Welfare support is a vital component in many Cape Town households due to high levels of unemployment, HIV and AIDS and low wages (Department for Economic and Human Development – Cape Town, November 2005). A range of social grants exists, including those for disability, child support and old age pensions, and these are administered by national and provincial government (Department for Economic and Human Development – Cape Town, November 2005). Because of the importance of these grants for household subsistence, the City aims to facilitate the registration of eligible candidates for grants by supporting the administrative process of registration, providing information and making available facilities for distribution (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.5 Social Capital**

##### **4.6.5.1 Early Childhood Development**

Poor and inadequate skills are major barriers to economic development, which affects especially poor households (Department for Economic and Human Development – Cape Town, November 2005). One of the critical factors is early childhood development, which can assist to improve the learning path of poor children and help limit the effects of additional hazards they are exposed to when left at home under-supervised (Department for Economic and Human Development – Cape Town, November 2005). The City of Cape Town has a policy for Early Childhood Development (ECD), adopted in 2003, which focuses on the role of the City in zoning, provision of facilities and enforcement of health regulations (Department for Economic and Human Development – Cape Town, November 2005). In addition to this,

Council plays a vital role in accessing national funding for disadvantaged areas through the Department of Social Development, as well as providing funding itself where other funding is unavailable (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.5.2      *Community Development***

Among the critical factors influencing social and economic development are the enhanced levels of poverty, and the exposure to ill health and other environmental risks experienced by vulnerable groups such as women, children, the youth and the disabled (Department for Economic and Human Development – Cape Town, November 2005). Failure to initiate a deliberate attempt to include these groups could be detrimental to social and economic development (Department for Economic and Human Development – Cape Town, November 2005). This intervention is seen to target the most vulnerable groups to enhance their capacity and limit their exposure to risks, which could impact negatively on social and economic development. These include targeted interventions for the youth (cultural and sports programmes and facilities), children (environmental health education, ECD), the aged (community centres and religious facilities), and women (public security) help to reduce vulnerability and foster social inclusion (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.5.3      *Adult Basic Education and Training (ABET)***

Between 3 and 4% of the adult population in Cape Town are illiterate and only 27% of the formally employed have had primary school education (Department for Economic and Human Development – Cape Town, November 2005). Simultaneously, job opportunities for unskilled labour are decreasing and it is therefore vital to increase the skills level of residents and this includes providing foundational ABET skills (Department for Economic and Human Development – Cape Town, November 2005). The Council aims to make ABET available to all its employees. In addition, it will work with the private sector and NGOs to ensure that illiteracy is eradicated (Department for Economic and Human Development – Cape Town, November 2005).

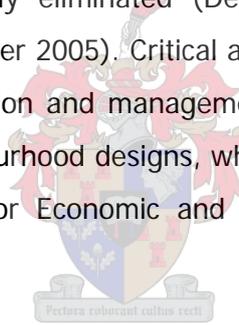
#### **4.6.5.4      *Tolerance, Inclusion and Cohesion***

According to the Department for Economic and Human Development, racism, sexism and xenophobia as well as prejudice towards newcomers to the city are evident. This creates a

climate of fear and erodes a public culture of openness that is attractive to tourists, businesses and residents (Department for Economic and Human Development – Cape Town, November 2005). A difference can be made through public culture initiatives, which include the public places initiative, festivals and sponsored cultural programmes of the City designed to promote tolerance and social mixing (Department for Economic and Human Development – Cape Town, November 2005). Integrated settlement and facility planning that embraces mixed-race and mixed-income usage are also essential (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.5.5 *Individual and Community Safety Nets***

Often the poor do not have the same safety nets as the rich in the face of disasters and these disasters can cripple the poor even further (Department for Economic and Human Development – Cape Town, November 2005). Consequently, they suffer disproportionately when disasters do occur and it is therefore imperative that the effects of such disasters should be limited if not completely eliminated (Department for Economic and Human Development – Cape Town, November 2005). Critical aspects of the intervention include City and neighbourhood disaster mitigation and management strategies, as well as appropriate minimum service levels and neighbourhood designs, which includes access considerations for emergency services (Department for Economic and Human Development – Cape Town, November 2005).



#### **4.6.6 *Implementing this Strategy***

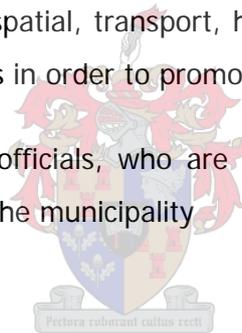
The following aspects are identified as critical for the successful implementation and impact of this strategy.

##### **4.6.6.1 *The Fundamentals and Challenges***

The City acknowledges that this strategy can be successful only if a multi-sectoral and multi-disciplinary approach is followed and this requires a well-capacitated municipality. This is the first challenge and, according to the Department for Economic and Human Development, this strategy calls for the creation of an environment conducive to local economic and human development, and this in turn requires core municipal competencies (Department for Economic and Human Development – Cape Town, November 2005):

### **City-wide:**

- culture of Batho Pele and citizen awareness;
- corruption-free political, economic and administrative systems;
- spatial planning responsive to residents' current and future economic realities;
- integrated development planning, including vertical and horizontal alignment;
- good financial planning systems;
- efficient and effective financial billing and other systems;
- efficient and effective data systems to facilitate economic growth;
- effective town planning legislation and systems to support economic development;
- integration and coordination of spatial, transport, housing, town planning and economic and human development streams in order to promote economic development;
- appropriately trained municipal officials, who are aware of the economic development vision, strategy and priorities of the municipality



### **Department for EHD:**

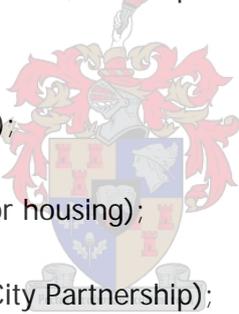
- lobbying for and securing adequate financial resources for EHD;
- economic research, development and information management;
- ensuring a conducive economic and business regulatory environment;
- appropriately trained staff deployed to maximise support for economic development;
- ensuring appropriate economic development representation on internal decision-making structures and portfolio committees

Currently not all the above elements are in place within the City of Cape Town or the EHD Department, and they are recognised as being prerequisites for the successful implementation of this strategy (Department for Economic and Human Development – Cape Town, November 2005).

The second challenge is that, while many of the proposed interventions are already part of programmes and budgets, there is still a lack of adequate resource allocation, be it financial or human (Department for Economic and Human Development – Cape Town, November 2005). Finally, the issue of strategic coordination between the interventions to ensure the delivery of a comprehensive package still remains another challenge which could impact negatively on the aims of the strategy (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.6.2 Planning**

It is considered imperative that economic and human development should form an important component within all planning that takes place within the City. All Council services should promote social and economic development and the EHD Department is critical in advising and guiding Council on how best to pursue economic development and how to maximise economic development opportunities (Department for Economic and Human Development – Cape Town, November 2005). To this end, the Department engages across the activities of the City as follows:

- 
- city-scale strategy (e.g. IDP, CDS);
  - department level (e.g. transport or housing);
  - area-based activities (e.g. N2 or City Partnership);
  - special projects (e.g. convention centre or port);
  - Everyday management of the city (e.g. environmental health regulations and by-law enforcement)

And apply these principles of integration to:

- integrated planning;
- design;
- land use management;
- connectivity;
- market-driven;

- sustainability – budget, affordability, maintenance and management

The above activities are considered vital and can be linked to the Continuous Transversal Processes referred to in the Comprehensive Economic Empowerment Model. However, the difficulty would lie in obtaining sufficient leverage to facilitate these processes within other departments.

