

**CO-OPERATIVE GOVERNANCE
IN INTEGRATED DEVELOPMENT PLANNING
- LOCAL ECONOMIC DEVELOPMENT
IN THE EASTERN CAPE**

by

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Declaration

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

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Abstract

The study evaluated co-operative governance in integrated development planning (IDP), with a focus on local economic development (LED). Literature review, survey questionnaires and semi-structured interviews were data gathering instruments.

Co-operative governance entailed mutual understanding with inclusive decision-making between government spheres and government, business and communities. This was unsuccessful in IDP because of national government dominance, complex tools for co-operation, expert-controlled co-operative governance, finance-dominated planning, a lack of proactive municipal planning and dominance by empowered role-players. Four LED models, namely, a Western, Latin American, African and South African emerged. South Africa's model is multi-sectoral with land management policy, investor promotion, institutional development, financial and social investment strategies and sufficient policy and legislation. However, co-operative governance in IDP (LED) is dis-functional because of assumed equality of stakeholders.

The study recommends a 'Quilted Co-operative Development Planning Model', which has a streamlined policy framework, efficient and effective management tools and organisation that promote bottom-up planning.

Opsomming

Die studie het koöperatiewe bestuur in geïntegreerde ontwikkelingsbeplanning (GOB) geëvalueer, met 'n fokus op plaaslike ekonomiese ontwikkeling (PEO). Die ondersoek van literatuur, opnamevraelyste en semi-gestruktureerde onderhoude was die instrumente vir dataversameling.

Koöperatiewe bestuur het wedersydse begrip met inklusiewe besluitneming tussen regeringsfere en die regering, sakewêreld en gemeenskappe behels. Dit was onsuksesvol in GOB as gevolg van oorheersing deur die nasionale regering, ingewikkelde instrumente vir samewerking, ekspert-beheerde koöperatiewe bestuur, finansieel-gedomineerde beplanning, 'n gebrek aan proaktiewe munisipale beplanning en oorheersing deur bemagtigde deelnemers. Vier PEO-modelle, naamlik 'n Westerse, 'n Latyns-Amerikaanse, 'n Afrika- en 'n Suid-Afrikaanse model, het na vore gekom. Suid-Afrika se model is multisektoraal met grondbestuurbeleid, beleggingsbevordering, institusionele ontwikkeling, finansiële en maatskaplike beleggingstrategieë en voldoende beleid en wetgewing. Koöperatiewe bestuur in GOB (PEO) is egter wanfunksioneel weens die toegeëide gelykheid van belanghebbendes.

Die studie doen 'n "Gekwilde Koöperatiewe Ontwikkelingsbeplanningsmodel" aan die hand, met 'n gerasionaliseerde beleidsraamwerk, doeltreffende bestuursinstrumente en organisasie wat onder-na-bo-beplanning bevorder.

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List of abbreviations

ANDM – Alfred Nzo District Municipality
BEE – Black Economic Empowerment
CBOs – Community Based Organisations
CSOs – Civil Society Organisations
DCD – Department of Constitutional Development
DLA – Department of Land Affairs
DPLG – Department of Provincial and Local Government
DORA – Division of Revenue Act
DWAF – Department of Water Affairs and Forestry
ECNC – Eastern Cape Nature Conservation
ECNGOC – Eastern Cape Non-Governmental Organisations Coalition
ECPA – Eastern Cape Provincial Administration
FFC – Financial and Fiscal Commission
GEAR – Growth Employment And Redistribution
HCG – Horizontal Co-operative Governance
IDP – Integrated Development Planning
IDT – Independent Development Trust
IDZs – Industrial Development Zone
ISI – Import Substitution Industrialisation
ISRDS – Integrated Sustainable Rural Development Strategy
LED – Local Economic Development
LGSA – Local Government Systems Act
LGTA – Local Government Transition Act
MIMS – Municipal Information Management System
MSPs – Municipal Service Partnerships
NEDLAC – National Economic Development and Labour Council
NGOs – Non-Governmental Organisations
NSDS – National Skills Development Strategy
OECD – Organisation for Economic Cooperation and Development
ORTDM – OR Tambo District Municipality
OtP – Office of the Premier
PFMA – Public Finance Management Act

PGDP – Provincial Growth and Development Programme
PPP – Public Private Partnerships
RDF – Rural Development Framework
RDP – Reconstruction and Development Programme
SACC –South African Council of Churches
SLA – Service Level Agreement
SMMEs – Small Medium and Micro Enterprises
SDIs – Spatial Development Initiatives
SSA – Statistics South Africa
TNCs – Trans-National Corporations
UDF – Urban Development Framework
URS – Urban Renewal Strategy
VCG – Vertical Co-operative Governance

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1. Background

This study seeks to evaluate the extent of co-operative governance in integrated development planning (IDP), with local economic development (LED) as focus area. Co-operative governance is highlighted in the South African Constitution (Act 108 of 1996) and in a plethora of legislation for development planning – hence the interest of this study in understanding whether policy provides an adequate framework for practice. Development planning practice seeks to reverse the consequences of apartheid planning, such as separate development and economic marginalisation of previously disadvantaged communities. The relevance of this study lies in its attempt at improving the functionality of the South African development planning model. It is also important to achieve this objective because of the energy invested by many stakeholders in the development of the Reconstruction and Development Programme (RDP) in 1994 as a crisp definition of development planning objectives and priorities. Both the 1994 RDP and the 1996 South African Constitution laid a firm foundation for the emergence of IDP from 1996 onwards.

Development planning policy post-1996 is implemented through the IDP, which is a strategic planning approach to development planning. In this study each stage of the IDP shall be assessed for elements of co-operative governance. However, there shall be a particular focus on LED as a vital component of the IDP. Through the framework of co-operative governance the study will assess the degree to which the various spheres of government work collaboratively to enhance each other's efficiency and effectiveness in development planning.

Mounting evidence from provincial and local government officials' practice, as shall be shown later in this study, such as lack of co-operation in determining priorities, objectives and strategies as well as inadequate funding and implementation mechanisms, reveal that the South African co-operative governance model in development planning has limitations. These officials highlight such evidence and provide deeper insights into the reasons for these limitations, as the substantive part of this study will show. Policy recommendations will be made in order to improve the policy framework for development planning. The final aim is to propose a revised model.

Though this aim could be perceived as a great undertaking, the proposed model could lead to better co-operative development planning practice in South Africa. The model will seek to simplify the co-operative development planning process without inducing simplicity. It will also provide mechanisms for improving the quality of participation.

1. Theoretical framework

1.1. Theoretical premise

Several assumptions underpin co-operative governance in IDP. Firstly, it is assumed that a national democratically elected government with its bureaucracy cannot plan and implement development programmes alone but through collaboration with other spheres of government as well as civil society, and that both, government spheres and civil society, are varied. Secondly, that government's constituent parts need co-ordination and support to achieve common objectives. Thirdly, that government must collaborate with business, community-based organisations and non-governmental organisations in the provision of its services.

These assumptions are derived from political theory, which indicates that there has been some evolution in principles that underpin the development of the practice of politics or polity and choices made in the distribution of resources. Aristotle (1984:46-47) wrote in "The Athenian Constitution" that "(1) while the state was organised in this way, and the many were enslaved to the few, the people rose against the notables. (2) The strife was fierce, and they held out against one another for a long time. ...On gaining control of affairs Solon liberated the people, both immediately and for the future, by forbidding loans on the security of the person; and he enacted laws; he made a cancellation of debts, both private and public". Although this specific example refers to a rise against unfair distribution of enslavement through financial domination of a majority by an elite few, the key lesson is that the majority rose against this distribution of resources that led to their oppression.

The expansion of the meaning of politics and political power was aptly summarised by John Locke (1924:118) in his “Two Treatises of Government” where he said: “Political power, then, I take to be a right of making laws, with penalties of death, and consequently all less penalties of death, and consequently all less penalties for the regulating and preserving of property, and of employing the force of the community in the execution of such laws, and in the defence of the commonwealth from foreign injury, and all this only for the public good”. The central theme in Locke’s theory of political power is regulation and preservation of property and the employment of the force of the community, both these are essential aspects of development planning. Development planning is essentially about the regulation of this distribution of resources such as property and financial resources employing the force of the community. Hence the potential significance of this study, which seeks to assess collaborative development planning practice and in order to improve the chances of effective achievement of the above.

Habermas is one such theorist whose communicative rationality provides a sound theoretical basis for an analysis of collaborative development planning. Habermas said that, according to Flyvbjerg (as cited in Douglas and Friedman, 1998:187), communicative rationality is a non-coercive, unifying, consensus building force of a discourse in which participants overcome their initial subjective views in favour of a rational agreement. Flyvbjerg (as cited in Douglas and Friedman, 1998:187) later makes the point that Habermas believed that mutual understanding takes the role of a mechanism for co-ordinating action. Principles underpinning Habermas’s theory are, according to Flyvbjerg (as cited in Douglas and Friedman, 1998:188), firstly, that all affected parties in any discussion must be included; secondly, each party should have equal possibility to present and criticise validity claims in the process

of discourse; and thirdly, participants must be able to empathize with each other's valid claims. In addition, existing power differences between participants must have no effect on the creation of consensus and participants must openly explain their goals and intentions. Communicative rationality constitutes a theoretical attempt at democratising development through balancing of power relations and effective participation.

Such an objective of equality is always desired but seldom reached in practice. It is, however, true that conflicts the world over, from the evolution of League of Nations after the First World War, with the exception of historic events such as those in Iraq, have been largely resolved through consensus-building mechanisms. The United Nations, World Trade Organisation and the African Union are but a few examples of institutions that are consensus-building. Even in development planning consensus-building constitutes a key consideration for ensuring the appropriateness and acceptability of the plan for those affected. However, the weakness in Habermas's view is that the process must be defined from the top (Douglas and Friedman, 1998:189). In many respects those who design planning processes also determine the distribution of power. In development planning this may be regarded as "planning for planning" and it demarcates the agenda and role-players. Those who set the agenda have the power in designing the plans and processes. In this regard the French philosopher Michel Foucault argues that one cannot resolve the question of "who exercises power?" without answering the question of "how does it happen?" (Kritzman, 1988:103).

Foucault further displays the organic relationship between 'structure' and 'content'. Structure refers to 'who exercises power' and content to 'how does it happen'. On the

contrary Habermas artificially separates these. Yet, as Foucault notes, authorization of power by law is inadequate as it is authorized in methods that are employed on all levels of the state and in forms that go beyond the state and its apparatuses. He makes the point that law institutions, policies and plans provide no guarantee of freedom, equality or democracy (Douglas and Friedman, 1998:202). This inequality of power means, therefore, that the ruling class and its bureaucrats get to define the terms of engagement. This (inequality of power) leads Habermas to a second problem: that of presenting initial positions as existing on an equal plane. Such a perspective underplays the extent of competing agendas and the room for manipulation and sheer coercion on the strength of resources and technical authority.

So what can be borrowed from Habermas regarding co-operative governance in integrated development planning (IDP)? Co-operative governance must be informed by the principles underpinning communicative rationality as these deepen democracy without any of the assumptions of fairness and openness on the part of role-players. This is where the struggle for equal participation begins – through lobbying and advocacy. Hence, Foucault's contribution, co-operative governance in development planning may have to employ mechanisms and institutions that increase prospects of equal participation by the various role-players and stakeholders.

If the development planning institutional framework does not proactively institutionalise such a participative model then the evolving political practice will catch-up with it. According to Castells (1997:304-305) "the nation-state is increasingly submitted to a more subtle, and more troubling, competition from sources of power that are undefined, and, sometimes, undefinable. These are

networks of capital, production, communication, crime, international institutions, supranational military apparatuses, non-governmental organisations, transnational religions, and public opinion movements. And below the state, there are communities, tribes, localities, cults and gangs. So, while nation-states do continue to exist, and they will continue to do so in the foreseeable future, they are, and they will increasingly be, *nodes of a broader network of power*¹. They will often be confronted by other flows of power in the network, which directly contradict the exercise of their authority”.

It is this diffuseness of power that makes the art of co-operative governance both vertically and horizontally a strategic function of government. More importantly because “nation-states may retain decision-making capacity, but, having become part of a network of powers and counterpowers, they are powerless by themselves: they are dependent on a broader system of enacting authority and influence from multiple sources” (Castells, 1997:304-5). Co-operative governance enables government to enact this authority and influence from multiple sources.

This enactment is also very important if one considers the resources that the informal sector possesses in the developing world. According to De Soto (2000:27): "In Haiti untitled rural and urban real estate holdings are together worth some \$5.2 billion. ... this is four times the total of all the assets of all legally operating companies in Haiti, nine times the value of all assets owned by the government and 158 times the value of all foreign direct investment in Haiti's recorded history in 1995...The value of extra-legally held rural and urban real estate in Peru amounts to some \$74 billion. This is five times the total valuation of the Lima Stock Exchange before the slump of

¹ Italics are original in Castells, 1997: 304-305.

1998, eleven times greater than the value of potentially privatizable government enterprises and facilities,...consider the Philippines...The value of untitled real estate there is \$133 billion,...nine times the total capital of state-owned enterprises". These examples are just an indicator of how powerful the informal sector is relative to the state in the developing world. To this end De Soto (2000: 64) concludes: "Developing and former communist nations must choose either to create systems that allow their governments to adapt to the continual changes in the revolutionary division of labour or to continue to live in extralegal confusion - and that really isn't much of a choice.". This challenge, amongst other things, requires a closer collaboration between the formal and the informal sector. That is essential precisely because the informal sector has, according to De Soto (2000:79), even begun to assume the role of government. They have become responsible for the provision of basic infrastructure such as roads, water supply, sewage systems and electricity, the construction of markets, the provision of transport services and even the administration of justice and maintenance of order.

Going back to Castells, as cited earlier, provides a succinct explanation for the realities and consequences of the post-modern epoch. In addition Harrison (1996:29-30) defines some of the features of post-modernism that have an impact on planning. It is marked by the glorification of consumerism and use of information technology to "fake reality" through urban architecture of shopping malls and waterfront developments that hide increasing levels of impoverishment. The rise of the information society has also increased the mobility of global capital. More emphasis is being placed on entrepreneurialism. Political systems are under pressure to democratise and decentralise as it is becoming more difficult to control lower spheres of government and the people. Simultaneously this era is marked by increased social

polarisation as an elite minority is appropriating the benefits of technological advancement and globalisation whilst the majority sinks deeper into poverty.

Local government is pressured by investment capital to adopt flexible planning forms to meet the ever-changing spatial location requirements of the Investors. This is coupled with the focus on place marketing and “urban entrepreneurialism”. There is a shift from grand strategies to minimalist frameworks and emphasis on tactical shifts. Alongside all of these features has emerged a tendency towards cultural pluralism, localism, fundamentalism, ethnicity and economic nationalism – some of them contradictory.

What are the implications of the perceived consequences of globalisation for co-operative governance in IDP? Development planning needs to be a mechanism for attending to the impoverished and decay that is seen as some of at least the unintended consequences of globalisation. This should entail a significant technical and tactical influence on capital and investment directions. No sphere alone can attend to and regulate the mobility of capital especially if it wanted to do so to improve the lives of the poor. The spirit of entrepreneurialism is in itself not a problem but development planning could be used to guide it towards building local economies whilst simultaneously providing room for poverty targeting strategies, which in the long run will result in economic development.

Both scholarly literature and civil activism suggest that attention and indeed interventions should be given to efforts at reducing income differentials, in order to limit spiralling social polarisation and entrenched spatial segregation. This study will further pursue this issue by exploring how to enhance social interaction and creating

spaces for such integration in existing micro-spaces through development planning. As it is, such opportunities are found in sport, art, culture, politics and other spheres. Elements of normative planning, where people's well being is at the centre of the planning process, as opposed to absolute positivist planning that is focusing on investment, assets, returns and other empirical physical measurables, are required to make these possible.

That is not to say the influence of Trans-National Corporations (TNCs), which is aimed at these positivist planning concerns, is underestimated. Equally, planning must be adaptive and tactical. All of this requires strong local authorities with clear support and co-operation from upper structures, such as provincial and national bureaucracies, corporations, and civil society think tanks. If such support and co-operation is to be relevant, all spheres of government involved in co-operative governance should, in the end, invest more resources in understanding the context of development planning. Such a scenario, of course, calls for monitoring mechanisms to be put in place. A series of studies must be conducted to monitor the changing environment and adapting to it.

However, this is not to be idealised because it is acceptable that there is tension between this approach to development planning and positivist planning and representative democracy on the other. If the insights of Habermas and Foucault, and this general line of argument, are accepted in the post-modern context delineated above, then there is indeed uneven distribution of power amongst stakeholders. It is also true that community organisations suffer from power struggles, are often transient, and always issue-driven. At times planning is externally driven, with a perpetual tension between 'positivist' and 'normative'

concerns. Resources are at times insufficient for funding planning processes (Rakodi, 2000:20–23).

Co-operative governance in integrated development planning faces significant challenges. It is not only a never-ending process; there must also be a product. Thus, whilst co-operative governance borrows from post-modern thought by broadening the scope of “whose reality counts” (Vincent, 1995:188), this perspective goes beyond the limitations of post-modernism in that it seeks to reach outputs and outcomes rather than being an open-ended process. However, the plan, here as well, is never complete but subject to constant review so as to negotiate new realities, and lessons from implementation are fed back into the planning process.

1.2. Co-operative Governance in South Africa

The formal meaning of co-operative governance in South Africa is defined in the national constitution. Section 40(1) of Act 108 of 1996 highlights that South African government has three governance spheres, namely: national, provincial and local. These are distinct yet interdependent and interrelated. Later, Section 41(1) defines the principles of co-operative governance. Amongst other desired qualities and attributes, it mentions the following: coherence, assistance, support, co-ordination and consultation between the various spheres of government. These principles are at the core of understanding co-operative governance. They envisage dynamic, integrated and mutually re-enforcing roles and functions, and are based on certain powers and duties assigned to the different spheres of government.

Edigheji (2003:73-74) highlights feedback, information sharing and co-ordination between government and civil society as elements of co-operative governance. In

this process civil society participates in agenda setting, policy formulation and implementation to address social exclusion arising from corporate globalisation. Co-operative governance also enhances openness and transparency in the formulation and implementation of socio-economic policy. Therefore, co-operative governance in development planning could benefit those in civil society, who are marginalized from decision-making and implementation processes. Participants with a relatively equal amount of information are able to make effective contribution to development planning. Co-ordination also implies that civil society groups will initiate their own development planning process but co-ordinate processes with government. This model envisages organised civil society with human, financial and physical resources that can be used in development planning and plan implementation.

However, the bulk of the implementation will be left to government, as they are the custodians of the public good, with national government providing the policy and legislative framework and regulating the corporations, and provincial government delivering services and resources, and local government working most closely with civil society groups.

According to Edigheji (2003:74) openness and transparency increases accountability for development planning decisions by both government and civil society. Consequently, the political system benefits from inter-class compromise and consensus resulting in stability. The political system develops institutions that increase the influence of the collective against the individual in design and implementation of policy which reduces possibilities of corruption. Development planning is essentially a search for order and certainty. Planning mechanisms such as regulations, schemes and spatial development frameworks are all means of

achieving this order and stability. By having and effectively employing these mechanisms municipalities are also seeking openness and transparency on how distribution of resources and assets in space is decided upon. Collective development objectives of a community supersede and even guide those of individual development initiatives.

However, Edigheji (2003:76) critiques this model from various angles. He asserts that stakeholders in this model are unlikely to protest against policy that they were party to developing. This results in political support for the neo-liberal agenda. Co-operative governance re-focuses the agenda of civil society organisations (CSOs) to be consistent with neo-liberal policies. This, according to Edigheji (2003:76), leads to the alienation of CSO leadership from their constituency. Equally it leads to the contraction of the state by giving power to institutions [e.g. CSOs] that have not been subjected to electoral processes. In this context co-operative governance becomes a complex mechanism that perpetuates the agenda of global capital. From Edigheji's contribution co-operative governance is a problematic process that could lead to class suicide and co-option.

It can equally be argued that once the leadership of CSOs has been co-opted it will not escape the wrath of the social base that elected them in the first instance. It may take long, but new leadership will emerge and supplant those who have been co-opted. In the trade union movement in South Africa this happens all the time, examples here include amongst others Messrs Jay Naidoo, John Gomomo, Sydney Mufamadi who were leaders of the trade unions and are now in government or business, and yet this movement continues to be strong. Essentially the material conditions that configure the agenda of CSOs will continue to produce leaders that

will best articulate the needs of membership of these CSOs. In the same vein the state has significant power at its disposal to bargain with global capital on behalf of those who have elected it. Increasingly trans-national corporations (TNCs) undermined this power. However, if the European Union-South Africa agreement process is anything to go by, governments can be more assertive in engaging global capital in defence of their national objectives.

The South African model of co-operative governance is both a response to a past of apartheid exclusion and global economic isolation resulting from the disinvestment movement of the late 1980s through the mid-1990s. Consequently, Edigheji (2003:69) makes the point “that the major challenge confronting the new government was to reverse the apartheid inheritance by promoting co-operative governance and a *shared growth*², that is, an economic growth that benefits all South Africans irrespective of race and gender. Concurrently, the new government began to initiate policies of outward orientation and domestic economic liberalisation as solutions to the socio-economic malaise”. A particularly strong point here is that the South African co-operative governance model has two important dimensions, namely political and economic integration based on effective and inclusive decision-making and implementation.

According to Edigheji (2003:71-72) this has also entailed participation in policy networks in the formulation and implementation of public policy. It allows for co-operation and competition of stakeholders as well as legitimisation of the system, which is key to economic growth. It is this differentiated participation, resulting from ‘competition’ in formulation and implementation of planning that entrenches

² Italics are in the original text.

what co-operative governance seeks to resolve, namely equalizing the voices of various stakeholders. The national stakeholders have more power than the local. Within the national stakeholders different stakeholders have different power. Globally, supra-national institutions have more power than national institutions. Simultaneously, some national institutions have more power than others within multi-national institutions.

What then is the chance of a local municipality achieving co-operative governance in IDP that is beneficial to its locality rather than to national or super-national prerogatives? This dynamic interaction between political and economic sectors occurs as vertical co-operative governance (VCG) as well as an interaction occurring at the same sphere within and between departments and the private sector. This is called horizontal co-operative governance (HCG).

2.2.1. Vertical Co-operative Governance

VCG is largely driven by national policy and is programme-based. It goes beyond decentralisation and speaks to active upwards and downwards engagement in planning and implementation. Conyers and Hills (1984:225) argue that VCG is about interrelationship between various spatial levels. These relations are based on the distribution of decision-making powers, channels of communication and procedures for determining the role and functions of each level. They proceed to highlight that this process can either be “top-down” with the starting point of planning being national institutions, including government or “bottom-up” where initial proposals come from the bottom, for example, civil society organisations, and are aggregated upward.

Evidence has shown that post-apartheid South Africa tends to favour top-down planning and management. In electrification, for example, ESKOM reports that they continue to engage their stakeholders, namely, government, customers, communities and Non-Governmental Organisations (NGOs) in planning processes and information sharing on environmental issues (ESKOM 2000:25). The electrification programme was one of the key RDP programmes post 1994. ESKOM as a company owned by government has clearly incorporated co-operative governance in its *modus operandi*. Even though their report is not explicit there seems to be no evidence of a “bottom-up” planning process.

Further examples of “top-down” development planning programmes in post-apartheid South Africa include Spatial Development Initiatives (SDIs), Industrial Development Zones (IDZs), the Integrated Sustainable Rural Development Programme (ISRDP), and the Urban Renewal Programme (URP), which can be regarded as national programmes. According to Jourdan *et al.*, (1996:2), one of the initial observations in the evolution of SDIs was that there were several initiatives of developing areas with inherent economic potential where the national, provincial and local government were pursuing differing strategies, spatially and structurally. From this statement it can be inferred that Jourdan *et al.*, (1996) preferred a nationally driven programme simply because there was poor co-ordination in pre-existing development planning efforts by the various spheres. Consequently, the weakness of Jourdan’s argument is that little attention is paid to the process of facilitating co-ordination between spheres rather than steering planning from above. Jourdan *et al.*, (1996:5) later highlight successful planning, design and implementation of an SDI as requiring political commitment to the process between all levels of government and their department.

Clearly, other spheres are expected to comply and with no focus on co-ordination with the national sphere.

This perspective permeates public-private sector interaction in institutions like the National Economic Development and Labour Council (Nedlac). Nedlac's role, according to the Nedlac Act 35 of 1994; includes promotion of economic growth, participation in economic decision-making and social equity. It also seeks to reach consensus and conclude agreements pertaining to social and economic policy. Nedlac considers all proposed labour legislation relating to labour markets before it is introduced in Parliament. Simultaneously, it considers all significant changes to social and economic policy before they are implemented or introduced in Parliament. Finally, it encourages and promotes the formulation of co-ordinated policy on social and economic matters (Edigheji, 2003:77-78). All of these functions are reflective of the political-economic integration in co-operative governance.

However, the formulation of roles within NEDLAC sets out to find common solutions for all spheres of society. These solutions are therefore also nationally determined. It can be argued that there is nothing wrong with the national sphere determining such solutions because it is interfacing with the global economy and political systems. However, the unperceived consequence of such a deterministic approach at national level translates to the continued aggregation of power in institutions that are far from the intended beneficiaries of development planning, who elect representatives to the national sphere.

SDIs are intended to achieve co-ordination of effort in planning, design and implementation of regional economic development programmes. Hosking and Jauch

(1997:27,29 and 31) indicate that despite its good intentions the Department of Trade and Industry has neither taken local or provincial interests into consideration but rather have followed a unilateral policy position of export-led economic growth strategy. This strategy does not take into account local socio-political conditions and development potential. Therefore, Hosking and Juach are pointing to the disjuncture between policy and practice.

A similar observation is made by the Commission on Restitution of Land Rights (2000:14) in the Eastern Cape where the National Department of Water Affairs and Forestry (DWAF) and Eastern Cape Nature Conservation (ECNC) dispute a land claim on one of the SDI nodal areas called Dwesa-Cwebe in the former Transkei because no overtly racist act was used for the removal of the claimants. Little consideration went into the fact that Transkei was a product of apartheid and its practises were in line with this policy. In other words the national and provincial spheres, in this case, failed to consider the specificity of local conditions in land reform. In the same report the Commission points to the overriding control of a privatisation programme of forests by DWAF over land restitution, thus resulting in the rights of the claimants being sub-ordinated to those of the preferred bidders for the privatisation sale. Such conflict between policy and practice demonstrates the domination of the national sphere and its ignorance of the local context in imposing national planning priorities. Despite the need for co-ordinated planning, design and implementation of development planning processes, real examples show that this need is not always made manifest.

Another institution that introduced a different dimension to Vertical Co-operative Governance is the Finance and Fiscal Commission. In its 2001 recommendations it

is stated that “it is an essential feature of all multi-level government systems, federal and otherwise, that tensions exist and compromises must be made. These involve the resolution of the balance between truly decentralised provincial responsibility for fiscal decisions on the one hand and the achievement of national equity and efficiency on the other.” (FFC, 2001:23). FFC’s submission introduces a fiscal dimension to VCG. However, it falters by assuming that achievement of equity and efficiency is the sole preserve of the national sphere.

Read differently though, this may mean that the revenue collected from the various provinces coupled with their population levels cannot be sole determinants of the distribution equation but rather that development needs and historical inequity are to be the key drivers to fiscal allocation. The national sphere, either way though, remains with the financial power. National government’s status and role in distributing revenue result in top-down planning and management.

Effective VCG requires co-operation on financial planning and distribution. In other parts of the world various models of co-operative financial planning and distribution have been explored. According to Savas (as cited in Swersey and Ignall eds., 1986:13) the United States government entered into inter-governmental agreements, where one level acted as an agent for the other but was bound by a service agreement. In 1973 alone 62% of the 2375 municipalities in the US subscribed to these agreements. Such agreements, if properly negotiated, provide flexibility and space to use financial resources from other spheres guided by the context of the local sphere.

This study will show that policies on IDP, with specific reference to LED, require an expanded understanding of co-operative governance. Such conceptual expansion will be horizontal to include civil society, business and other relevant role players. Harrison *et al.* (as cited in Reddy *et al.*, eds., 2003:187) concur with this expanded version when they say that: “co-operative governance implies the co-operation of the various spheres of government, and the organs [of] civil society. Creating an enabling environment for LED demands an effective system of co-operative governance”. LED in South Africa is facilitated through the IDP, hence the focus of this study. South Africa’s democracy is over a decade old and IDPs, as well as the idea of LED, evolved simultaneously.

2.2.2. Horizontal co-operative governance (HCG)

The LED Draft Policy (2000:13), in its vision for co-operative governance pays particular attention to HCG. It calls for multi-disciplinary and multi-sectoral approaches, which require innovative horizontal co-ordinating mechanisms. This vision of HCG envisages an interactive form of political and administrative management of development. The implications for development planning are that there should be horizontal “multi-sectoralism” and “multi-disciplinarity” in planning. It can further be observed from Matheson (cited in Van der Molen *et al.* eds., 2002:18) who writes about outcome-focused management in Organisation for Economic Cooperation and Development (OECD) countries, that horizontal integration in planning will result in increased effectiveness and efficiency.

However, it will have the negative by-product of difficulty of leadership. Brinkerhoff (as cited in Theron *et al.* eds., 2000:206, 210) attempts to deal with this difficulty,

when he writes about democratic governance. He identifies constituency building as a tool for mobilising support for reforms. He also makes the point that cross-institutional checks and balances including power-sharing in decision-making and independent monitoring is key to consensus building.

In assessing co-operative governance in IDP this study will review the extent to which apartheid patterns of distributing resources spatially are either being unwittingly continued or are being reversed. Such a focus is important since countries in transition from an authoritarian regime to a democratic dispensation tend to continue the economic policy of the preceding authoritarian government because of a broad and entrenched beneficiary class and the insulation of the technocratic stratum committed to policy continuity (Haggard and Kaufman, 1995:228-9). South Africa equally runs this risk because the democratic government evolved from a negotiated political settlement rather than a political-economic settlement. A political settlement tends to leave economic relations between the oppressor and the oppressed unaffected. Development planning is a political-economic process that seeks to achieve political as well as economic equity.

The economy of South Africa is largely owned, controlled and operated by white South Africans and multi-national corporations. In addition, white South Africans own the technical and technocratic skills required to run the country's sophisticated economy. Therefore, the risk is that this will continue unless effective co-operative governance enables the different spheres of government to implement development planning models that result in, amongst others, significant economic redistribution. The Black Economic Empowerment strategy adopted by national government post-2000 largely leaves this redistributive process in the hands of the private individuals

and the free market. Whereas development planning seeks to redefine physical, fiscal and spatial redistribution of factors of production by directing public and private investment to marginalised groups and areas. Social-compacts should be reached with civil society and business to achieve successful redistribution. This has worked relatively well in the Scandinavian countries, where taxation amongst other instruments was used as a redistributive tool for fighting unemployment and poverty.

1.3. Integrated Development Planning

Conyers and Hills (1984:60) define integrated development planning as an interdisciplinary approach to planning which bridges the gap between economic development planning and physical planning. In South Africa, the Local Government Transition Act (No. 209 of 1993), amended in 1996, introduced the concept of IDP. This was further elaborated in the White Paper on Local Government (1998) by the then Department of Constitutional Development (DCD). The emphasis by DCD was on building local government administrative systems such as budgeting, planning and communication. It heralded a shift from structural and narrow land use planning to a more strategic and egalitarian planning approach. The IDP, therefore, is seen as a redistributive tool.