#### **4.6.6.3 Implementation**

According to the Department for Economic and Human Development, this strategy covers a wide area of economic and human development, and its successful implementation cannot be seen as the responsibility of the EHD department alone (Department for Economic and Human Development – Cape Town, November 2005). It is seen to require a multisectoral and multidisciplinary approach, with each functional area having a role to play (Department for Economic and Human Development – Cape Town, November 2005). In terms of these functions, the mandate for the EHD department is (Department for Economic and Human Development – Cape Town, November 2005):

- informal trade;
- business development and support;
- trade, investment and marketing;
- economic information and research

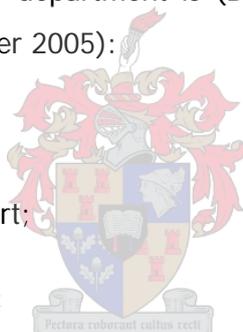


Table 6 highlights the other priority functional areas of the department:

**Table 6: Priority Functional Areas (Department for Economic and Human Development – Cape Town, November 2005)**

<b>Functional Area</b>	<b>Role</b>
Town planning and City Spatial Development	<ul style="list-style-type: none"> <li>• Land use planning</li> <li>• Facilitation of development</li> <li>• Integrated economically viable development plans</li> </ul>
Human Settlements	<ul style="list-style-type: none"> <li>• Multiple-use house designs</li> <li>• Construction jobs</li> <li>• Maintenance jobs</li> </ul>
Transport, Roads and Storm water	<ul style="list-style-type: none"> <li>• Infrastructure planning and provision</li> <li>• Community jobs programme for provision and maintenance</li> </ul>
Property Management	<ul style="list-style-type: none"> <li>• Infrastructure management</li> <li>• Accessing and releasing Council property for economic development activities</li> <li>• Leases and property registers</li> </ul>

Functional Area	Role
Public Open Spaces	<ul style="list-style-type: none"> <li>• Spaces for economic activity</li> <li>• Community jobs programme</li> </ul>
Community Development	<ul style="list-style-type: none"> <li>• Multi-Purpose Community Centres used as business and training centres</li> <li>• Facilitating an entrepreneurial culture</li> <li>• Integrated community development programmes / interventions</li> <li>• Training</li> </ul>
Water	<ul style="list-style-type: none"> <li>• Infrastructure provision</li> <li>• Community jobs programme for provision and maintenance</li> </ul>
Electricity	<ul style="list-style-type: none"> <li>• Infrastructure provision</li> <li>• Community jobs programme for provision and maintenance</li> </ul>
Solid Waste	<ul style="list-style-type: none"> <li>• Infrastructure provision</li> <li>• Community jobs programme for provision and maintenance</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Supply chain management</li> </ul>

Some of the vital questions that sister departments need to address are (Department for Economic and Human Development – Cape Town, November 2005):

- How is the programme / project likely to impact on existing markets?
- What economic opportunities are available – direct and indirect?
- How can access to these by the poor be broadened?
- In what way can local skills be more effectively used and developed?
- What procurement opportunities exist for SMMEs or for tenders in partnership with SMMEs?
- How can more income be locally retained?
- What are the opportunities for redistribution?
- What are the opportunities for employment – direct and indirect?
- What are the opportunities for social integration and community development?

#### **4.6.6.4 Process**

As mentioned earlier, economic planning needs to be an integral part of the other planning processes from the start, because if it is ignored or left till later in the process, many of the critical building blocks may not be laid, compromising the long-term success of any interventions. Historically, economic and human development actors have not been

adequately involved in the process, which can leave a strategic gap and the absence of a golden thread with regards to economic and human planning. This is especially important as economic development runs through every aspect of city life, demanding inputs from a range of other functional areas. Because of this, the EHD Department has organised itself to provide strategic advice and input to other branches and projects to assist them in maximising their EHD contribution (Department for Economic and Human Development – Cape Town, November 2005).

The EHD Department has prioritised the following actions to support other functional areas (Department for Economic and Human Development – Cape Town, November 2005):

- strategic support through meeting with branches to determine their role and the implications for their programmes, budgets and staff allocations;
- meeting with the functional areas to interpret the Strategy and its implications;
- providing information and facilitating co-ordinated action on target sector strategies and requirements;
- providing information on existing economic data and research available;
- drawing up terms of reference for research to understand the economy and determine the economic impact of a programme or project;
- advice on development of business sites;
- opportunities for low-skilled job creation e.g. EPWP;
- connectivity to existing economic nodes;
- facilitation of private sector investment

While the EHD Department may not be directly involved in all projects in the implementation phase, they cannot be excluded from the project cycle (Department for Economic and Human Development – Cape Town, November 2005). The department will monitor the investment, job-creation and empowerment impact of every project (Department for Economic and Human Development – Cape Town, November 2005).

#### **4.6.6.5 Stakeholders**

The successful implementation of this strategy is dependent on the creation of vital partnerships: firstly, with provincial and national government, to deliver government programmes and commitment to residents; secondly, with the private sector to grow the economy, create economic opportunities and to ensure participation is broadened; and finally, with NGOs, CBOs, universities and other civil society bodies that have to assist in delivering services, ensure that the poor access services, and in disseminating information.

#### **4.6.6.6 Monitoring and Evaluation**

According to the strategy, it is the mandate of the EHD department to monitor and evaluate the growth, empowerment and poverty reduction impact of all Council activities. Part of this involves developing the City's capacity to collect appropriate information on economic activities, including those in the informal economy, and developing tools for conducting economic impact assessments.

### **4.7 Conclusion and Deductions to Local Economic Development (LED) in the City of Cape Town**

Although the strategy seems to be comprehensive in terms of tackling economic and human development, it requires further evaluation to assess whether it is in line with current contemporary debates on LED and therefore whether it will have the desired effect.

The issues that need to be reviewed are:

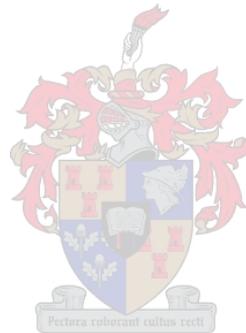
- 1) Does this strategy adopt a pro-poor approach to LED and development?**
- 2) Is enough emphasis being placed on the core concept of pro-poor LED as outlined in the theoretical framework?**

This should be evaluated in terms of, firstly, the approach of the strategy; secondly, the planning of the strategy; and thirdly, the intended implementation process as outlined in the strategy. This will be done through a schematic comparison of the Strategy and the Comprehensive Pro-Poor approach Model.

In order to answer the first question, Figure 10 clearly indicates that the City of Cape Town's Strategy is in line with a pro-poor approach in terms of strategic focus. The strategy does

direct attention to all four levels of economic empowerment, indicating a positive shift towards a more comprehensive approach to LED and attempting both social and economic objectives as a means to tackle both unemployment and poverty. Even though there are no interventions focusing specifically on the economically empowered level, the developed economy interventions aim to address all four levels. Therefore one can clearly answer that the draft strategy of the City of Cape Town does constitute a comprehensive pro-poor approach to LED and development.

To answer question two: Figure 11 indicates how the specific interventions within the five strategies can be subdivided to clearly determine not only the level of economic empowerment it addresses, but also the focus of the intervention. The developed economy interventions are aimed at all four levels of economic empowerment, as they will at some point affect and influence the economic opportunities of all people. From this one can clearly deduce that these interventions are aimed at the different levels of economic empowerment, as well as focusing on community-based economic development and business development.



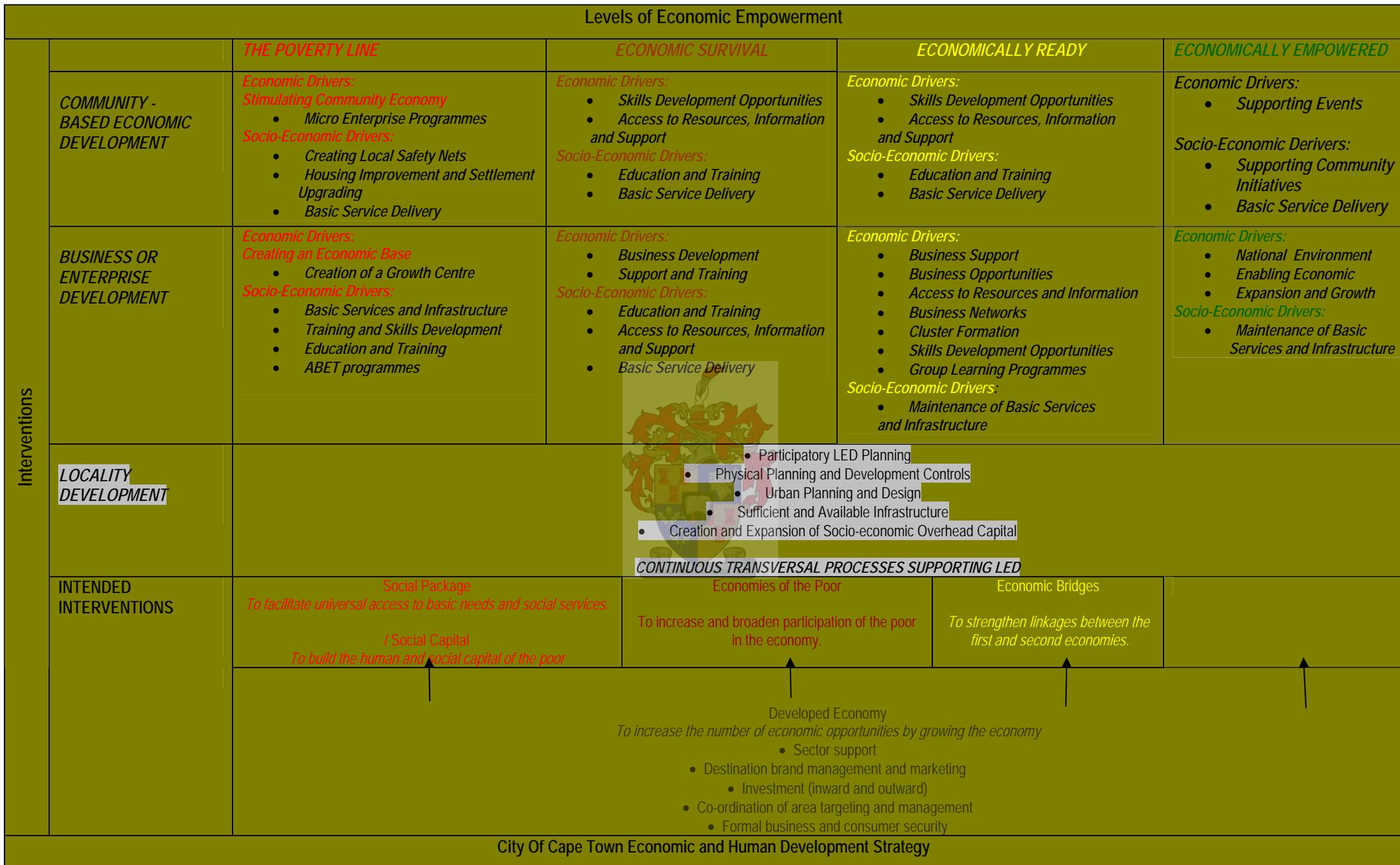
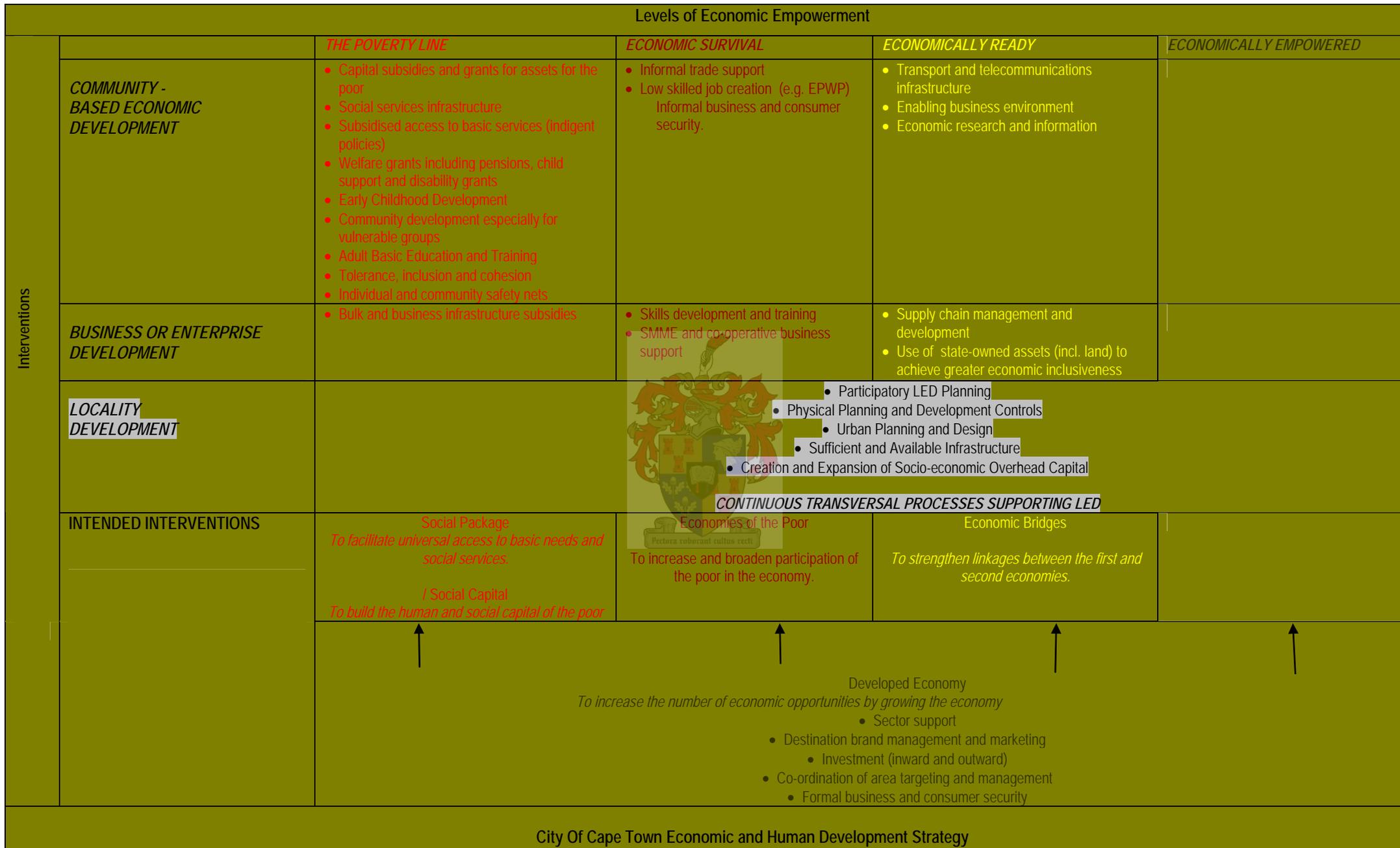


Figure 10: Comparison: Comprehensive Pro-Poor Approach towards Economic Empowerment Model and City Of Cape Town Economic and Human



City Of Cape Town Economic and Human Development Strategy

Figure 11: Comparison: Comprehensive Pro-Poor Approach towards Economic Empowerment Model and City Of Cape Town Economic and Human

With regards to the Continuous Transversal Processes to Support LED, the critical success factors as outlined in the strategy and depicted in Table 7 do to a certain extent consider and recognise the necessary integration and interdependence necessary for successful implementation. A lot of reference is made to the cooperation and support required from all departments, as illustrated in Table 7. Even though the strategic goals and interventions are on par with a comprehensive pro-poor approach, the implementation does pose various challenges as it requires integration, interdependence and holistic planning. These are also acknowledged by the Strategy itself, as discussed in sub-section 4.6.6.