In the Local Government Systems Act (No. 32 of 2000) (LGSA), the IDP is defined as a strategic plan that co-ordinates and integrates plans, aligns resources and implementation capacity. It provides the policy framework for annual budgeting and is compatible with national and provincial development plans (Sec. 25 (1) (a-e)). The purpose of an IDP is to align plans and strategies of a district municipality with those of its constituent affected municipalities as well national plans in order to ensure co-operative governance (Act No. 32, 2000 (24) 1). Its content is to reflect the council's

long term development vision, to assess existing levels of development in the municipality, setting development priorities and objectives, local economic development aims, internal transformation, alignment with sectoral plans of other spheres of government, spatial development framework, the council's operational strategies, disaster management plan, a financial plan, key performance indicators and performance targets (Sec. 26).

The above background and definition of IDP shows that no single development planning tradition can account for IDP but rather an ensemble of elements from various traditions, namely, according to Friedman (as cited in Mandelbaum *et al.* eds., 1996:17-28) policy analysis, social learning, social reform and social mobilization. Evidently, IDP covers a range of planning issues over several spheres. In this context the focus on LED in this study narrows the assessment of co-operative governance in development planning.

1.4. Local Economic Development

1.4.1. Local Economic Development

Local Economic Development (LED) has many perspectives underpinning it. It is important to understand these before the adequacy of the IDP can be assessed. According to Blakely (1994:49-50), LED is a process by which local governments, along with local corporate firms, join forces and resources to enter into new partnership agreements with the private sector or each other, in order to create new jobs and stimulate economic activity in a well defined economic zone. It emphasizes "endogenous development" policies using the potential of local human, institutional and physical resources. Blakely (1994:59-62) explores a synthetic theory of local

economic development. He identifies boosting local employment, building the institutional base, developing locational assets such as recreational, housing and social institutions as well as building knowledge resources to tap into the intellectual resources of the area. This theoretical proposition is summarised in diagram 2.4.1. below. Seasons (ND:10) notes that LED is the long-term process of change with the goal of stimulating local economic activity. He later says economic development includes the notion of structural change on the economic and social level, or both. Ultimately all these efforts lead to the revival of depressed economies through stimulation of economic activity.

Similarly, LED prominence, according to Harvey (cited in Rogerson, 1995: v), across the developed world is associated with the weakening of centralised economic management, attempts by localities to counter the effects of global economic restructuring, and the new openings for local economic intervention that arise from the “aftermath” of Fordism and the vertical disintegration of production to “flexible” small enterprises. Furthermore, in cities there has taken place a remarkable transformation in urban governance from an era of managerialism, which focused primarily on the local provision of services and facilities, to one of urban entrepreneurialism as the local government became preoccupied by speculative deployment of local resources to mobilise investment of private capital. An example of this can be found in infrastructure development programmes in major cities such as Johannesburg, Cape Town and Durban. This investment seeks to reduce the operational overheads of business by making it easy for business to access the market and vice-versa.

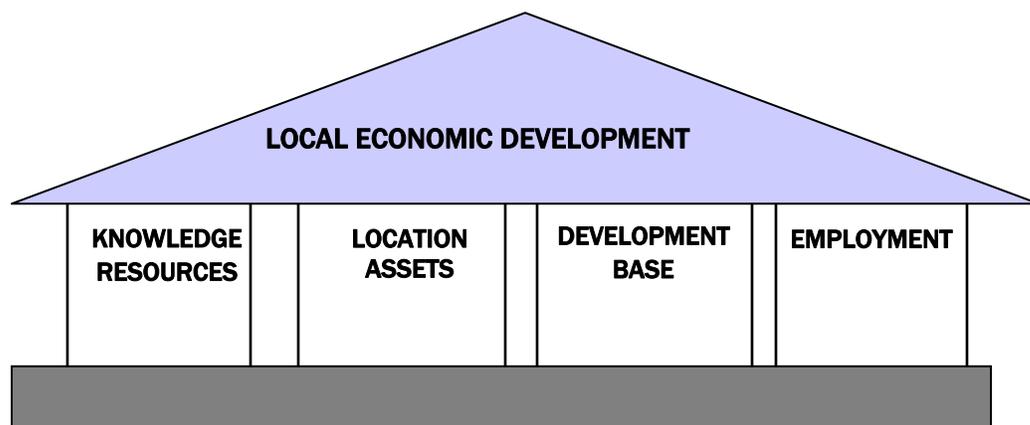


Diagram 2.4.1: Pillars of LED developed from Blakely (1994) (Table 3.2.)

Commentators on LED agree that this development approach emerged, amongst other things, as a response to the globalising economy. Sengenberger (1993:313) commented on it, saying that “we observe the accelerating internationalisation of production, the globalisation of markets and the formation of international trading blocs and common markets, and on the other hand the re-emergence of local economies, in the form of local networks of suppliers to large companies, small-firm industrial districts, and local employment initiatives.” These observations are consistent with the rise in local identities and cultural spaces as observed by Castells (1997:304-5). The dichotomy inherent in globalisation expresses itself in the economic sphere – centralisation sits alongside decentralisation. In its schemata there occurs the simultaneous maximisation of wealth accumulation and the deepening of poverty. In this context LED could be considered one of the responses by those marginalized from the global economy. It is a mechanism of re-engagement and maximisation of local economic benefit.

LED is driven, in its re-engagement process, by several principles. Amongst others, it

is driven by the principle of clustering. According to Sengenberger (1993:316-7) local clustering carries many advantages. It can save overheads through joint procurement and utilisation of resources (e.g. the sharing of tools and machinery) and achieve economies from the pooling of labour, financial and physical capital, and infrastructure. It can alleviate risks through the exchange of information and goods (e.g. spare parts in cases of machine breakdowns); it can speed up the flow of goods and reduce the cost of information and transport within the industry, because of the short spatial and social distance between firms (Marshall, 1919³), and lead to the early exposure of imbalances, needs or constraints within the cluster to be addressed or exploited (Potter, 1990:157). Furthermore, LED can reduce vulnerability and the risk of bottlenecks and shortages – for example, if one supplier fails for some reason to deliver a part or component in time, there are other suppliers who can step in to deliver. The LED approach can help to maintain and improve technology through close cooperation between producers and users of capital equipment, and it can facilitate marketing and exportation through the provision of “real services” (Brusco, 1992). In addition to acting as a strong magnet to attract talented people, LED can promote the local supply and demand which is so beneficial to the functioning of local labour markets.

Another principle of LED is endogenous development, which emphasizes the need to organise local development from inside. This entails organising capital, labour and institutional resources (Sengenberger, 1993:319). These resources can then be used creatively to build the local economy. Hence, local capital and labour define the unique comparative advantage of the locality. Moreover, institutional resources are used to support those starting new enterprises with information, technical advice and

³ Note that Sengenberger doesn't include a page number in his reference to Marshall.

business planning services. The principle as a whole augurs well for local confidence in the local economy.

The promotion of inter-firm linkages (Sengenberger, 1993: 317) also underpins LED. This promotional dynamic is derived from clustering, where firms work together as suppliers to the external market and to each other. Such networking between firms facilitates word-of-mouth marketing and referrals. It is also important for sharing information. Networking could also see them bidding jointly for profitable projects. Lobbying by collectively seeking changes in policy and regulations and advocacy through collectively championing and organising for concessions that favour their businesses also constitute a key function for these networks.

However, these networks do not work because people are clustered or in the same field but owing to trust and loyalty based on political, religious, ethnic and institutional relations (Sengenberger, 1993:317). Such relations lead to trust because people will have worked together under different conditions, know each other and built friendships. As such they can depend on each other for support, advice and guidance. Even though the negative consequences of this could be nepotism, its positive effect is building interpersonal relations and using those as a basis for doing business together. Consequently, such business people could constitute a referral network. They also trust that product quality will be good and that is based on the long-standing relationship.

Product quality is also important because any product that goes out to the market labelled “made in city xxx” reflects on the brand of the local economy. Similarly, products of poor quality undermine the brand of the locality and vice-versa. Flexibility

of production processes has become significant with LED. This is due to the focus on quality output and outcome rather than rigid processes. Product quality no longer depends on the availability of tightly controlled production process but rather on the application of resources and technology wherever they are. An example of this is the Boeing Company's commercial jet airliner, the 777. Eight Japanese suppliers make parts for the fuselage, doors, and wings; a supplier in Singapore makes the doors for the nose landing gear (Hill 2004:8). These resources and technology must just be efficiently available and that use must be profitable. However, quality arising from the smart usage of resources and technology is also dependent on the extent of innovative production.

Each locality, be it a municipality or an economic region, in LED is challenged to promote innovative production and thus sustain product quality. Innovation in production provides a unique identity to the producer and the location of the producer. Municipal or local identity can be derived from production, some examples of this include Stutterheim and timber production, Grahamstown and the Arts Festival, Somerset East and the Biltong festival. As can be seen from these examples, there are many places that produce timber, host arts festival and produce biltong but these localities have innovatively produced these commodities in a distinctive manner thus resulting in shared identities. All of this necessarily require better management and improved industrial organization that is propelled by municipal or regional economic policy and strategy.

In LED better management is vital for success. Here the locality needs to invest in institutional management mechanisms that enable efficient decision-making, and specifically streamlining decision-making processes. As such, effective LED requires

decentralisation of decision-making as economic investment decisions are made faster now than ever before. If municipalities have limited decision-making powers with respect to LED this is detrimental to growing local economies. In avoiding anarchy and uneven economic development, it might be useful for the upper spheres of government to work with the local spheres as “internal consultants” guiding them towards making economic decisions beneficial to their economies but also consistent with regional and national economic objectives. An example of this could include a municipality being able to negotiate a tariff regime for its services that excludes national taxation and customs duties. It may also craft by-laws and regulations with the local economy in mind. These should be tailor-made to ensure efficiency of the local economy. These regulations encourage industrial development and growth by setting aside land for industrial parks, for instance. Furthermore the municipality is required to plan its systematic support to the local economy. Business units within the municipality may enhance management by collaborative organization and coordination of economic support. The municipality is expected to lead local economic development and one way of doing this is achieving better industrial organisation by investing physical infrastructure in industrial zones demarcated in its spatial plans.

The municipality is expected to lay out infrastructure required for economic growth, including water, sanitation and electricity, and social upliftment as part of its industrial organisation strategy. In this regard Sengenberger (1993:320) argues that this emanates from the presumption that local funds are better spent on investing in the physical and social infrastructure – local transport and communication, technical services, education and training, housing – with a view to developing the area’s own resources, encouraging new technologies and products, and improving the quality of work and life in the area. Such infrastructural and social investment lays the basis for

the development of a location that would be attractive to both internal and external investors. Sengenberger (1993:320) further submits that investors are to be attracted not simply by untargeted money, or cheap land, cheap labour, etc., but by high-quality resources such as education, entertainment and cultural activity. Investors in turn, he further argues, are encouraged to commit themselves to explicit local development projects and objectives. Commitment to local development implies participation by local role-players and stakeholders in economic development.

In LED, more than in any other development perspective, citizen mobilisation forms a vital element. Local citizens are vital to embracing the “entrepreneurial culture” induced by LED. However, entrepreneurialism requires relatively good skills level. Consequently, local citizens are recruited to improve their skills so as to enrich the labour market through, amongst others, skills development programmes funded by the municipality and in certain instances with private sector contribution.

All the above components of LED define generic requirements for effective economic development. The application, non-application and mis-application of some of these components has led the evolution of several loose models, namely, “western model”, “Latin-American model”, “African model” and the “South African model”. Although these models are historical aggregates observed through the study of LED in various societies, it must be acknowledged that there are inter-country and inter-municipal variances and as such the use of the word “model” refers to the general characteristics as observed over time by several scholars, who shall be referred to below.

1.4.2. The Western model

There are several theories underpinning the meaning of LED and these are informed by the economic history and structure of certain regions of the world. In the United States the meaning of LED, according to Blakely (1994:48), is derived from an understanding of communities as market places, and that they should market their resources to gain competitive advantage through creating new firms and maintaining their existing economic base. This competitive advantage is based on the human, social, institutional and physical resources. This perspective is a product of some of the historical elements of economic development in the US.

In the 1960s the US urban areas saw a decline in private investment, which in part was due to the availability of cheaper production inputs such as labour and raw material in developing countries, which resulted in relocation of some of the firms from the US to these countries. The 1970s saw a national economic recession that resulted in dislocations, unemployment, out-migration of labour and economic activity, as well as chronic municipal fiscal stress (Barnekov *et al.*, 1989:63).

When tracing the evolution of LED policy in the US, Barnekov *et al.*, (1989:65-73), highlight as dimensions community mobilization, creation of conditions for growth, utilizing local talents and capacities, mobilizing resources and generally improving the value of people and places. US policy emphasized linking urban communities to local business prosperity, focusing on employment, subsidizing business in low income areas, developing labour skills, partnering between local government and business, and providing federal government incentives for investing in depressed areas as the major instruments of LED. It can be observed that the US model of LED is that of an active state, which mobilizes resources, the community and the private

sector, thus facilitating economic activity. The US model is also underpinned by an objective of improving market mechanisms. Federal government sets policy, develops strategy and provides financial instruments to local (that is county or city) government. The President Carter era had several examples of this, which marked vertical co-operative governance (VCG). Partnership with the private sector and communities defines horizontal co-operative governance (HCG). According to the US model, in HCG the state has to be more enterprising and in VCG there is more emphasis on decentralizing economic responsibility to the local government sphere.

Like the US, the British cities suffered under the economic recession of [the mid-through late-1970s and] 1980-1 resulting in 12% unemployment, with heavy concentration of this in inner-city areas as well as civil disorder (Barnekov *et al.*, 1989:181). This was evident in Bradford, Birmingham and parts of London. In response to this the British administration evolved a LED strategy. Barnekov *et al.*, (1989:186-190,196) highlight that this strategy entailed redirection of public funds towards local economic activity, promotion of public-private partnerships and leveraging as important elements of LED in the UK. Primary criteria of LED projects in this perspective were employment creation, locating industries in economically depressed areas, and economic feasibility. The pro-capital Conservative Party government of Prime Minister Margaret Thatcher (1979-1988) emphasized privatisation of parts of the English cities in order to avail more resources for local development. Municipalities agreed to this in return for more resources.

The western model is equally informed by the “neo-classical counterrevolutionary economic theory” as outlined in Todaro’s “Economic Development” (1997). Todaro (1997:86-87) highlights the components of this theory as supply-side macroeconomic

policies, rational expectations theory and privatisation of public corporations. It also encompasses creation of freer markets, dismantling public ownership, statist planning and government regulation of economic activity. This perspective argued that less developed economies suffered from corruption, inefficiency and a lack of incentives for investing. The “market-friendly approach”, a strain of this theory argues that government’s role in less developed economies is investment in physical and social infrastructure, health care facilities, educational facilities and creating a suitable climate for private enterprise. Hence the emphasis of both the US and UK on growth and private sector centred LED approaches, where the local government plays a de-regulatory role. Therefore, the function of the state in the Western model is to create an environment conducive to private sector success.

These theoretical positions underpin the policy and practice of LED as found in the West. Similarly, Botchway *et al.*, (in Coetzee *et al.*, 2001:396), converge with this view when they define LED as an interaction of employment, employability, enterprise and the economic environment. The foci of this view are job creation, skills development, encouraging enterprising activities and the provision of appropriate infrastructure for business development. This model is based on the experience of Coventry in the UK. The British model of LED equally emphasizes the enterprising role of the municipality and a strong relationship of local government with the private sector. Simultaneously it empowered the private sector in this relationship.

In both the US and British models, LED comes through as a practical movement responding to limitations of the national state to “protect” jobs lost mainly from the decline of the Fordist manufacturing era. It encompasses strategies endogenously developed. Local capacities are the central aspect of LED. These capacities must be

guided with active participation and leadership of local government to lead to a growing local economy. Four pillars of this approach include mobilisation of the community into economic action, intervention by creating conditions that are conducive to local economic growth, promotion of local talents and capacities, and mobilisation of resources to drive the programmes.

Main elements of LED are SMME funding, information and training and social animation. Blakely (1994:49) makes the point that LED is a new process by which local governments, along with local corporate firms, join forces and resources to enter into new partnership arrangements with the private sector or each other, in order to create new jobs and stimulate economic activity in a well-defined economic zone. Blakely (1994:60) says that the goal of LED is to enhance the value of people and places.

Summarily, the Western model has the private sector as the central component of LED. Government's role is to support the private sector in playing this role.