**Table7: Critical Success factors**

Developed economy	<i>Critical Success Factors</i>
	To increase the number of economic opportunities by growing the economy.
<b>Sector support</b>	<ul style="list-style-type: none"> <li>• No city can be successful in all sectors. Choices need to be made to focus on sectors with real global competitive advantage.</li> <li>• Cost-effective local government services and efficient customer service and approval processes are a vital platform to enable growth in strategic sectors.</li> <li>• Partnerships: Local government must work closely with key companies in key sectors to develop sector development strategies which address the opportunities and the constraints.</li> <li>• Sector development strategies must also prioritise broad-based black economic empowerment.</li> <li>• Efficient and effective access and operation of public transport, port and airport are vital to ensuring that delivery on time takes place and transport costs do not harm growth prospects.</li> <li>• Representation: Local government should national government and ensure City.</li> </ul>
<b>Destination brand management and marketing</b>	<ul style="list-style-type: none"> <li>• co-ordinated approach between spheres of government;</li> <li>• accurate information on the city services, opportunities and constraints;</li> <li>• honest, effective and appropriate marketing;</li> <li>• synergy of Council and the various agencies' brand promotion;</li> <li>• understanding and lobbying potential investors.</li> </ul>
<b>Investment (inward and outward)</b>	<ul style="list-style-type: none"> <li>• fostering a sound political and regulatory environment;</li> <li>• good quality of life;</li> <li>• capable human resource base;</li> <li>• being informed of potential investment opportunities;</li> <li>• responsive planning systems.</li> </ul>
<b>Co-ordination of area targeting and management</b>	<ul style="list-style-type: none"> <li>• participation of local residents and businesses;</li> <li>• public consultation;</li> <li>• co-operation from all City departments;</li> <li>• effective and accountable area management and finance structures.</li> </ul>
<b>Formal business and consumer security</b>	<ul style="list-style-type: none"> <li>• prevailing morality;</li> <li>• enforcement capacity;</li> <li>• surveillance;</li> <li>• balancing tensions between private security management and public access;</li> <li>• urban design for safety and security.</li> </ul>

<i>Economies of the poor</i>	<i>Critical Success Factors</i>
To increase and broaden participation of the poor in the economy.	
<b>Skills development and training</b>	<ul style="list-style-type: none"> <li>• data on the skills gaps;</li> <li>• supply and capacity of accredited training service providers;</li> <li>• partnerships between training providers and business;</li> <li>• human resource development strategies linked to the needs of growth sectors;</li> <li>• linking graduates with employment opportunities.</li> </ul>
<b>Informal trade support</b>	<ul style="list-style-type: none"> <li>• access to services;</li> <li>• enabling regulatory environment;</li> <li>• security;</li> <li>• gender-responsive policies.</li> </ul>
<b>Low-skilled job creation (e.g. EPWP)</b>	<ul style="list-style-type: none"> <li>• structured skills development;</li> <li>• developing an external market for those trained;</li> <li>• distributing the opportunities;</li> <li>• community and union participation and buy-in.</li> </ul>
<b>SMME and co-operative business support</b>	<ul style="list-style-type: none"> <li>• accessibility;</li> <li>• affordability of business support services;</li> <li>• Good entrepreneurship education;</li> <li>• co-ordination and partnerships;</li> <li>• marketing facilities and opportunities.</li> </ul>
<b>Informal business and consumer security.</b>	<ul style="list-style-type: none"> <li>• prevailing morality;</li> <li>• access to the legal and justice systems;</li> <li>• appropriate enforcement;</li> <li>• surveillance;</li> <li>• police visibility;</li> <li>• urban design around safety and security.</li> </ul>

<i>Economic bridges</i>	<i>Critical Success Factors</i>
To strengthen linkages between the first and second economies.	
<b>Supply chain management and development</b>	<ul style="list-style-type: none"> <li>• appropriate targets;</li> <li>• transparent tendering procedures;</li> <li>• supply chain development;</li> <li>• upgrading of skills;</li> <li>• monitoring and evaluation systems;</li> <li>• good information dissemination strategies.</li> </ul>
<b>Use of state-owned assets (incl. land) to achieve greater economic inclusiveness</b>	<ul style="list-style-type: none"> <li>• transparent tendering processes;</li> <li>• placing equity and sustainability before income generation;</li> <li>• co-ordinated City strategy.</li> </ul>
<b>Transport and telecommunications infrastructure</b>	<ul style="list-style-type: none"> <li>• composition of team drafting applications;</li> <li>• integration of economic development into strategy.</li> </ul>
<b>Enabling business environment</b>	<ul style="list-style-type: none"> <li>• administrative efficiency and transparency;</li> <li>• reduction in red tape;</li> <li>• information on constraints to economic development (especially informal and SMME business development).</li> </ul>
<b>Economic research and information</b>	<ul style="list-style-type: none"> <li>• well-defined vision and objectives;</li> <li>• building the capacity of the community to participate in the partnerships;</li> <li>• monitoring and evaluation.</li> </ul>

<i>Social package</i>	<i>Critical Success Factors</i>
To facilitate universal access to basic needs and social services.	
<b>Bulk and business infrastructure subsidies</b>	<ul style="list-style-type: none"> <li>• sound financial management;</li> <li>• an assertive process for making infrastructure applications;</li> <li>• capacity to implement and manage investment.</li> </ul>
<b>Capital subsidies and grants for assets for the poor</b>	<ul style="list-style-type: none"> <li>• identifying available land;</li> <li>• integrated settlement development capacity to ensure that housing does not dominate economic and environmental imperatives;</li> <li>• aggressive applications for grants.</li> </ul>
<b>Social services infrastructure</b>	<ul style="list-style-type: none"> <li>• capacity to maintain and manage programmes and facilities;</li> <li>• understanding of community demand for facilities, not just housing;</li> <li>• flexible design of multi-purpose centres for training, community meetings, crèches etc.;</li> <li>• utilise developers' contributions to assist in funding of social infrastructure;</li> <li>• identifying sites that will foster economic nodes.</li> </ul>
<b>Subsidised access to basic services (indigence policies)</b>	<ul style="list-style-type: none"> <li>• comprehensive database of service consumers and properties;</li> <li>• implementation and enforcement capacity – human and systems;</li> <li>• political will;</li> <li>• capacity to identify and regulate individual household service consumption.</li> </ul>
<b>Welfare grants including pensions, child support and disability grants</b>	<ul style="list-style-type: none"> <li>• access to an ID;</li> <li>• access to grant payout points;</li> <li>• informed staff;</li> <li>• facilities.</li> </ul>

<i>Social capital</i>	<i>Critical Success Factors</i>
To build the human and social capital of the poor.	
<b>Early Childhood Development</b>	<ul style="list-style-type: none"> <li>• establish ECD facilities and training;</li> <li>• funding;</li> <li>• information.</li> </ul>
<b>Community development especially for vulnerable groups</b>	<ul style="list-style-type: none"> <li>• information on the needs of vulnerable groups;</li> <li>• political will to address exclusion.</li> </ul>
<b>Adult Basic Education and Training</b>	<ul style="list-style-type: none"> <li>• partnerships with service delivery agencies, especially NGOs and religious organisations;</li> <li>• venues;</li> <li>• funding;</li> <li>• publicity.</li> </ul>
<b>Tolerance, inclusion and cohesion</b>	<ul style="list-style-type: none"> <li>• political commitment to developing quality public spaces and minimising private and exclusive spaces;</li> <li>• sponsored cultural events across the city.</li> </ul>
<b>Individual and community safety nets</b>	<ul style="list-style-type: none"> <li>• consultations with local communities, including business vendors;</li> <li>• Inter-governmental relations (IGR);</li> <li>• disaster-mitigation structures and early-warning systems.</li> </ul>

## Chapter 5

# Evaluating and Assessing the LED Strategy of the City of Cape Town

### 5.1 Introduction

It is necessary to state the underlying theoretical foundation of the thesis that was discussed in Chapter 2. *Firstly*, a pro-poor LED approach is fundamental to achieve the necessary growth and development for LED to have any significant impact on poverty alleviation – without tackling the social aspects, there can be no real growth with redistribution. *Secondly*, pro-poor LED is defined as the stimulation, support and enabling of local economies and local actors through a developmental process of participation to economically empower the poor to gain access and take advantage of economic opportunities, and to create an environment conducive to the poor becoming self-reliant and to ensure sustainability. This should be driven and promoted by an enabling and developmental state. *Lastly*, Pro-poor LED should adopt the following approach of the Comprehensive Approach Model:

- LED should be area specific and each area should be evaluated to determine the level or levels of economic empowerment experienced by the community;
- Once the level or levels have been identified, appropriate strategies should be designed to target those levels according to those identified in Figure 3;
- The aim is to ensure that there is a steady progression towards the economically empowered level; and
- The determinants of locality development represents a framework for the development planning process which should be followed for existing and new area development to ensure the improvement of current communities' ability to engage in economic activity and to guarantee utmost exposure for future communities.

It was with the above in mind that Chapter 4 evaluated critical aspects the Strategy of the City of Cape Town. To determine whether it will be a successful approach or not, it is now essential to look holistically at the strategy at in terms of the priorities and the fundamentals

outlined by the strategy. Then the implementation will be assessed according to the organisational structure and how it will affect the operationalisation of the strategy in terms of planning, process, monitoring and evaluation. Finally, the challenges will be discussed and recommendations will also be made to facilitate successful implementation.