1.4.3. The Latin American model

In Latin America, the model of LED prevailing is significantly different from the US and UK models. Armstrong and McGee (1985:61- 68) trace the economic history of the region as being marked by European conquest, which made them tentacles of capital accumulation by transnational corporations (TNCs). Conquest led to the growth of urban settlements along the South American Atlantic coastal belt, which became administrative sub-centres of the empire. They became nodes for facilitating export of raw materials and minerals as well as places for capital accumulation. The ruling class invested in the local economy, using surplus from this accumulation

process. The local economy defined itself as a linkage between the export sector, the consumer market and a growing labour force with limited diversification into domestic marketing. In addition the ruling class and state were, and still are, subordinated to foreign interests.

In these countries, local economies modernized through commercialised agriculture. Thus, subsistence farming communities gave way to technical and capital-intensive farming and the former subsistence farmers were either available as cheap labour or unemployed migrants to urban economies. There were also free trade zones for promoting export trade and national government provided infrastructure, tax relief and lower wage rates amongst other incentive packages. These packages were aimed at attracting foreign investors. They had also resulted in increased spatial concentration, which in turn increased demand in infrastructure and services investment to maintain, according to De Mattos (1982:75), a perceived efficiency and dynamism. Even though the Latin American model of LED is different, it shares the centrality of the private sector to building local economies.

The differences include a lack of focus on endogenous strategies of economic regeneration. There is a lack of focus on skilling labour and enterprise development. Finally, there is the manifest absence of a role for local government, and instead we see a nationally-driven perspective of producing for the international economy. The limited role of local government contradicts the dynamism of the process. In this model the rural poor and landless peasants are pushed off the land and pulled to the cities, thus putting pressure on the provision of infrastructure and services as pointed out above.

1.4.4. The African Model

LED in Africa takes on a different meaning from the above two models. Kharoufi in Swilling, ed. (1997:61) makes the point that in North Africa (e.g. Cairo) there are significantly high levels of unemployment, with the informal sector dominating the urban economy. Informal associations that mobilise funds for trading as well as providing socio-economic infrastructure drive it. Kharoufi in Swilling, ed. (1997:79) makes the point that North Africa has experienced urbanisation without employment resulting in production systems that cannot cope with the demand for employment and urban management systems that are weak. Halfani in Swilling, ed. (1997:121-122) makes the point that in East Africa, due to limited capacity for resource mobilisation, central government agencies assume the role of managing investment and operations of urban development. Until late 1980s East African cities emphasized physical development and technical management at the expense of building institutions.

This centralism and technocratic management resulted in weak municipalities that were unable to drive LED. Attahi in Swilling, ed. (1997:180-181) provides more evidence from Francophone Africa. He reflects that communes, equivalents of municipalities, have powers to intervene in economic and social development but they behave as if this is the exclusive responsibility of the central government. None of them had developed or implemented a real strategy for their external promotion; investment promotion, industrial parks, and they don't participate in the activities of local Chamber of Commerce and Industries. From the above it can be concluded that the African model of LED is marked by centralism.

This feature goes against the western model that sees LED in essence as a locally driven process with collaborative support from upper spheres. It must also be appreciated that in Africa LED is firmly within the agenda of the state. Subsequently, East African municipalities have a strong informal sector that attends to areas such as urban housing and employment creation. This sector has also transformed the concentric spatial form inherited from the colonial city into a multiple nuclei city marked by a de-concentration of production and service activities within diverse neighbourhoods. An example of this is the development of informal settlements closer to places of work that redefine urban space. In Kenya and Tanzania the informal sector employ approximately 40% of the urban population.

The International Labour Organisation (ILO) observed that in Kenya the informal sector allowed for ease of entry into the economy, reliance on indigenous resources, family enterprises, labour intensive skills acquired outside the formal school system and for competitive markets (Halfani in Swilling, ed. 1997:132, 136). Halfani in Swilling ed. (1997:153) makes another salient point in this regard – that the informal sector has displayed options for poverty intervention, which include shelter, land management, micro-enterprises, urban agriculture, commodity trading and vending, service provision and credit mobilisation.

It is this organic economic capacity, read together with the assets held by the informal sector as displayed by De Soto (2000:29) earlier, which lies at the base of any future formally driven LED in Africa. Where Africa is concerned, De Soto (2000:29) indicated that the total value of African informal real estate is worth \$0.97 trillion. Another conclusion that can be drawn from this evidence is that there is a small formal business community in the African city. This, therefore, means that the

active leadership and participation by business seen in the western model can only be substituted by the informal sector. If this conclusion is true then there is a need for a deeper understanding of the working of this sector and acceptable terms of its engagement in a thorough going economic transformation process.

Another feature of the LED model of Africa is the incorporation of land under the jurisdiction of chiefs into urban spaces. This, in Uganda, has resulted in land being held under three tenure systems, namely leasehold, freehold and customary tenure, resulting in a complex land management system in urban areas (Halfani in Swilling ed. 1997:129). For the purpose of comparative study, customary tenure is the most problematic of the three because of a lack of documentation, as the case is in Uganda. Complex land management means that it is hard to take decisions on the release of land for development because the process is convoluted and multiple-level decision-making takes time. Consequently, the investor may decide against investing because it's costly to keep idle money that is meant for investment. This is a challenge to LED because economic investment requires ease in decision-making and clarity of land rights as all development occurs on land.

Furthermore, property development and infrastructure improvement require that there be clarity on the property rights. Such clarity will also enable the market value of such property and land to increase. Private investors require confidence that their investment in property will yield appropriate returns. The challenge for LED practitioners at a local level and strategy and policy crafters at the regional and national level is to attend to the complex web of tenure systems and its effect on property rights. The above-mentioned challenges are further complicated by unabated poverty in Africa, which means that any LED programme in the African

context must have a poverty-alleviation component. In Tanzania by 1991, 39.5% of the urban population lived below the relative poverty datum line of US\$227.

In Kenya in 1992, 29.3% of the urban population lived below the absolute poverty line of US\$240 and in Uganda this figure stood at 37% below an absolute poverty line of US\$120. In Kenya it is estimated that 60% of the urban population live in shelter without infrastructural service and tenure security (Halfani in Swilling, ed. 1997:148). In responding to the challenges of poverty the Tanzanian and Kenyan governments introduced a Small Scale Industrial Development Organisation in 1973 aimed at promoting small industries through establishment of industrial estates, distribution of loans to industrial and processing establishments. It also provided modern technology, infrastructure, power and extension services. These programmes registered initial success but were later hampered by organisational problems and rapid population growth (Halfani in Swilling, ed. 1997:152).

1.4.5. The South African Model

In South Africa the role of local government in LED is derived from the RDP and the Local Government Transition Act of 1993 and its amended version of 1996. The RDP policy document stated that strong metropolitan government should be established to assist with the integration and co-ordination of urban economies. It also stated that local authorities should extend municipal services, deal with backlogs in municipal services and inculcate a culture of developmental local government (ANC 1994:129-30). These points were consolidated in the Constitution of the Republic of South Africa (Act 108 of 1996 (S 152 (1) b), where local government is given the role of promoting social and economic development, amongst others.

The LED perspective of this study is that land reform is at the centre of economic development in many if not all municipalities. Consequently, the starting point is the Constitution of the Republic of South Africa (Act 108 of 1996:11-12), which addresses rural development challenges through the Bill of Rights clause 25, also known as the “Property Clause”. The clause states, “No one may be deprived of property except in terms of law of general application”. In addition, “A person or community dispossessed of property after 19 June 1913 as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of parliament, either to restitution of that property or to equitable redress”. This clause empowers the state to address the land reform question of the country. It is also consistent with Act 22 of 1994 (Restitution of Land Rights Act), which defines those entitled to restitution as those who were dispossessed in 1913 and its primary object is to redress the effect of the 1913 dispossession. This Act sets up the Commission on Restitution of Land Rights (s.4) and defines the procedure of claiming (s.11).

Another important legislation is the Extension of Security of Tenure Act (62 of 1997), whose main object is the facilitation of long-term security of land tenure; regulate conditions of residence on certain land, conditions and circumstances for termination of tenure and land eviction. This is the legislation that could be defined as responding to the structural inadequacies that were instituted by betterment policies. Betterment policies were notorious in the 1950s and 60s for the destruction of the Black rural economy. Other important legislations to be reviewed are the Land Reform (Labour Tenants) Act (3 of 1996), which provides the security of tenure for labour tenants and use of land by those associated with labour tenants and the Prevention of Illegal Eviction from and Unlawful occupation of Land Act (19 of 1998),

which prohibits unlawful eviction and sets procedures for eviction of unlawful occupiers. This Act is dubbed as being biased to the squatter. All these legislation set a framework for the land reform process. They are the pillars of land reform. These Acts are largely derived from the White Paper on Land Reform of 1995.

There are also three crucial policy documents guiding rural development and land reform in South Africa: the White Paper on South African Land Policy (1997) (White Paper), Rural Development Framework (1997) (RDF) and the Integrated Sustainable Rural Development Strategy (2000) (ISRDS). The White Paper seeks to redress the injustices of apartheid, foster national reconciliation and stability, underpin economic growth, improve household welfare and alleviate poverty (Department of Land Affairs, 1997: v). The White Paper also sets up three programmes: the land redistribution programme, land restitution programme and the land tenure programme. These are then accompanied by financial grants (Department of Land Affairs, 1997:vi – xiii).

The RDF, on the other hand, seeks to facilitate inter-sectoral planning and co-ordination by all rural people and government in the rural development process. Its 2020 Vision highlights diverse agriculture, “economy of participation”, periodic markets, diverse commercial and service sectors, access to government information, availability of water, sanitation and fuel, local government structures, close links of local government civil society and business, safety and security, healthy children and fewer poor people as the ultimate objectives of rural development (Department of Land Affairs, 1997:15). Its main strategies entail building the capacity of local government in fulfilling its constitutional mandate.

These include setting up District Land Offices for expediting land reform, the promotion of economic development through LED, agriculture, forestry, tourism, rural industries, SMMEs, financial services, and also labour-intensive programmes. Another key strategy of the RDF is building rural infrastructure for water and sanitation, access roads, energy and housing. It also highlights the importance of Spatial Development Initiatives (SDIs) in rural development. The other strategies in the RDF are building social stability and the local capacity to plan and implement rural development. (DLA b 1997:23 – 71) This broad menu sets the framework for government programmes and enforces the desire to integrate development. It is now known that government is battling with this due to a lack of capacity and in other cases rivalry between departments.

The ISRDS emerged as a response to this weakness in year 2000. It was a desire of the President's Office to improve co-operative governance. The vision of the strategy has social cohesion, stable communities, viable institutions, accessible social amenities and available skills and knowledge as the elements of rural development government wants to see. It acknowledges progress made in the first six years of the democratic government. Lessons from this era include the problem of targeting, urban bias, poor disbursement of resources aimed at rural areas and the deteriorating health situation due to HIV/AIDS, all of which can be said to be consequences of non-cooperative governance. It therefore seeks to target the most vulnerable groups, namely; rural poor, women, youth and the disabled. A notable development is the significant role given to social capital (e.g. stokvels, burial societies and other collective resource mobilisation mechanisms) as a catalyst for development. The more significant part of the ISRDS strategy is dedicated to enunciating the co-ordination mechanism.

The ISRDS strategy utilises a nodal approach, which entails clustering public and economic services in one or more municipalities in order to produce a pull factor for further economic activity into the area, to development planning. This nodal development will be guided by existing criteria used by departments in targeting areas for development. The various institutions that offer resources for rural development will pull these into a “basket of resources”. Expenditure from this basket will be demand driven as opposed to the first six years of supply driven development expenditure. More support will be given to municipalities in the node. In turn municipalities are required to create an “expenditure envelope” which integrates all the programmes of the institutions that provide the resources.

The strategy makes provision for a performance monitoring system, which will bind municipalities through a performance contract. The contract will be between the municipality and provincial and national departments. Furthermore, municipalities will be given human resource development support, technical support through NGOs, in this case a quasi-NGO called the Independent Development Trust (IDT) has played this role in the national and provincial departments, fast tracking the land reform process, provision of safety nets and political and technical support from the Presidency. The strategy also emphasizes a gradual approach to the implementation of development projects. The downside of the strategy is that the budget for development will not be increased but re-organised to be more effectively and efficiently utilised.

In 1997 the Department of Housing published an “Urban Development Framework” (UDF). UDF stated that LED is emerging as a strategy [that] has the potential to

address the economic problems [that] prevail in South Africa's various localities. It then goes on to state the objectives of LED as being:

- To emphasise the role of municipalities in facilitating LED;
- To encourage local partnerships and development compacts around specific economic activities;
- To promote SMMEs in alignment with the Department of Trade and Industry's White Paper on the sector; and
- To ensure that LED contributes to job creation on RDP and capital works projects in direct association with the implementation of the R250 million RDP-funded National Public Works Programme (Department of Housing, 1997:35-6)

It was in 1998 when the White Paper became explicit in defining developmental local government as having four pillars, namely:

- Provision of household infrastructure and services;
- Creation of liveable, integrated cities, towns and rural areas;
- Local economic development and
- Community empowerment and redistribution

LED is defined in a subsequent section as a process of promoting job creation and boosting the local economy as well making the local area a pleasant place to live and work in through the provision of basic services. The White Paper highlights two important initiatives for LED:

- Reviewing of existing policies and procedures to promote local economic development; and
- Provision of special economic services (White Paper on Local Government, 1998:22-6).

These are the principles and objectives that run through the Municipal Demarcation Act, Municipal Structures Act (1998) and Municipal Systems Act (2000).

Another critical policy for LED is the White Paper on Municipal Services Partnerships published by the Department of Provincial and Local Government in 2000. Municipal Service Partnerships (MSPs) are seen as tools for enhancing the ability of the municipality to deliver. The need for this is derived from the high demand of public services that outpaces available government finances. MSPs are partnerships for service delivery with other public institutions, the private sector or CBOs/NGOs.

In this section, the study will highlight that there is sufficient basis in theory and legislation for embarking on co-operative governance in LED. The vision, principles and goals of LED are elaborated in all the policies and legislation mentioned above.

1.5. South African Development Planning framework

Having reviewed the different paradigms of LED, the study turns to the development-planning context or integrated development planning. The Local Government Transition Act (No.209 of 1993) which was later amended in 1996 introduced the concept of IDP. IDP was further elaborated in the White Paper on Local Government in 1998 by the then Department of Constitutional Development (DCD). The emphasis by DCD was on building local government administrative systems such as budgeting, planning and communication. It heralded a shift from structural and narrowly land use planning to a more strategic and egalitarian planning approach.

The IDP is defined in the Local Government Systems Act (No. 32 of 2000) (LGSA) as a strategic plan that co-ordinates and integrates plans, aligns resources and

implementation capacity, [it is] the policy framework for annual budgeting and is compatible with national and provincial development plans (Sec. 25 (1) (a – e)). The purpose of an IDP is to align plans and strategies of a district municipality with those of its constituent affected municipalities as well as with national plans in order to ensure co-operative governance (Act No. 32, 2000 (24) 1). Furthermore, the IDP is a strategic framework that seeks to integrate planning by the three spheres of government. Its content has to reflect the council's long term development vision, to assess existing levels of development in the municipality, setting development priorities and objectives, local economic development aims, internal transformation, alignment with sectoral plans of other spheres of government, spatial development framework, the council's operational strategies, disaster management plan, a financial plan, key performance indicators and performance targets (Sec. 26).

The IDP comes across as a strategic management tool for the municipality. It looks at both the internal capacity and external development priorities of a municipality. It is less physical and more process oriented. These features make the IDP a tool for systematic re-orientation of municipality management and the service delivery culture to the benefit of the communities being served. IDP aims to achieve co-operative governance. LED is lifted out by legislation as a key area of this collaboration and co-ordination, hence the focus of this study.

2. Research design and methodology

This study is an evaluation study (Mouton 2001:158) aimed at assessing the extent of co-operative governance in the implementation of the IDP process using LED as a focus area. It will be a theory-driven evaluation, which applies the tenets of “policy analysis”, “social learning”, “social reform” and “social mobilization” as the four main traditions of planning thought as elaborated by Friedmann in (Mandelbaum et. al. 1996:17-28). Further reference will be made to post-modernism in planning (Harrison, 1995, Flyvbjerg, 2001). The study will explore different perspectives on LED to establish an appropriate framework for evaluation and demarcation of the study’s conceptual parameters.

The study requires hybrid data (Mouton 2001:158) in order to give a balanced view of the evidence. Such data will be gathered from practitioners in municipalities, provincial government and national departments. The sample is therefore chosen from the Eastern Cape’s forty-five municipalities, its provincial administration is divided into thirteen departments and the national government has thirty-five departments. Within each of these spheres of government the units of analysis will be the technical practitioner (i.e. LED and IDP professionals), a set of projects designed purposefully to foster co-operative governance in planning (e.g. SDIs, Urban Renewal Programmes) and the host institutions. Characteristics to be assessed shall be derived from defining features of co-operative governance, IDP and LED as well as legislative provisions guiding each of these processes. The study shall be a cross-sectional analysis of vertical and horizontal dimensions of the phenomena under scrutiny.

The study utilized a set of three research tools as discussed below. The choice of tools attests to the largely qualitative nature of the study, however quantitative data will be utilized to corroborate qualitative evidence. Moreover, the choice of qualitative tools will enable the voices of practitioners to be conveyed about their experiences in planning and what they think should change.

3.1. Document study

The document study was simultaneously chronological, by school of thought, as well as by case study [or model]. This combination enabled a coverage of the subject at hand (Mouton, 2001:90-91). This particular tool was used to review key perspectives on co-operative governance, integrated development planning, local economic development and the South African development planning framework.

3.2. Survey questionnaire

Quantitative data was gathered specifically through looking at the following key themes:

- The extent to which the various spheres of government collaborate in situational analyses;
- The consistency of development vision, objectives and goals;
- The level of consistency and co-ordination of strategies;
- Coherence, support and consistency in programme and project implementation;
- Budgeting and expenditure management in the life cycle of plans; and
- Monitoring and evaluation frameworks.

On the basis of this exploration certain preliminary conclusions were drawn. These conclusions were then analysed and discussed with key respondents in in-depth interviews. This tool was circulated to at least forty percent of the municipalities of the Eastern Cape. This sample was randomly (Babbie, 1989:218) selected.

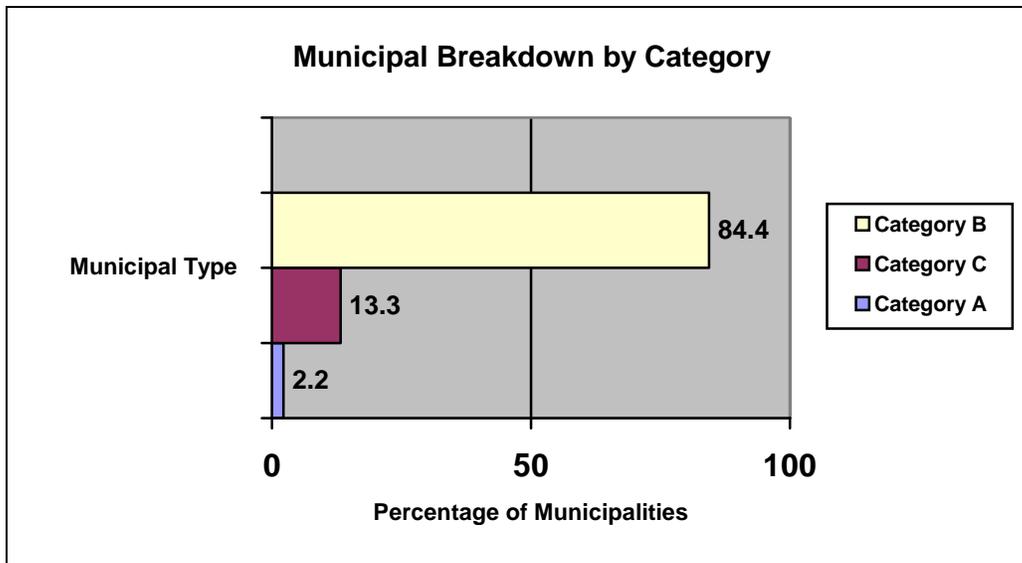
3.3. Semi-structured in-depth interviews

The above-mentioned themes were explored in the interviews. This tool enabled the study to bring the voices of the practitioners to the fore. Insight into experiences of local development planning professionals shed more light on the trends found in the literature and documents that have been studied. The interviews reflected the reasoning behind certain applications of theory and guidelines to planning LED specifically. A representative group of twenty respondents was targeted for interviews but only nine respondents, drawn from municipalities and provincial government of the Eastern Cape, were available at the time of the interviews. These respondents enabled the study to solicit coverage of the subject.

4. Findings: Presentation and discussion

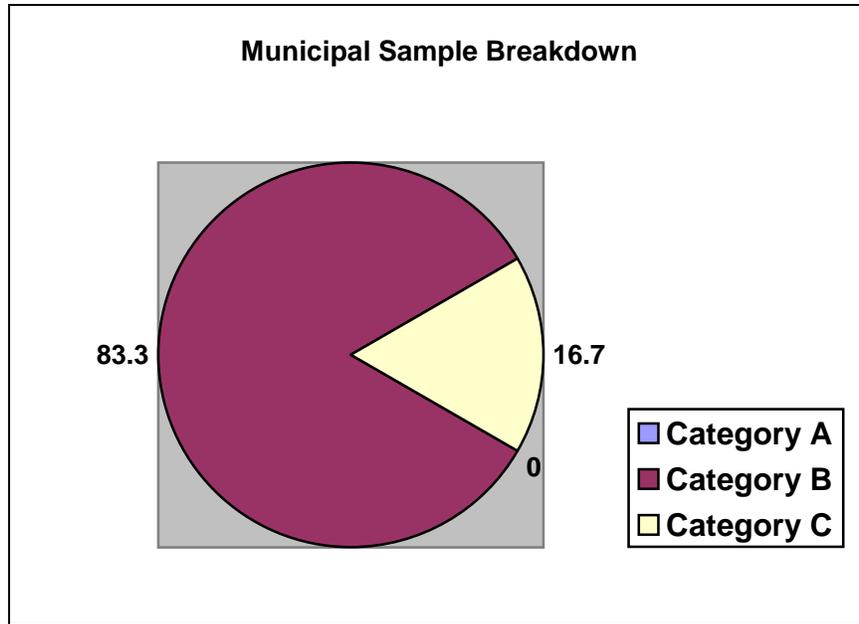
4.1. Introduction

The Eastern Cape Province has forty-five municipalities. These consist of a single category-A or metropolitan municipality, six category-C or district municipalities and thirty-eight category-B or local municipalities.



Diag. 4.1.a: Total population analysis

Out of the total population of forty-five municipalities, twelve were surveyed, i.e. (26.7%) of the total population. In this sample ten municipalities belong to category-B (83.3%) and two belong to category-C (16.7%).



Diag. 4.1.b: Sample analysis

This sample is representative of the total population. Category A is statistically insignificant because there is no other municipality to compare it with, thus it was not sampled. The investigation focused on co-operative governance in integrated development planning in LED. In this context the six components of integrated development planning were investigated. These categories include:

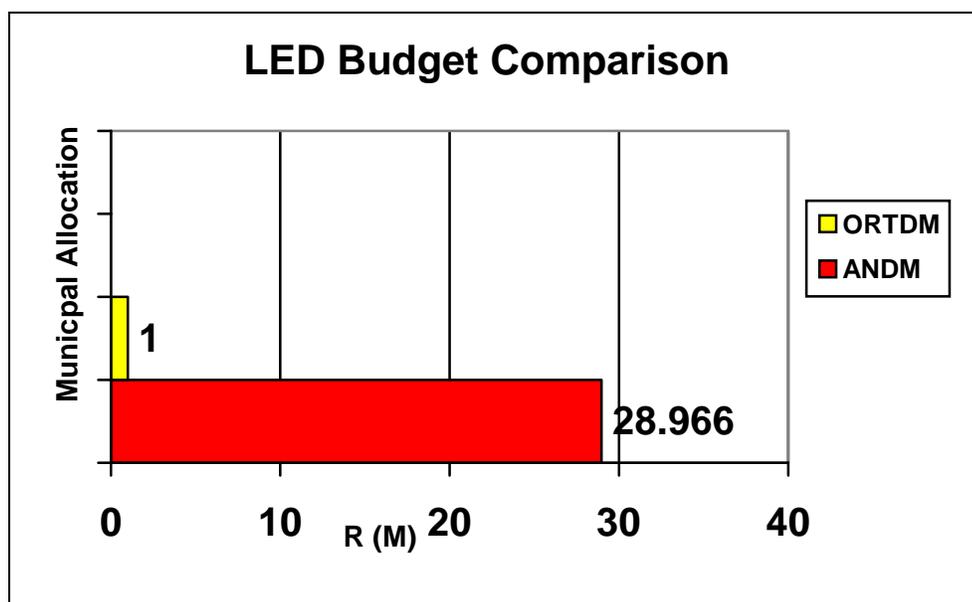
- a) Situational analyses;
- b) Vision, objectives and goals;
- c) Strategies;
- d) Programme and project implementation;
- e) Budgeting and expenditure; and
- f) Monitoring and evaluation.

Before analysing findings in these categories, the study will look at the resource allocations for LED.

4.2. Financial Resources

Category C Municipalities

In this category Alfred Nzo (ANDM) and OR Tambo (ORTDM) district municipalities were surveyed. ANDM has two constituent category-B municipalities, whereas ORTDM has six constituent municipalities. These two municipalities account for about sixty percent of the Eastern Cape population. Equally they have the highest concentration of poverty. Consequently both have been prioritised by national government for significant development investment. The study found that ANDM has a LED budget of R 28 966 000 whereas ORTDM had a LED budget of R 1 000 000.



Diag. 4.2. a: District Council LED budget comparison

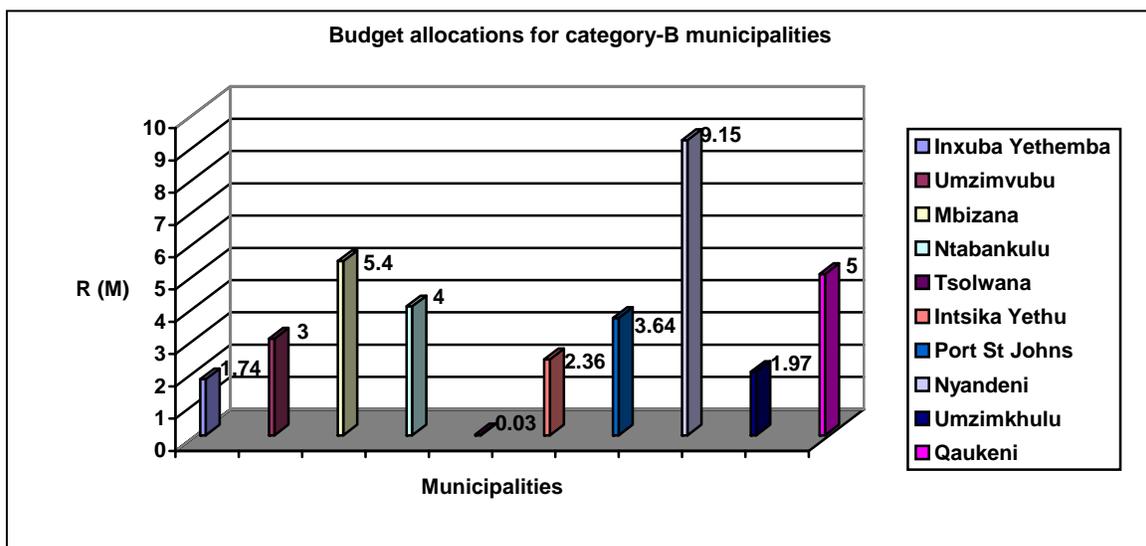
The above diagram reveals highly differentiated resource allocation at category C-level. Whilst the legal responsibilities of the municipalities with respect to LED are similar, their resource allocations are very different.

Category-B municipalities

The variations in the allocations made by municipalities are further revealed in the category-B municipalities. Below is a table of the category-B municipal allocations for LED.

No.:	Municipal Name	LED Budget Amount (R)
1	Inxuba Yethemba	1 741 080
2	Umzimvubu	3 000 000
3	Mbizana	5 400 000
4	Ntabankulu	4 000 000
5	Tsolwana	0 030 000
6	Intsika Yethu	2 359 738
7	Port St Johns	3 638 000
8	Nyandeni	9 153 733
9	Umzimkhulu	1 969 000
10	Qaukeni	5 000 000

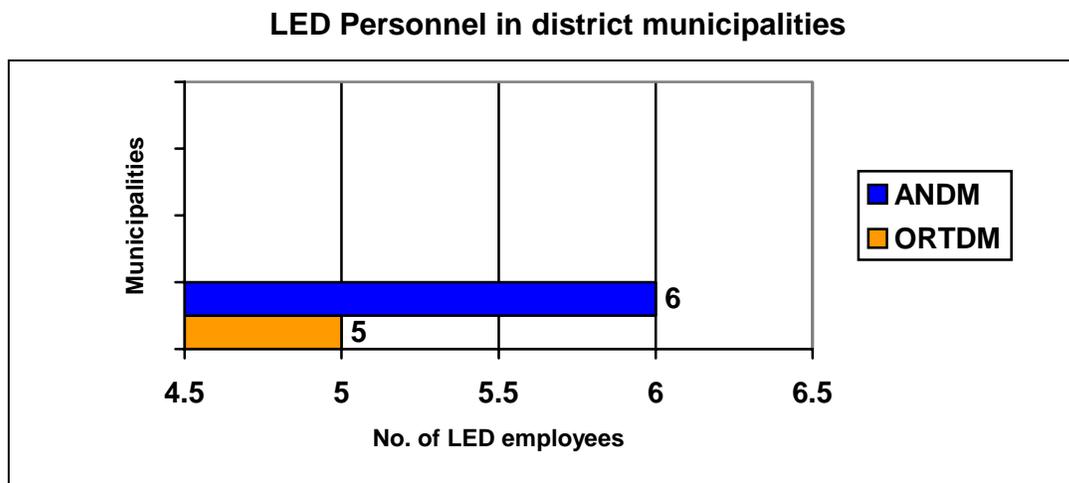
Table1: Budget allocations for category-B municipalities



Diag. 4.2.b.: Budget allocations for category-B municipalities

LED budgeting patterns were highly differentiated. This could be indicating the differentiated understanding of the LED concept. In Tsolwana the LED budget is almost non-existent. In Nyandeni there is relatively high level LED budget allocation. This observation is confirmed by Phila Xuza (personal interview, 17 October, 2004), who said: “LED is seen as a custodian of micro-projects and survivalist economic activity”. Her comment highlighted the conceptual challenge facing municipalities. She further concedes that this misunderstanding is entrenched by a conceptual dichotomy found nationally, where the DPLG sees LED in the same social development perspective whilst DTI views it from a purely business development perspective. These two departments should be collaborating instead of pursuing differing perspectives of LED.