## **5.2 The LED Strategy of the City of Cape Town – A Case for Success or Not?**

As discussed in Chapter 3, the City of Cape Town emphasises a holistic integrated approach to economic and human development under the auspices of their current draft Economic and Human Development Strategy situated in the Department of Economic and Human Development. This Department was previously known as the Department for Economic Development and Tourism, and the importance of this change in name indicates a definite strategic shift from a purely economically driven strategy toward a balanced human development perspective. This is a fundamental change in the business of the department, but also in the way that the business of the department should be achieved. This could be assumed as a clear indication that there is a definite recognition that LED has both an economic and human component and those initiatives should focus on both.

The evaluation of the City of Cape Town's draft Strategy will have the framework of the Comprehensive Approach Model, as discussed in the introduction, founded on the principles of pro-poor LED. Firstly, the strategy as a whole will be evaluated to determine whether or not it adheres to the principles of a pro-poor LED approach. Secondly, the priority areas will be evaluated to determine whether they are strategically aligned to the approach. Thirdly, the planned implementation will be assessed to determine whether it will realise the goals set out by the strategy. This will be done by looking at organisational structure, planning and operations. Lastly, recommendations will be made in terms of the observations.

### **5.2.1 Strategy**

Using the Comprehensive Approach towards Economic Empowerment model and assessing the Economic and Human Development Strategy of the City of Cape Town against both the levels of empowerment and the core components, Figure 11 clearly illustrates the similarities and differences. This was done by integrating the Comprehensive Approach towards Economic Empowerment model and the 5-Star Approach of the City of Cape Town.

In terms of distinguishing between different levels, the City's strategy identifies 3 levels, namely, unemployed, informally/irregularly employed and employed/employers. If those categories had to be compared to the Comprehensive Approach towards Economic Empowerment model, especially using the **interventions** as a means of making the match, it could slot in with the levels of empowerment, namely, the poverty line, economic survival, economic readiness and economically empowered. One could, however, note that the categorisation of the City could be problematic regarding the types of interventions it aims at for the specific categories. The Comprehensive Approach towards Economic Empowerment model evaluates the person's level of economic readiness, rather than just purely whether they are employed or not, especially within a developing country with so many disparities. As discussed in Chapter 2, it is important to take a humane stance on development and to look at the level of capacity and ability, with the building blocks of development in mind, to determine a strategy.

Overall there is clear shift in this strategy towards a theoretically just contemporary pro-poor LED approach, as it:

- 
- realises that POVERTY ALLEVIATION is vital for shared ECONOMIC GROWTH;
  - emphasises the focus on both the economic and human aspects;
  - attempts at addressing both economic and social barriers of the poor; and
  - acknowledges that different interventions are needed to tackle the different levels of poverty or exclusion within different sections of the metropole

However, some criticisms of the approach include the following:

- this strategy represents a city-wide vision for economic and human development, but lacks clarification of what is expected by various departments;
- a lack of strategic alignment from other departments could hamper the success of the strategy as a whole;
- without clarity on the various roles of other departments, resource allocation will be difficult, especially financial resources, which have to be included in the yearly budget

## 5.2.2 Priorities

The home of this strategy lies within the EHD Department, but it requires input from, and coordination with, other department as well as other sectors. The table which follows highlights the priority interventions for the City (in lilac) and those for the Economic and Human Development Department (in blue) (Department for Economic and Human Development – Cape Town, November 2005).

**Table 8: Priority Areas (Department for Economic and Human Development – Cape Town, November 2005)**

Enhance global competitiveness			Targeted poverty reduction	
1 Developed economy:	2 Economies of the poor:	3 Economic bridges:	4 Social package:	5 Social Capital:
Sector support	Skills development and training	Supply chain management and development	Bulk and business infrastructure subsidies	Early Childhood Development services.
Destination brand management and marketing.	Informal trade support.	Use of state owned assets	Capital subsidies and grants for assets for the poor.	Community development esp. vulnerable groups
Accelerate Investment	Low skilled job creation (e.g. EPWP)	Transport and telecommunications infrastructure.	Social services infrastructure	Adult basic education and training & life skills
Area targeting and management.	Micro business support.	Enabling business environment	Subsidised access to basic services (indigent policy).	Tolerance and inclusion.
Business and consumer security.	Business and consumer security.	Research and information	Welfare grants.	Individual and community safety nets.

What is evident from Table 8 is that the EHD, which is the home of economic and human development, seems to be focusing more on economic growth interventions, with limited attention being paid to the human development part. Even though the strategy seems to be the responsibility of the EHD Department, it does not necessarily mean that they have to implement it, but merely to ensure that it gets done. According to the Head of Policy and Strategy at EHD, Hanief Tiseker, there has to be a focus on economic and human development as not everything can be done.

## 5.2.3 Fundamentals

According to the Strategy, there are critical fundamentals that must be in place within the municipality and are crucial in creating a conducive environment for local economic and human development. Some of these “core competencies” are internal to the department and

others span across the municipality. As highlighted in Chapter 4, section 4.1.6.1, this refers to the processes within the City as well as the governance ethics.

In terms of the processes, the fundamentals are the Continuous Transversal Processes that the Comprehensive Economic Empowerment Model refers to. As highlighted in the model, these processes are vital for the strategy to be successful. The strategy acknowledges that it requires a multisectoral and multidisciplinary approach, but lacks specifics on how these interventions will be achieved and by whom. The details of implementation will be discussed in the next section.

## **5.2.4 Implementing the Strategy**

For implementation, the above mentioned multisectoral and multidisciplinary approach is crucial, but this requires a well-capacitated organisation, capable of managing itself and the process to create the enabling environment necessary for successful implementation. The following aspects look at these in terms of the implementation of this strategy.

### **5.2.4.1 *Organisational Structure and Operationalisation***

It is necessary to emphasise the integration needed for implementation within the municipality, which is difficult due to the lack of clarity about the roles and responsibilities with regard to the specifics of implementing the strategy. The current organisational structure of vertical line functionality could impede the interdependence and multisectoral and multidisciplinary approach required to implement this strategy successfully. In terms of alignment, coordination is also needed between the City and the Provincial plans to ensure greater effectiveness and impact. According to Hanief Tiseker, some of the problems with ensuring LED considerations within other departments can be summed up as follows:

- Often, LED is only an afterthought, once planning has already been done;
- There is a lack of guidelines to include LED in planning processes (these are, however, currently being finalised);
- Functional planning and budgeting should be replaced by regional and area-based planning, which includes economic and social considerations;
- Departmental processes such as procurement are currently still not being effectively implemented to boost small businesses within the City's borders, showing a lack of

understanding of what is necessary to boost the City's economic growth and wealth distribution.

The EHD provides the following services:

- **Local Area Economic Development (LAED).** Focuses on local area action plans and creating synergies among all spheres of government in support of economic development efforts. Also, provides input and facilitates the implementation of economic development initiatives.
- **Business Support and Skills Development.** Provides support to SMMEs through access to information, direct assistance from the private sector, and training and skills development.
- **Human Development / Facilitation.** Provides a framework for human development with guidelines to assist Council on how to address poverty and inequality, and to monitor and report on the City's commitment to the poor.
- **Economic Development Facilitation – Strategic Sectors.** Facilitates the growth and development of the City's priority economic sectors and provides support to specific growing sectors and improve the competitiveness of the business environment.
- **Economic Information and Research.** Provides relevant information to support the above services. The above services are a clear indication that the EHD will be focussing on all economic aspects, which leaves the social aspects to other departments, especially the Department of Social Services (Tiseker, 2006). Because this strategy has not been adopted yet, the other departments have not as yet included this in their plans, which could also be problematic.

A lack of resources is also a matter of great concern, as the EHD itself does not have a sufficient staff complement to fulfil its functions. Also, only about 0, 1% of the total budget from Council is used for economic development. Even though many of the functions of departments are vital for economic and human development, they too lack the capacity and resources to fulfil these functions. Often there is also a lack in skills, which results in poor performance. Issues of corruption and maladministration are also barriers and impact negatively on performance.