4.3. Human Resources



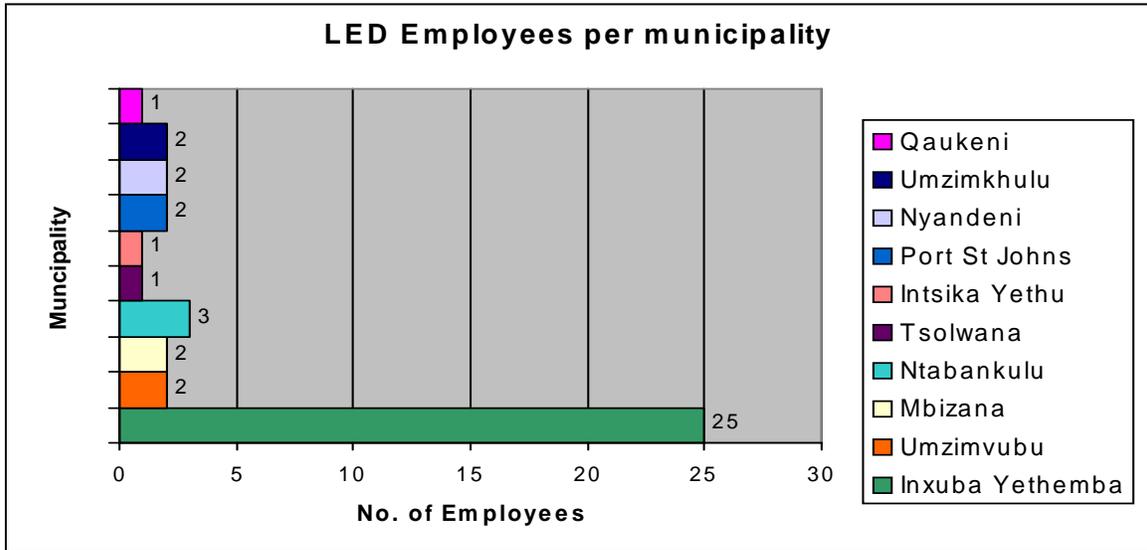
Diag.4.3 a: Comparison of LED personnel by district municipality

The LED budget reflects the amount of work that the municipality intends doing. The number of employees responsible for LED is an indication of how the responsibilities for LED are spread in the municipalities. The diagram reveals that

ORTDM has a disproportionately high number of personnel relative to the budget it has for LED, assuming that ANDM has an adequate LED budget. Even with ANDM, it is doubtful that only six people can effectively plan, formulate strategy, ensure locality development, provide business development services, develop human resources, steer community-based economic and employment development as well as manage institutions for LED (Blakely 1994:48-63).

No.:	Municipal Name	LED employees
1	Inxuba Yethemba	25
2	Umzimvubu	2
3	Mbizana	2
4	Ntabankulu	3
5	Tsolwana	1
6	Intsika Yethu	1
7	Port St Johns	2
8	Nyandeni	2
9	Umzimkhulu	2
10	Qaukeni	1

Table 2: LED personnel by category B municipality



Diag. 4.3.b: LED personnel by category B municipality

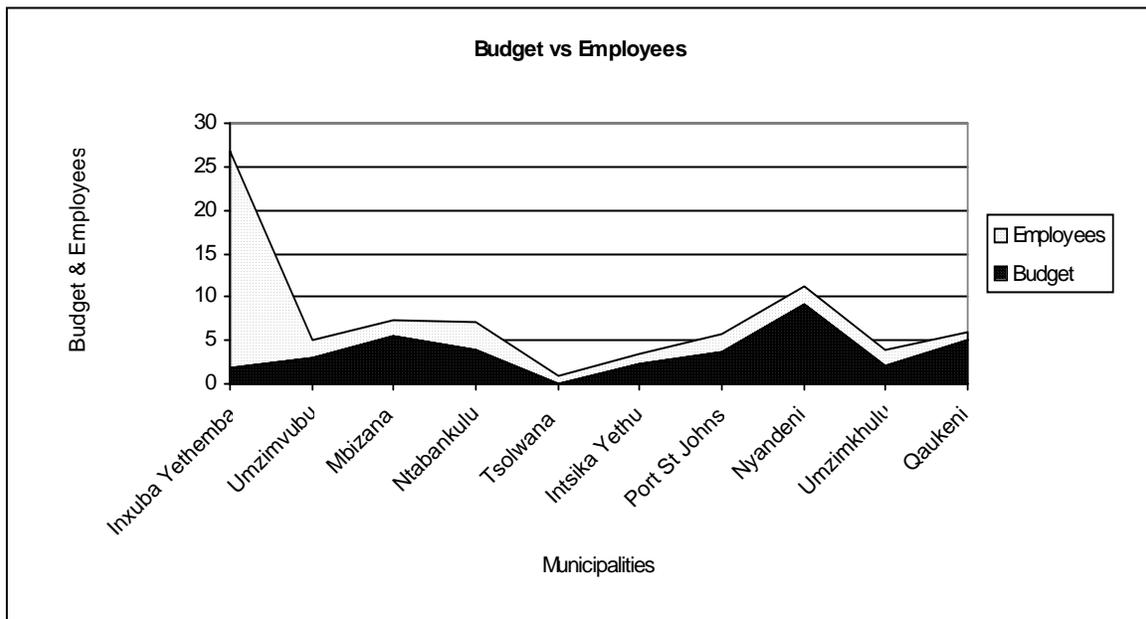
In both municipal categories there is a comparable allocation of personnel to LED. However, Inxuba Yethemba presents an anomaly because it is a small municipality and yet it has allocated a large percentage of its personnel to LED.

In the case of other municipalities there is clearly an inadequate allocation of human resources for LED, either as a result of limited understanding of the multiple functions of LED or because of a lack of resources or both. It is the assertion of this study that the latter is more probable.

4.4. LED Budget vs LED Employees

No.:	Municipal Name	LED Budget Amount (R)	LED employees
1	Inxuba Yethemba	1 741 080	25
2	Umzimvubu	3 000 000	2
3	Mbizana	5 400 000	2
4	Ntabankulu	4 000 000	3
5	Tsolwana	0 030 000	1
6	Intsika Yethu	2 359 738	1
7	Port St Johns	3 638 000	2
8	Nyandeni	9 153 733	2
9	Umzimkhulu	1 969 000	2
10	Qaukeni	5 000 000	1

Table 3: LED budget vs LED employees



Diag. 4.4.: Comparison of LED budgets and personnel

Municipal budget and personnel for LED followed the same pattern except for Intsika Yethemba. In Tsolwana there seemed to be no real LED focus despite the legal obligation of the municipality. Overall, municipalities had very limited human and financial resources to drive LED. Even though the study does not purport to set the parameters for adequate resource allocation for LED, the above conclusion, which flows from the cited data, remains valid.

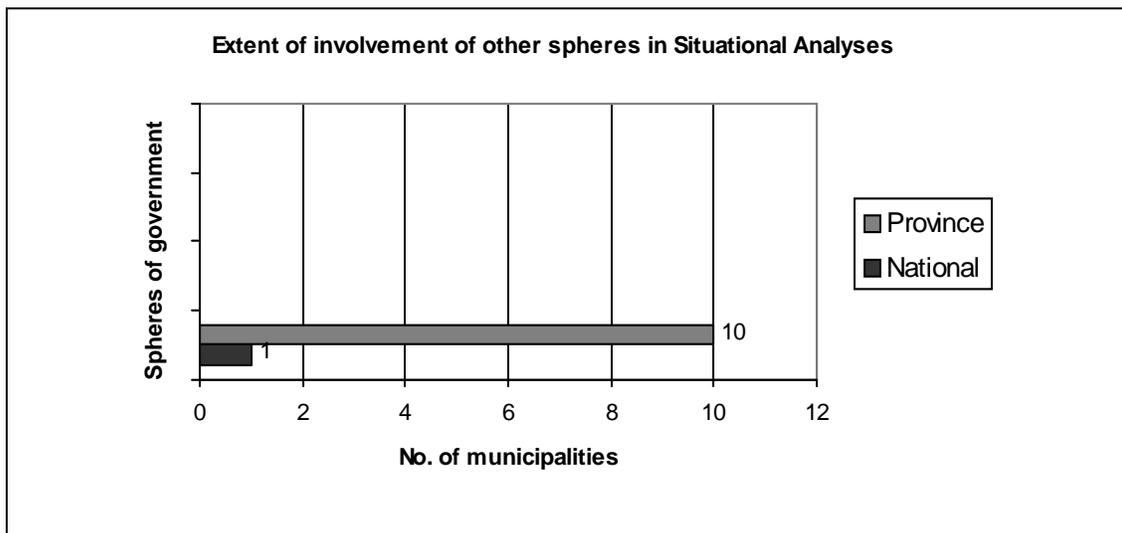
4.5. Situational Analyses

4.5.1. Involvement of other spheres of government in municipal situational analysis

The diagram below shows that the Eastern Cape Provincial Administration (ECPA) is more involved in LED than national government. This could result in national policy and strategy not being fully integrated in LED. However, a senior provincial government official (Mama: personal interview, 17 October, 2004) explained that this involvement is defined by the allocation of financial resources from the provincial and national spheres to local government. This then results in a dominant role being played by these spheres. The contradiction though, she laments, is that the ECPA's LED unit and other planning units in the various departments are not planning with municipalities. There is also a vivid absence of a co-ordination role from the Office of the Premier. She concludes: "Departments are not informed by any facts or data from the municipalities". This picture flies in the face of development planning as good situational information and data are preconditions for good planning.

A LED manager from Nkonkobe Municipality (Gwintsa: personal interview, 27 October, 2004) interviewed in the study concurred and added that collaborative

planning was at the centre of efficiency. However, VCG is undermined by the lack of comprehensive planning instruments at all the spheres. According to this respondent all three spheres have significant limitations in data gathering for situational analyses. Situational analysis is not centralised thus resulting in a disarticulation of development planning occurring at the various spheres. This, in turn, results in poor decision-making. In addition, the respondent continued, there is a disjuncture between development planning and fiscal planning processes, resulting in the latter driving the former. This also leads to parallel prioritisation and resource allocation. What is surprising though, adds the respondent, were the adequacy of the legislative context and the limited functionality of collaborative planning.



Diag. 4.5.1. Comparison of provincial and national government involvement

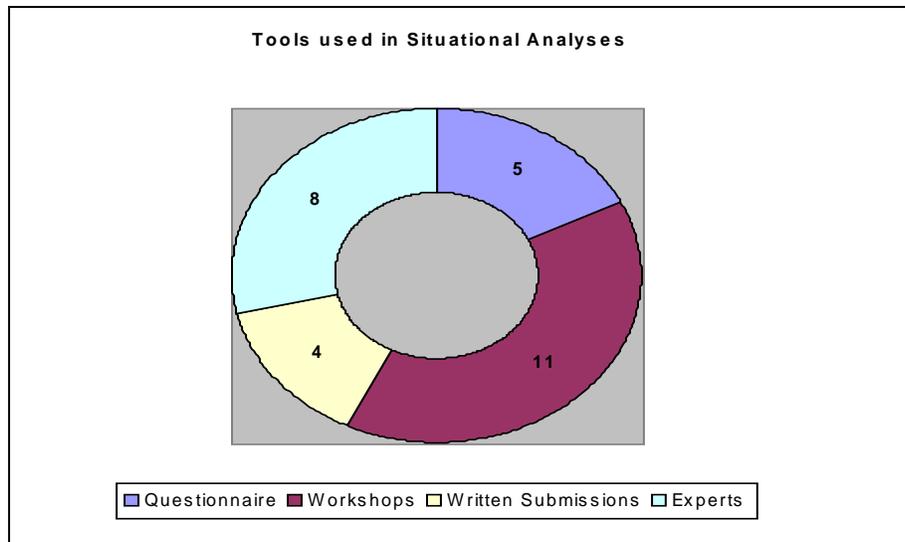
Another senior LED official (Zakade: personal interview, 27 October, 2004) in the Office of the Premier corroborated these findings. Zakade argued that collaborative planning in government had emerged as an accident rather than a strategic choice. This resulted from a gap left by the Municipal Systems Act (2000), Chapter Five, which requires co-operation.

Provincial and national spheres have had no reference legislation except for the broad principles in the Constitution. In attempting to rectify this, there had been two significant developments, namely, the introduction of integrated development strategies like ISRDS and Urban Renewal Strategy (URS) from the Presidency and the introduction of the Inter-governmental Relations Bill (2004).

Despite these efforts, Gwintsa (personal interview, 27 October, 2004) lamented, there was still a need for comprehensive planning instruments at the various spheres. Such instruments should offer a common planning data baseline for all development planning efforts.

4.5.2. Tools utilized in situational analyses

Ntenjwa (personal interview, 17 October, 2004) makes the point that municipal planning templates prescribed by national government are complex and as such IDPs are “done for municipalities”. In cases where other spheres are involved, he explains, resources do not follow functions thus resulting in unfunded mandates. According to Ntenjwa (personal interview, 17 October, 2004) the municipalities are in a difficult situation because they are the face of government with regard to development. This leads to a situation where communities continue to prioritise development programmes outside the mandate of the municipalities, although this wrong prioritisation by communities offers an opportunity for collaborative planning and it was not exploited.



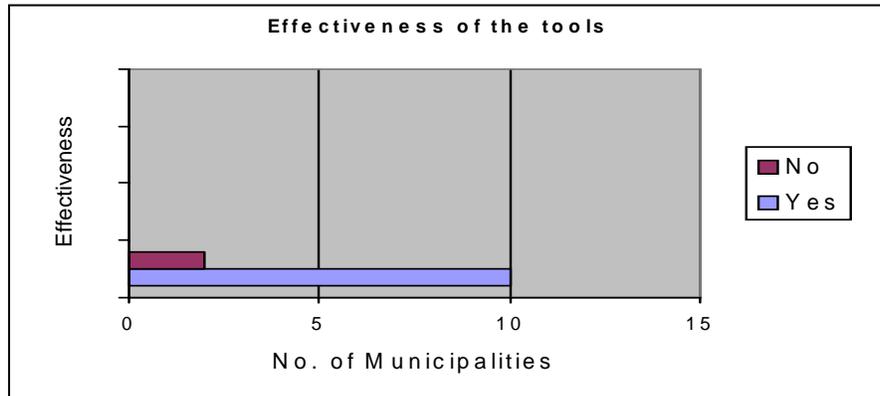
Diag. 4.5.2.: Tools used in situational analyses

The diagram above shows that situational analysis was done through workshops driven by experts. This confirms Ntenjwa’s (personal interview, 17 October, 2004) point about IDPs being done for municipalities. Even when provincial government attempts collaboration by sending officials, according to Ntenjwa, these officials are too junior and consequently add very little value, as they can’t take decisions on behalf of the other sphere. Another executive mayor (Somyo: personal interview, 29 October, 2004) concurred and maintained that this weakened planning.

4.5.3. Effectiveness of the situational analyses tools

A majority of municipalities, as can be seen below, considered these workshops to be effective. The researcher can also relate to this as personal involvement in IDP facilitation in at least four municipalities in the Eastern Cape has shown that both Councillors and managers expect consultants to develop the IDP for them and they just comment superficially, any attempt at fully engaging them was seen as shifting of responsibility by the expert to those who have "paid" for the service.

Unfortunately this picture is not going to change soon as long as municipalities do not problematise their current *modus operandi*.



Diag. 4.5.3. Effectiveness of situational analyses tools

Unless this is done soon, even the opportunity of local stakeholder involvement, which Xuza (personal interview, 17 October, 2004) rated “very high”, will wane. Somyo (personal interview, 29 October, 2004) concurred with Xuza on this point. At the district level the municipality was utilising planning forums for stakeholder participation. Somyo identified the stakeholders as being youth forums, South African Council of Churches (SACC) and the Eastern Cape Non-Governmental Organisations Coalition (ECNGOC). Somyo, however, exclaimed that the municipality received more input from white-owned business enterprises than from black-owned ones.

Furthermore, parastatals also participated more actively in municipal planning. Mayor Somyo (personal interview, 29 October, 2004) singled out the participation of public co-corporations like Telkom and Eskom as well as tertiary education institutions as key to situational analyses. These institutions provided data and plans through quality research that complemented municipal research. It is clear

from the above that municipalities are quantitatively assessing effectiveness of tools. In other words, they believe that the greater the number of stakeholders participating in workshops, the more effective they are likely to be. However, there seems to be little appreciation of the quality of participation by these stakeholders.

4.6. Vision, objectives and goals

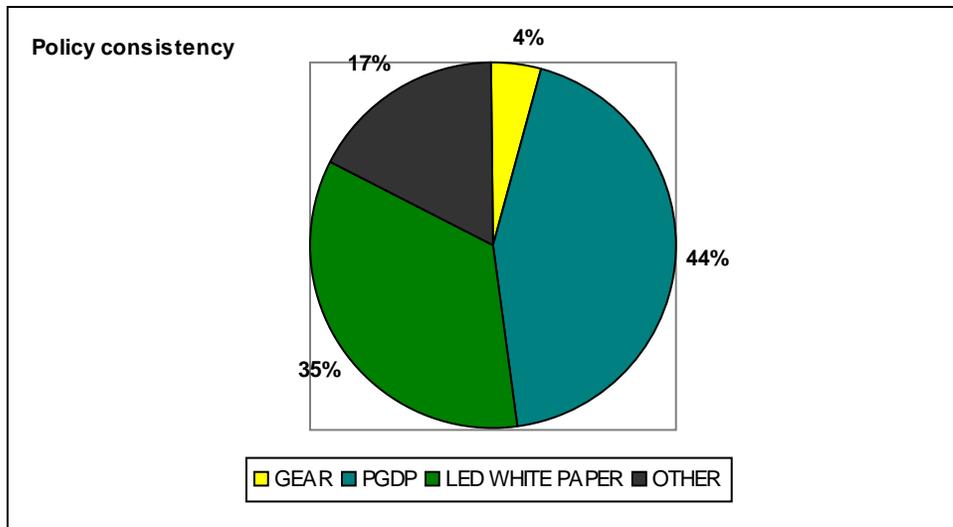
4.6.1. Consistency of key national policies with LED vision, objectives and goals

The study found, as is shown below, that municipalities have given little consideration to a major national economic policy in the form of the GEAR and instead a provincial growth and development policy (PGDP) has been seen as more influential to local planning. Mama (personal interview, 17 October, 2004) concurred with this where she said the PGDP process was a positive development in policy alignment, but was quick to mention though, that: “Visioning done at the provincial level has left out the participation of local government”. Thus, it can be concluded that the PGDP process, whilst welcomed, had limitations with respect to municipal participation.

Somyo (personal interview, 29 October, 2004) warned: “The fact that we have a multiplicity of planning centres should not negate the fact that we are a unitary state. Therefore, GEAR must permeate all strategies.” Xuza (personal interview, 17 October, 2004) highlighted though, that provincial policy on LED is lagging behind national policy even though it is seen as being more consistent with municipal planning. The fact that municipalities consider the LED White Paper as the second most important policy for LED is important but not adequate.

Xuza (personal interview, 17 October, 2004) was worried that this policy was in draft form from 1999 to 2003, which meant that even nationally there was stagnation in policy thought.

Zakade (personal interview, 27 October, 2004) contradicted Xuza's (personal interview, 17 October, 2004) interpretation. Zakade (personal interview, 27 October, 2004) asserted that there was no national vision, objectives and goals guiding development planning. Zakade (personal interview, 27 October, 2004) added that the power to co-ordinate the national vision was dispersed across the Presidency, Department of Provincial and Local Government, Department of the National Treasury, Department of Public Service and Administration as well as the Reserve Bank. Zakade (personal interview, 27 October, 2004) also argued that in a developmental state there was no need for a separation of the fiscal and monetary policy because both are critical drivers of development. Zakade (personal interview, 27 October, 2004) further argued that municipalities were simply driven by fiscal policy in their planning, hence the highly financial relationship between the various spheres. Another respondent from a local municipality concurred and added that the national sphere had introduced GEAR as an attempt to provide this vision. But this policy, Zakade (personal interview, 27 October, 2004) concluded, undermined LED. The diagram below, which evaluates policies that are consistent with LED, corroborates this perspective.



Diag.: 4.6.1. Policy consistency

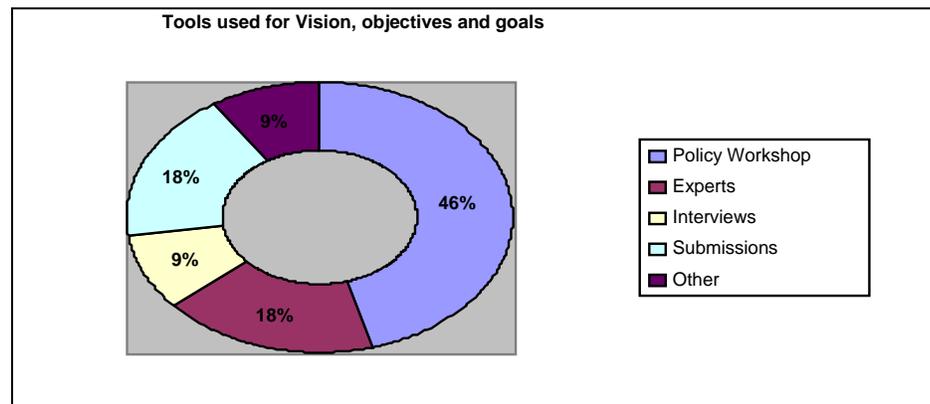
However, Ntenjwa (personal interview, 17 October, 2004) makes the point, that some municipalities lack the capacity to understand national policies. Hence it is difficult for them to localise and this is seen in the irrelevance of economic by-laws where they exist. The challenge therefore, according to Ntenjwa (personal interview, 17 October, 2004), is to build internal municipal capacity to understand these policies. However, Ntenjwa (personal interview, 17 October, 2004) concludes, despite the seemingly poor alignment of policy objectives, where these spheres find cause for convergence they do align objectives.

Thus, it can be concluded that national and provincial spheres are “cherry-picking” in their alignment efforts. This is seen where the municipality has economic drivers that are related to a national/provincial department’s programme, then there will be active involvement of that department. This constitutes opportunistic planning and will not lead to integration. Another respondent concluded that there continued to be a policy gap on building downstream and upstream economies. This results in a disarticulation of the

macro and micro economic objectives and a lack of “contextuality” in economic collaboration.

4.6.2. Tools used for vision, objectives and goals

The continued use of policy workshops is confirmed in the diagram below. Limited use of interviews is worrying considering the need for engaging national and provincial officials, who may not be available for attending workshops in each municipality. A methodological shift and a mix of planning tools used could have improved policy alignment.

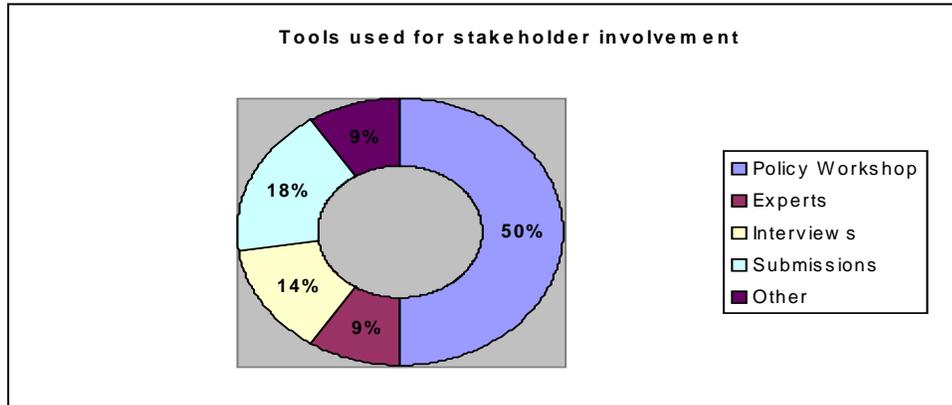


Diag. 4.6.2.: Tools used for Vision, objectives and goals

4.6.3. Tools used for stakeholder involvement

Policy workshops continued to dominate as planning tools as shown by the diagram below. Local stakeholders seemed to be actively making sectoral submissions to the planning process, which is a tool that can enrich planning. In Mngquma, Ntenjwa (personal interview, 17 October, 2004) observed, the tertiary education sector and business were very active in the development of the vision, objectives and goals. Mngquma Municipality adopted a dual strategy with respect to business, where business would participate directly in the multi-stakeholder

IDP forum and the municipality's LED officer would participate in the local business chamber.



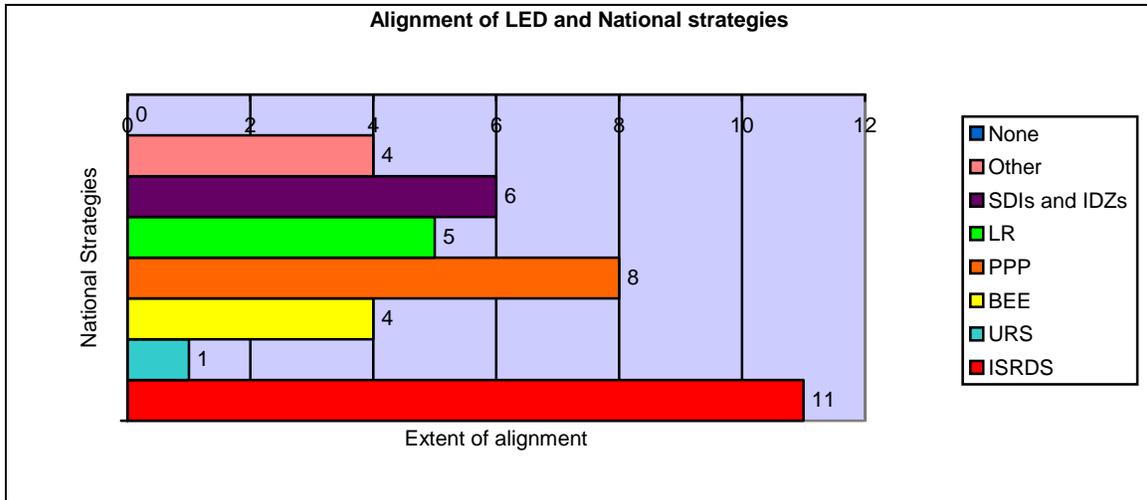
Diag. 4.6.3. Tools used for stakeholder involvement

In Buffalo City, according to Xuza (personal interview, 17 October, 2004), they expanded their stakeholder involvement by inviting some of the visitors to their LED projects. However, both Ntenjwa (personal interview, 17 October, 2004) and Xuza (personal interview, 17 October, 2004) note, business's participation is predicated by the existing or perceived economic benefits for this stakeholder. These tools, concluded another respondent, are not able to balance the relative power of stakeholders and to deal with compartmentalisation. This results in the non-empowerment of community-based stakeholders to drive development.

4.6.4. The influence of national strategies on LED strategies

The Eastern Cape Province is predominantly rural and thus the strong influence of the Integrated Sustainable Rural Development Strategy over LED strategies (see diagram below). Mama (personal interview, 17 October, 2004) was quick to point out though, that the ISRDS's influence is driven nationally with

management support from a quasi-NGO or quaNGO called the Independent Development Trust (IDT).



Diag. 4.6.4. Alignment of LED and National Strategies

Mama (personal interview, 17 October, 2004) noted that the provincial government is focused on operational detail rather than strategy alignment but municipalities require mentoring and support in strategy formulation. Respondents also highlighted the influence of Public-Private Partnerships (PPP) strategy to their LED. This could be as a result of the limited technical and financial capacity in the public sector and consequently a relationship with the private sector attends to such weaknesses. It could also be as a result of the strong emphasis by national leaders on investor-led development. These possibilities were confirmed by the strong showing of SDIs and IDZs, which are essentially free-trade zones seeking to “crowd-in” investors into specific regional nodes and corridors.

This study also found that the Urban Renewal Strategy least influences municipalities. This is interesting considering that municipal administrative

infrastructure is based in urban areas. The urban areas studied are largely dysfunctional. It is worrying to note that strategy formulation does not realise the centrality of reviving the urban centre for the efficient functionality of the rural economy. The urban node is the local market where goods and money exchange hands, banking occurs and access to external markets is made easier through infrastructure and yet there is no keen focus on a strategy that seeks to revive it. It can thus be concluded that URS has not been clearly linked to LED in the policy dialogue amongst the three spheres of government. This significant oversight on the part of these spheres further sets back co-operative governance.

One other significant policy for LED is the Black Economic Empowerment strategy. This strategy seeks to provide previously disadvantaged individuals with economic opportunities. The strategy is driven by industry charters negotiated centrally with guidance from national government through targets set for each industry. The weak showing of the BEE strategy is worrying as it is one of the key strategies for economic development from the national government point of view. It is seen as the major policy instrument for integrating the different racial groups in the economic development path of the country.

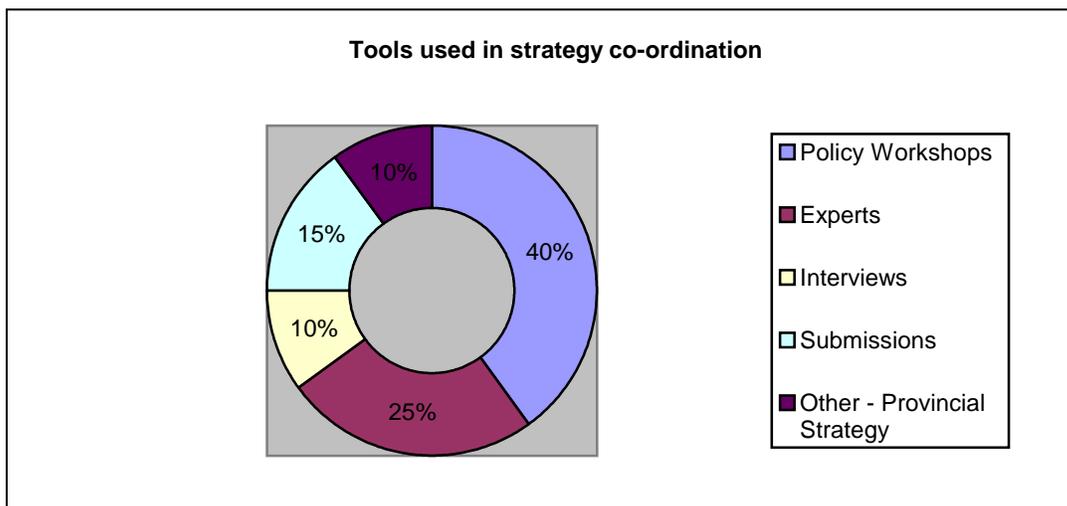
Despite the above observations, Ntenjwa (personal interview, 17 October, 2004) believed that LED strategies were researched properly. Ntenjwa (personal interview, 17 October, 2004) said that there was indeed strategy alignment, although derived from the different planning and budgeting cycles of national and provincial government. Ntenjwa (personal interview, 17 October, 2004) highlighted the centrality of the State Presidents' annual "state of the nation"

address (made around February and March) in strategy alignment. Mama felt that more support and guidelines from the national sphere are urgently required to consolidate strategy alignment. Xuza (personal interview, 17 October, 2004), on the other hand, believed that LED policy achieved this alignment of strategies. What Xuza (personal interview, 17 October, 2004) did see as a major challenge to strategy formulation, however, was the lack of analysis of local economic potential in LED strategies of municipalities.

Zakade (personal interview, 27 October, 2004) warned that these strategies must be understood for what they are, namely “policy stop-gap measures” that are aimed at responding to specific consequences of the apartheid space economy. Invariably then they are short-term and cannot drive long-term economic development. Municipalities, Zakade (personal interview, 27 October, 2004) added, have used these to drive their LED strategies. Consequently, LED strategies are not driven by local conditions with the long-term perspective of the local sphere. The general lack of economic anchors or drivers, Zakade (personal interview, 27 October, 2004) concluded, expose this as the Achilles heel of LED strategy. Gwintsa (personal interview, 27 October, 2004) added that there existed a pervasive lack of balance in economic strategies between import substitution industrialisation, which is critical for endogenous economic strategies required in LED, and export oriented industrialisation. This imbalance results in weak LED strategies. Weak LED strategies in turn do not create an environment conducive for business growth.