As discussed in Chapter 3, pro-poor LED requires various interventions in the lives of the poor such as housing and other basic services. This means that in order for effective economic and human development, all departments have a role to play, and should be able to fulfil their functions, with clear alignment among them. It is imperative that cross-functional planning takes place and that those departments communicate with each other. This is exactly what the Comprehensive Approach towards Economic Empowerment Model illustrates as it is vital that planning should be area specific and therefore cut across departments and focus on holistic, integrated development.

#### **5.2.4.2                      *Planning***

As stated earlier, one of the critical success factors of the Economic and Human Development Strategy is way in which planning will take place to include economic and human development opportunities. According to the Comprehensive Approach towards Economic Empowerment model, the transversal continuous processes highlights that the planning process should reflect the integration that is required to ensure that interventions are cross-departmentally aligned to ensure maximum impact and effect.

The IDP requires that planning should be holistic and integrated, but for this to be successful, the way in which planning is done should reflect this. Firstly, for planning to be area specific, departments should communicate with each other to ensure that interventions are planned thoroughly. Secondly, for successful LED, planning should include economic and human considerations from the start and should not be an afterthought (Tiseker, 2006). And finally, for proper planning to take place, projects should be planned according to project management principles, which offer techniques to ensure meticulous and detailed planning, but should also emphasise the developmental context. These principles also require interdependency and integration.

#### **5.2.4.3                      *Process***

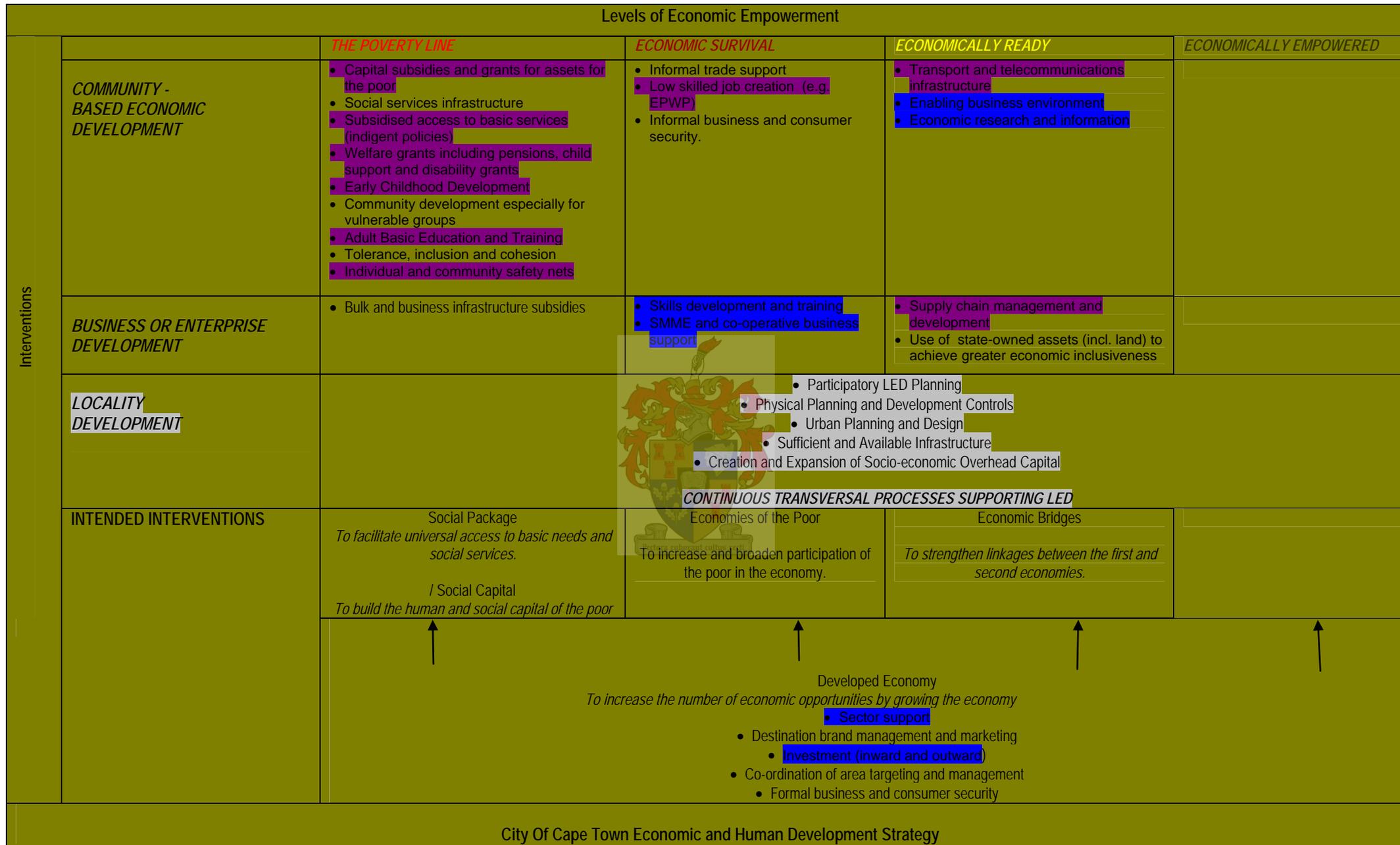
Often the processes of administration do not reflect the commitment to economic and human development in the City. Tiseker (2006) highlights one example of the N2 Gateway project, which illustrates the lack of LED consideration in processes and states that the procurement system often overlooks local preference, hampering internal growth and development. This also often reflects the problems of corruption and nepotism, as was the case as reported in *The Cape Argus* (10 May 2006), when it was discovered that the axed City Manager of the City of Cape Town, Dr Wallace Mgoqi, approved contracts to the value



Levels of Economic Empowerment					
	<i>THE POVERTY LINE</i>	<i>ECONOMIC SURVIVAL</i>	<i>ECONOMICALLY READY</i>	<i>ECONOMICALLY EMPOWERED</i>	
Interventions	<i>COMMUNITY - BASED ECONOMIC DEVELOPMENT</i>	<ul style="list-style-type: none"> <li>Capital subsidies and grants for assets for the poor</li> <li>Social services infrastructure</li> <li>Subsidised access to basic services (indigent policies)</li> <li>Welfare grants including pensions, child support and disability grants</li> <li>Early Childhood Development</li> <li>Community development especially for vulnerable groups</li> <li>Adult Basic Education and Training</li> <li>Tolerance, inclusion and cohesion</li> <li>Individual and community safety nets</li> </ul>	<ul style="list-style-type: none"> <li>Informal trade support</li> <li>Low skilled job creation (e.g. EPWP) Informal business and consumer security.</li> </ul>	<ul style="list-style-type: none"> <li>Transport and telecommunications infrastructure</li> <li>Enabling business environment</li> <li>Economic research and information</li> </ul>	
	<i>BUSINESS OR ENTERPRISE DEVELOPMENT</i>	<ul style="list-style-type: none"> <li>Bulk and business infrastructure subsidies</li> </ul>	<ul style="list-style-type: none"> <li>Skills development and training</li> <li>SMME and co-operative business support</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain management and development</li> <li>Use of state-owned assets (incl. land) to achieve greater economic inclusiveness</li> </ul>	
	<i>LOCALITY DEVELOPMENT</i>	<ul style="list-style-type: none"> <li>Participatory LED Planning</li> <li>Physical Planning and Development Controls</li> <li>Urban Planning and Design</li> <li>Sufficient and Available Infrastructure</li> <li>Creation and Expansion of Socio-economic Overhead Capital</li> </ul>			
	<i>INTENDED INTERVENTIONS</i>	<p>Social Package <i>To facilitate universal access to basic needs and social services.</i></p> <p>/ Social Capital <i>To build the human and social capital of the poor</i></p>	<p>Economies of the Poor <i>To increase and broaden participation of the poor in the economy.</i></p>	<p>Economic Bridges <i>To strengthen linkages between the first and second economies.</i></p>	
	<p>Developed Economy <i>To increase the number of economic opportunities by growing the economy</i></p> <ul style="list-style-type: none"> <li>Sector support</li> <li>Destination brand management and marketing <ul style="list-style-type: none"> <li>Investment (inward and outward)</li> </ul> </li> <li>Co-ordination of area targeting and management <ul style="list-style-type: none"> <li>Formal business and consumer security</li> </ul> </li> </ul>				

City Of Cape Town Economic and Human Development Strategy

Figure 12 : City of Cape Town and EHD Priority Areas



City Of Cape Town Economic and Human Development Strategy

Figure 13: EHD and City of Cape Town Council Priority Areas

Despite the fact that the City itself has critical priority areas, these are very dependent on the functioning and activities of departments other than EHD. These priority areas are indicated in purple in Figure 13, and together with the EHD priority areas, would display fewer gaps. However, it is still critical to realise that these interventions, specifically those focusing on the poverty line, are dependent on other departments and therefore those departments should also align their activities to this Strategy. As yet, it is not possible to determine to what extent this will be achieved, as the strategy has first to be formally adopted and approved. Related to that is the Continuous Transversal Processes, highlighted in grey in Figures 12 and 13, as it can only be institutionalised once all departments are aligned to this Strategy. Without proper integrated planning, which considers LED not as a functional activity, but as a way in which functions are planned, executed and managed, success will remain out of reach.

### **5.3.1 Recommendations**

The current strategy may be in line with contemporary thinking on LED, but without proper implementation, success will remain elusive. The above-mentioned challenges still reflect difficulties that will hamper the progressive vision of the Economic and Human Development Strategy and it may be those Continuous Transversal Processes which will prove to be critical in standing between the City and success.

In conclusion, the following pointers are recommended to help attain successful implementation:

- LED should be an integral part in planning activities across departments and not be an afterthought;
- Planning should follow a regional approach and should be area-based;
- Buy-in from other departments is fundamental, as the EHD cannot undertake this alone;
- Process should reflect economic and human development priorities;
- The way in which departments function and set priorities should reflect their commitment towards growth and development.

## Chapter 6: Summary of Chapters

### 6.1 Introduction

This chapter provides an overview of the preceding chapters and will briefly summarise the most critical conclusions and deductions.

### 6.2 Summary of Chapters

Chapter 1 described the background and purpose of the study, stated the research question and objectives and outlined the research design and methodology of the study. After this the key concepts were defined, and an outline of the chapters was given.

Chapter 2 analysed the theory of Local Economic Development by looking at the global perspective of the concept and the nature of Local Economic Development, the history and concept of LED, the different LED approaches and strategies and key actors within LED. The theoretical framework set out in this chapter firstly evaluated the concept and nature of local economic development within a global context. The literature revealed a clear and distinct difference in terms of approaches in the North and South. Northern approaches of LED focus more on issues of investment, big-business support and large project development undertaken by relatively well-resourced local agencies with or without external support, whereas in the South LED often relies far more on small-scale and community-based initiatives, utilising indigenous skills and seeking primarily to ensure survival, rather than participation in the global economy.

Two prominent points of departure were discussed namely (i) pro-growth or market-led LED, which emphasises the promotion of economic growth strategies, and (ii) pro-poor or market-critical LED, which focuses on poverty-alleviation strategies. In evaluating contemporary LED literature, the importance of three works was acknowledged. *Firstly*, the work of Clarke and Gaile (1998) was discussed, highlighting the prominence of a market-led approach in terms of North American cities, with a strong focus on economic-growth initiatives. *Secondly*, the World Bank's interpretation of the role of LED initiatives as important dimensions for city-wide development strategies was considered. The World Bank's programme of "city

development strategies" represents a prime foundation of their new, global urban and local government strategy (Rogerson, 2003: 55). And *thirdly*, the works of Helmsing (2000, 2001, 2003) extensively analyses LED rooted in Africa, Asia and Latin America and distinguishes three categories, namely, community-based economic development, business or enterprise development, and locality development.

Secondly, LED was evaluated within the context of development to establish a link between LED and poverty alleviation. From the literature review it is clear that LED should lead to much more than merely economic improvement, and this reinforces the socio-economic role of LED development intervention strategies. What is also evident in terms of LED in developing countries is that the approach has to establish a strategy which deliberately focuses on pro-poor LED implementation and it is often the way that the process is executed that could bring the social focus of LED into perspective and should therefore incorporate the fundamental principles of development of participation, social learning, capacity building and empowerment to ensure self-reliance. In terms of this, a definition for pro-poor LED was given:

***Pro-poor LED in developing countries is the deliberate stimulation, support and enabling of local economies and local actors through a developmental process of participation to economically empower the poor to gain access and take advantage of economic opportunities and to create a conducive environment for the poor to become self-reliant and ensure sustainability.***



Lastly, this chapter distinguished pro-poor LED as an appropriate LED approach to improve the quality of life, and it discussed the implementation of pro-poor LED by means of the Comprehensive Approach Model. The above definition sets the framework and guides the socio-economic responsibility which should be inherent in considering pro-poor LED. The Comprehensive Approach Model incorporates the indicators of the levels of economic empowerment (as discussed by Jack, 2004) and the components of pro-poor LED (as determined by Helmsing, 2003). This approach makes a distinction between the different levels of economic empowerment experienced by people: the Poverty Line, Economic Survival, Economically Ready and the Economically Empowered. It aligns strategies specifically targeted to improve their status within that level and elevate them to a higher level. This approach suggests the following (see Figure 3):

- Firstly, that LED should be area specific and that each area should be evaluated to determine the level or levels of economic empowerment experienced by the community;

- Secondly, once the level or levels have been identified, appropriate strategies should be designed to target those levels according to those identified in Figure 3;
- Thirdly, the aim is to ensure that there is a steady progression towards the economically empowered level; and
- Lastly, the determinants of Locality Development represent a framework for the development planning process which should be followed for existing and new area development to ensure the improvement of current communities' ability to engage in economic activity and to guarantee the utmost exposure for future communities.

The primary idea behind a pro-poor LED strategy is to positively affect the economic activities, access to economic activities and capacity to take advantage of economic activities within communities or local areas through socio-economic considerations. The difference is that this approach does not only focus on business development *per se*, but also attempts initiatives which will assist the poor to create and take advantage of economic opportunities. Ultimately, LED could play a significant role toward achieving poverty alleviation, and therefore this link should be emphasised in the way that services and projects are implemented. This clearly links with the Continuous Transversal Processes of the Comprehensive Approach Model, which suggests that these processes should all add value to and consider LED. Processes such as IDPs, ward plans and other departmental functions should all be geared towards social and economic development.

This chapter concluded that the following principles can be seen to represent the foundation for a successful LED approach:

- A pro-poor LED approach is fundamental to achieve the necessary growth and development to have any significant impact on poverty alleviation – without tackling the social aspects, there can be no real growth with redistribution.
- Pro-poor LED is defined as the stimulation, support and enabling of local economies and local actors through a developmental process of participation to economically empower the poor to gain access to, and take advantage of, economic opportunities and to create an environment conducive to the poor becoming self-reliant and to ensure sustainability. This should be driven and promoted by an enabling and developmental state.
- Pro-poor LED should have the Comprehensive Approach Model as the foundation to evaluate levels of economic empowerment and match appropriate interventions.

Chapter 3 assessed LED within the South African context and specifically discussed the policy context, the historical approach and implementation of LED in South Africa and the challenges to LED implementation in South Africa.

The policy context within South Africa clearly indicates the developmental role that municipalities should play, which incorporates both social and economic considerations. The legislation does not only state WHAT should be done, but also HOW it should be done.

It is within this legislation that one finds the mandate for LED and to ensure that communities are included in all development initiatives. This commitment to serve the basic needs of South Africans and to poverty relief efforts can be found in the Department of Constitutional Development (no date) linking LED to poverty alleviation and in a LED manual drafted by the Department of Provincial and Local Government (2000) which states: "*The aim of LED is to create jobs, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents.*"

Emphasis is placed on the role of municipalities to create an enabling environment through service delivery and infrastructure to assist in building localities that are better equipped to become more economically active. In order for this to materialise, national and provincial government should equip municipalities better through appropriate legislation, resources and support to enable them to fulfil these tasks. National, provincial and local government must play an active role in promoting economic development and it is therefore vital that they understand what their responsibilities are regarding LED, and that good coordination should exist among them.

The challenge of regional integration was also discussed, specifically the externalities that should be considered when implementing LED, such as the increased competition for investment and limited resources among localities within the same region, the historical urban development bias and the detrimental effects of over-urbanisation, internally to the city as well as externally to other cities and towns within that region.

Contemporary LED debates indicate a return to the basics of "bottom-up" approaches to development, with significant involvement of established roles and responsibility for government, the private sector and civic organisations. Despite the fact that many perceive LED as purely an economic strategy, it is becoming clear that it should have positive social spin-offs. Ultimately, the idea of all development initiatives should be to address poverty deliberately, and this is often not just in WHAT we do, but more so in HOW we do it. LED is

a tool which can lead to success and the lack of a clear definition of LED should not detract from the potential achievements that can be accomplished.

Chapter 4 discussed the critical role played by cities as the centres of innovation, growth, dynamism and, ultimately, as the linchpins for pervasive modernisation and development. One of the key features of the late 20<sup>th</sup> century and the early 21<sup>st</sup> century is the role of city within national and global economies, and its importance to economic development. This can be attributed to a contemporary policy shift enhancing the role and status of municipalities as a result of the devolution of various powers and responsibilities to lower levels of government, as discussed in Chapter 3. However, this newfound status also includes immense responsibilities, challenging municipalities to undertake the daunting tasks of socio-economic transformation to tackle the issues of poverty, unemployment and growth, so prevalent in developing countries.

Within South Africa there are clear disparities within and between cities, and cities are faced with immense challenges such as continuous city growth, a dysfunctional city structure and increased disproportion between rich and poor. The implications are increasing social and economic exclusion, impacting negatively on both economic activity and living conditions. The urban settlements are therefore characterised by spatial separation of residential areas according to class and race, urban sprawl, disparate levels of service provision, low levels of suburban population density and the concentration of the poor in relatively high-density areas on the urban peripheries and the wealthy in the core and intermediate areas. These features result in cities and towns which are very inequitable, inefficient and unsustainable, making them expensive to manage and maintain, which in turn further exacerbates poverty and unemployment. It was established that the way to address these problems and challenges is directly linked to a pro-poor LED approach, which looks at social and economic development through meeting basic needs, providing basic services and creating jobs.

This chapter then focused on a case study of the City of Cape Town to evaluate its approach to LED implementation. Despite Cape Town being South Africa's second largest city economy and accounting for 80% of the Western Cape's economy, it experiences huge disparities in terms of rich and poor.

These critical socio-economic issues within the City of Cape Town need to be addressed and in response the municipality has devised a 5-star strategy (see Figure 8) for economic and human development to guide social and economic development initiatives in Cape Town. The

Strategy provides a framework for addressing the objectives and focuses on the following (Department for Economic and Human Development – Cape Town, November 2005):

- Growing the formal developed economy and broadening participation in this economy;
- Growing the formal and informal economies of the poor and broadening economic participation;
- Establishing economic bridges to ensure greater inclusiveness, integration of the first and second economies and redress of historical imbalances;
- Building the social and human capital of the poor;
- Ensuring all residents are able to access the social package, including government grants and subsidies.

These interventions are located in the first instance in the host department, the EHD Department. In the spirit of integrated and co-operative governance, the strategy also includes strategic programmes that fall under the mandate of other Council Departments including the Departments for Community Development, Roads and Transport, Human Settlements and the Executive Management.

The strategy itself is perceived by the municipality as all-encompassing, but is with the implementation that it acknowledges that there are some challenges. For this strategy to be successful a multisectoral and multidisciplinary approach is required and the problem still exists within the public sector to work within silos which inhibit integration. Another challenge is directed at the core competencies expected from the municipality and focuses on issues such as organisational structure, organisational culture and organisational strategy, specifically, highlighting corruption, integration, and planning. Of great concern is the lack of adequate resources, both financial and human. In terms of operationalisation of the strategy, the strategy focuses on planning within the host department, as well as interdepartmental and highlights the lack leverage to enable them to take up their “watch dog” role to ensure that there is strategic alignment. According to Hanief Tiseker (EHD) this is going to be the most challenging. This also makes the implementation, monitoring and evaluation very problematic. Despite this, economic and human development is seemingly high on the agenda of the City council, and it is assumed that this will ensure that it receives the interdepartmental attention that it deserves, thereby allowing EHD some form of leverage.

Finally, this chapter evaluated the strategy in terms of tackling economic and human development and to assess whether it is in line with current contemporary debates on LED to establish whether it will have the desired effect.

The conclusion was reached that, even though the strategic goals and interventions are on a par with a comprehensive pro-poor approach, the implementation does pose various challenges as it requires integration, interdependence and holistic planning. These were reflected in the critical success factors indicated in Table 7.

Chapter 5 evaluated the draft LED Strategy of the City of Cape Town to determine whether it is likely to succeed or not by looking holistically at the strategy, the priorities and the fundamentals outlined by the strategy. After that the implementation was assessed according to the organisational structure and how it affects the operationalisation of the strategy in terms of planning, process and monitoring and evaluation. Finally, the challenges were discussed and recommendations were made to facilitate successful implementation.

Chapter 6 summarised the preceding chapters and outlined the most critical arguments made with regards to implementing successful LED in the City of Cape Town.

### **6.3 Deductions and Recommendations**

In terms of the above research the following are considered critical in terms of LED conceptualisation and vital for implementation within a South African context:

- A pro-poor LED approach is fundamental to achieve the necessary growth and development to have any significant impact on poverty alleviation – without tackling the social aspects, there can be no real growth with redistribution.
- Pro-poor LED is defined as the stimulation, support and enabling of local economies and local actors through a developmental process of participation to economically empower the poor to gain access and take advantage of economic opportunities and to create an environment conducive to the poor becoming self-reliant and to ensure sustainability. This should be driven and promoted by an enabling and developmental state.
- Pro-poor LED should have the Comprehensive Approach Model as the foundation to evaluate levels of economic empowerment and match appropriate interventions

In order for LED implementation to be successful, the following policy considerations are critical:

- Macroeconomic policies have to be considered when implementing LED;
- The RDP is seen as the foundation for development and along with it GEAR, whose national priorities should be reflected in LED programmes;
- There should be strategic links between all relevant legislation and LED programmes;
- It is of the utmost importance that local and provincial structures are well informed about national strategies and priorities set by government;
- Local development will depend heavily on financial support from higher spheres of government and such financing requires necessary budget procedures to be followed

Therefore, the following recommendations were made in Chapter 3:

- A change or shift is necessary in terms of pro-poor LED strategies;
- LED should be viewed not only as creating economic benefits, but as playing a vital role in poverty alleviation and therefore should have a strong social focus;
- Partnerships and participation are necessary mechanisms not only to achieve more sustainable development, but also to assist in achieving empowerment goals;
- LED regional integration and coordination between spheres of government and other levels of local government programmes is another aspect which requires attention;
- Municipalities often lack the resources and capacity to implement LED successfully and this can be addressed through better coordination and support from other spheres of government, capacity building and partnerships

After evaluating LED within the City of Cape Town in Chapter 4, it became evident that there is a definite policy shift in this strategy towards a theoretically just, contemporary pro-poor LED approach, as it:

- Realises that POVERTY ALLEVIATION is vital for shared ECONOMIC GROWTH;
- Emphasises the focus on both the economic and human aspects;

- Attempts to address both economic and social barriers of the poor; and
- Acknowledges that different interventions are needed to tackle the different levels of poverty or exclusion within different sections of the metropole

However, some criticisms were raised:

- This strategy represents a city-wide vision for economic and human development, but lacks clarification of what is expected by various departments;
- A lack of strategic alignment from other departments could hamper the success of the strategy as a whole;
- Without clarity on the various roles of other departments, resource allocation will be difficult; especially financial resources which have to be included in the yearly budget

In conclusion, the following recommendations were made in Chapter 5 to facilitate the successful implementation of the Economic and Human Development Strategy in the City of Cape Town:

- LED should be an integral part in planning activities across department and not be an afterthought;
- Planning should follow a regional approach and should be area based;
- Buy-in from other departments is fundamental, as the EHD can not undertake this task alone;
- Process should reflect economic and human development priorities;
- The way in which departments function and set priorities should reflect their commitment to growth and development.



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