4.6.5. Tools used to co-ordinate strategies between the three spheres of government

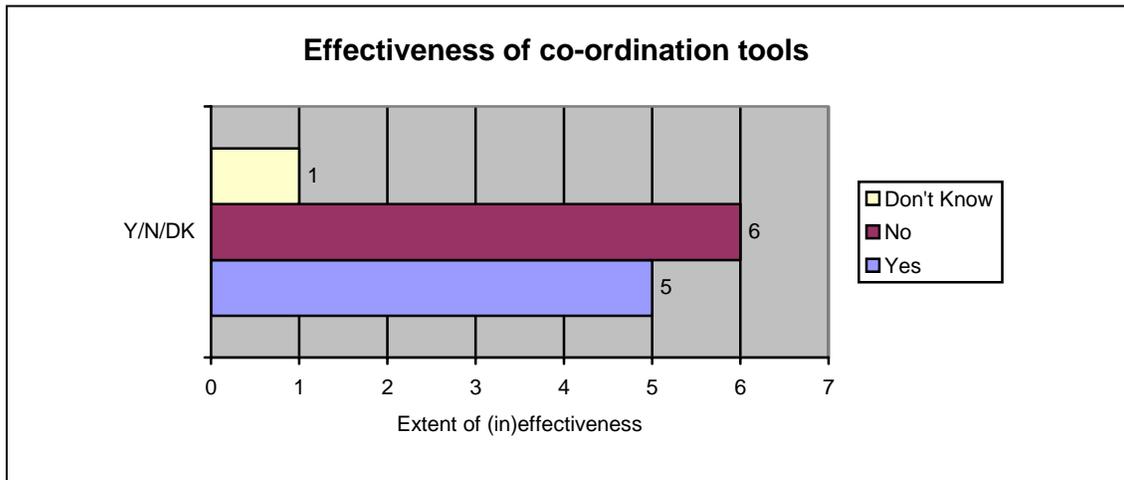
The diagram below reveals the continued reliance on policy workshops but also an increased use of experts. It was also observed that there is a shrinking use of interviews and submissions as planning tools when co-ordinating strategies. This indicated and re-affirmed the limited engagement of provincial and national officers in planning.



Diag. 4.6.5.: Tools used in strategy co-ordination

4.6.6. Effectiveness of the co-ordination tools

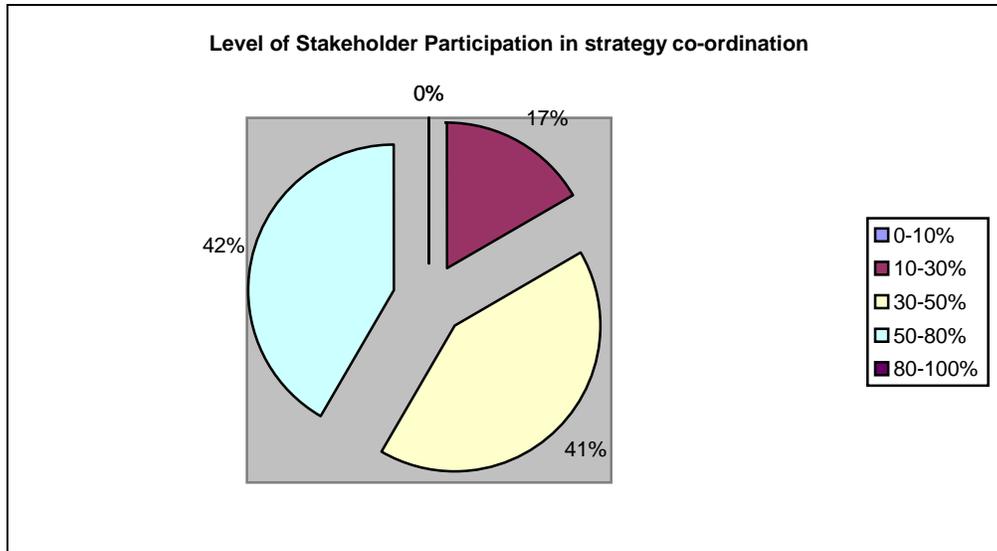
Most of the municipalities interviewed came to the conclusion that strategy co-ordination tools were ineffective. It must be noted that there was a significant number of municipalities that saw them as effective. Overall there seemed to be a need to improve co-ordination of economic development strategies between different spheres through a use of multiple-planning tools, for example, a development strategy may have guidelines for local, provincial and national planning that ensure co-ordination vertically and horizontally.



Diag. 4.6.6.: Effectiveness of co-ordination tools

4.6.7. *The level of participation by the local role-players*

The diagram below indicates a medium to high level of participation by local role-players. This positive observation reflects the active interest shown by local role-players in the IDP process. Ntenjwa (personal interview, 17 October, 2004) indicated that participation came in the form of representative forums. However, Ntenjwa's (personal interview, 17 October, 2004) concern was the extent of opportunities' gate keeping happening at these forums, where forum members' interests dominated those of the broader community they represented. Gwintsa (personal interview, 27 October, 2004) also conceded that these workshops were failing to consider the overall strategic direction of municipalities.



Diag. 4.6.7: Level of stakeholder participation in strategy co-ordination

Despite high levels of participation, there seems to be a need to interrogate further the quality of this participation. Gwintsa (personal interview, 27 October, 2004), noted that there is no effective participation of local stakeholders in strategy co-ordination thus resulting in an expert-driven process. Gwintsa further argued that municipalities, by following this approach, neglected creative strategies adopted by communities. Gwintsa (personal interview, 27 October, 2004) made an example of a Mlumbi family that has resuscitated economic development in a village in Keiskammahoek through reviving a farm. This example, Gwintsa (personal interview, 27 October, 2004) argued, shows the ability of the community to use organic advantages of their environment in developing economic strategies. Gwintsa concluded that local stakeholders remain spectators in this process.

4.7. Programme and project implementation

4.7.1. Collaboration in implementation of economic programmes and projects

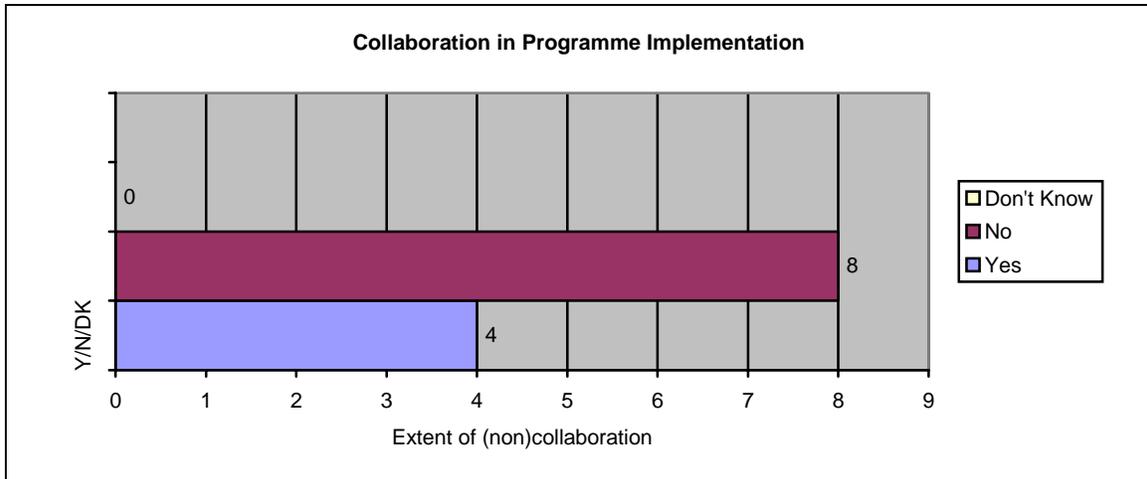
Sixty six (66%) percent of the twelve municipalities interviewed indicated that there is no collaboration in programme and project implementation amongst the three spheres of government. A senior provincial Treasury official (Magalela: personal interview, 25 October, 2004) said that this was not surprising as national and provincial spheres are not active in programme and project implementation. This was worsened, according to Magalela (personal interview, 25 October, 2004), by the lack of a common programme management guide for all the spheres. Equally problematic is the fact that the national and provincial spheres have delegated “unfunded mandates” to municipalities. “Unfunded mandates” refer to functions that belong to another sphere, which are performed by another on an agency basis without the transfer of the necessary resources. This has led the different spheres litigating against each other, suffering public embarrassment in the process. The national sphere is seen as a key culprit in this regard.

According to Magalela (personal interview, 25 October, 2004), national government just “parachutes” programmes without any collaborative thinking. Development targets are not set as a co-ordinated effort between province and the municipalities. Magalela (personal interview, 25 October, 2004) argued that co-ordination was made impossible by competition and turf-wars amongst line departments and the different spheres respectively.

Gwintsa (personal interview, 27 October, 2004) said that a significant gap in programme collaboration between the different spheres results from a lack of

capacity to implement project management tools such as work breakdown structure, Gantt chart and total quality management. These are some project management instruments that potentially can improve programme collaboration. This gap undermined collaborative programme implementation. This meant that programme failure cannot be identified during implementation and that resulted in resource wastage. A series of examples can be found in housing projects that are incomplete or whose houses collapse shortly after completion and yet full payment is made.

Ntenjwa (personal interview, 17 October, 2004) maintained that a bottom-up attempt at programme integration is visible in his municipality, Mngquma. Mngquma was able to achieve this through the spatial development framework. Ntenjwa (personal interview, 17 October, 2004) re-asserted that the upper spheres are driven by their interests and not local priorities. Somyo (personal interview, 29 October, 2004) concurred by highlighting attempts made by ECPA and national government to create structures for collaborative programme implementation. Provincially the former Premier, Reverend Arnold Makhenkesi Stofile, formed a co-ordinating forum on which mayors sat with the Premier. In addition to this, there is MuniMEC, which is a forum of the members of the Executive Council (MECs) and Local Government councillors and mayors. National departments with offices in the provinces have also been active in co-ordinating programmes through this mechanism.



Diag. 4.7.1: Collaboration in programme implementation

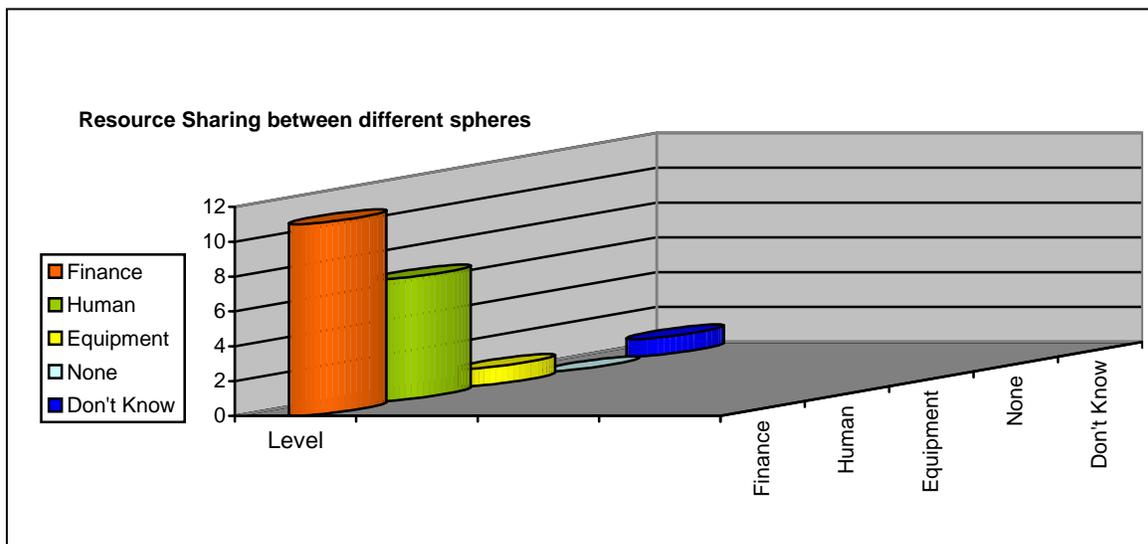
Mama (personal interview, 17 October, 2004) concurs with the above position:

“There is weak collaboration in programme and project management. The relations in this regard are adhoc and haphazard. National and provincial government are just transferring funds to local municipalities”. Xuza (personal interview, 17 October, 2004) again concluded that it was easier in Buffalo City to achieve horizontal collaboration than vertical.

This study has, through the above finding, discovered a significant development planning weakness in the South African model. It is not possible to ensure that programmes achieve policy and development objectives set by upper spheres if there is no collaboration with the local sphere and indeed amongst spheres. Simultaneously, even when the relationship is primarily financial, it is impossible to do proper financial monitoring without active involvement in collaborative programme and project management. Programme and project management require collaborative monitoring and evaluation if performance were to be improved.

4.7.2. Type of resources shared by the three spheres

The diagram below confirms what the study has uncovered, which is the dominance of the finance variable in the relationship between the three spheres. The strong showing of human resource as a shared resource is inconsistent with the previous findings as well as with the findings of this study. This showed the selective involvement of upper personnel in programmes that are priorities of the department and not necessarily of the municipalities. A worrying observation was the lack of sharing of equipment between the three spheres. Effective development planning in a context of limited resources like the Eastern Cape requires achievement of economies of scale. This is significant because not all municipalities could afford to buy, operate and maintain equipment for development planning.



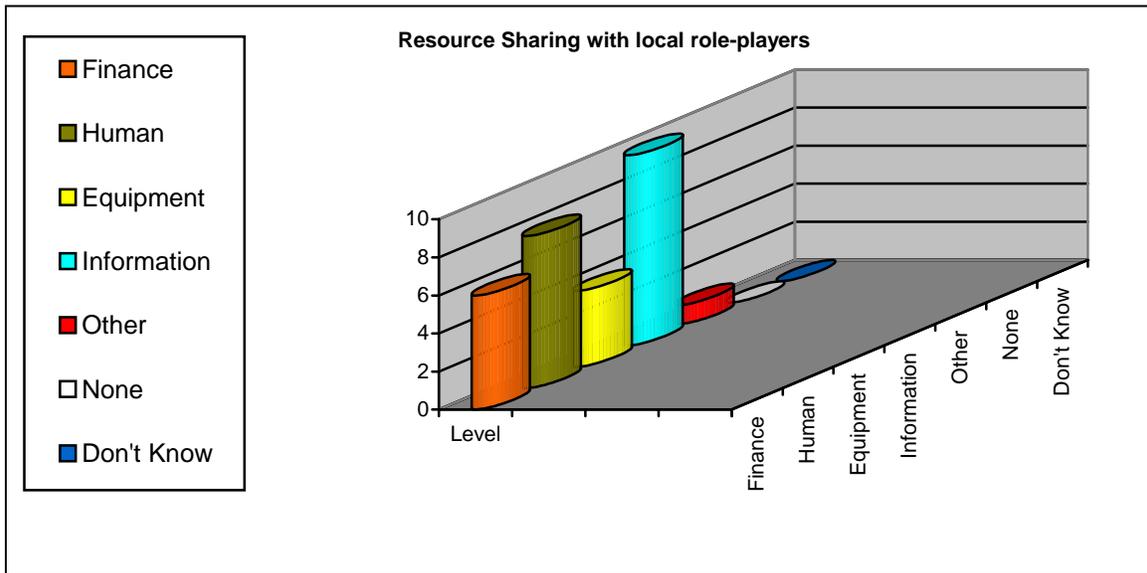
Diag. 4.7.2. Resource sharing between different spheres

4.7.3. Resource sharing between the municipality and local role-players

Eighty three percent (83%) of the municipalities interviewed highlighted information sharing as the key resource shared with local role-players. About 67% of the municipalities polled in this study ranked human resources as the second most shared resource with local role-players. Finance was the third most shared resource, which means different from the inter-governmental relationship, the local government and local role-players' relationship was not dominated by finance. The findings, shown below, indicate a more multi-faceted relationship in HCG. This is a more balanced developmental relationship than the vertical one. Ntenjwa (personal interview, 17 October, 2004) concurred with these findings saying that in his municipality local role-players were part of the auditing and remuneration committees. Ntenjwa (personal interview, 17 October, 2004) was nevertheless concerned that in Public Private Partnerships (PPPs) local role-players were not active. Xuza (personal interview, 17 October, 2004) thought that this worked in Buffalo City because they focused on City Governance rather than the municipality consulting role-players.

Some of the respondents noted that communities had no capacity to engage with programme management. In many instances their involvement has led to the slowing down of programme implementation. Consequently, the respondents argued, there was structural rather than functional involvement of local role-players. This meant that LED saw the formation of community trusts, representation in Boards of Directors and management structure with minimal contribution to the content of the discussions that took place in the programmes. This then calls to question the quality of the participation of role-players in resource sharing. Related to this is the fair distribution of benefits of these

programmes to the local role-players.

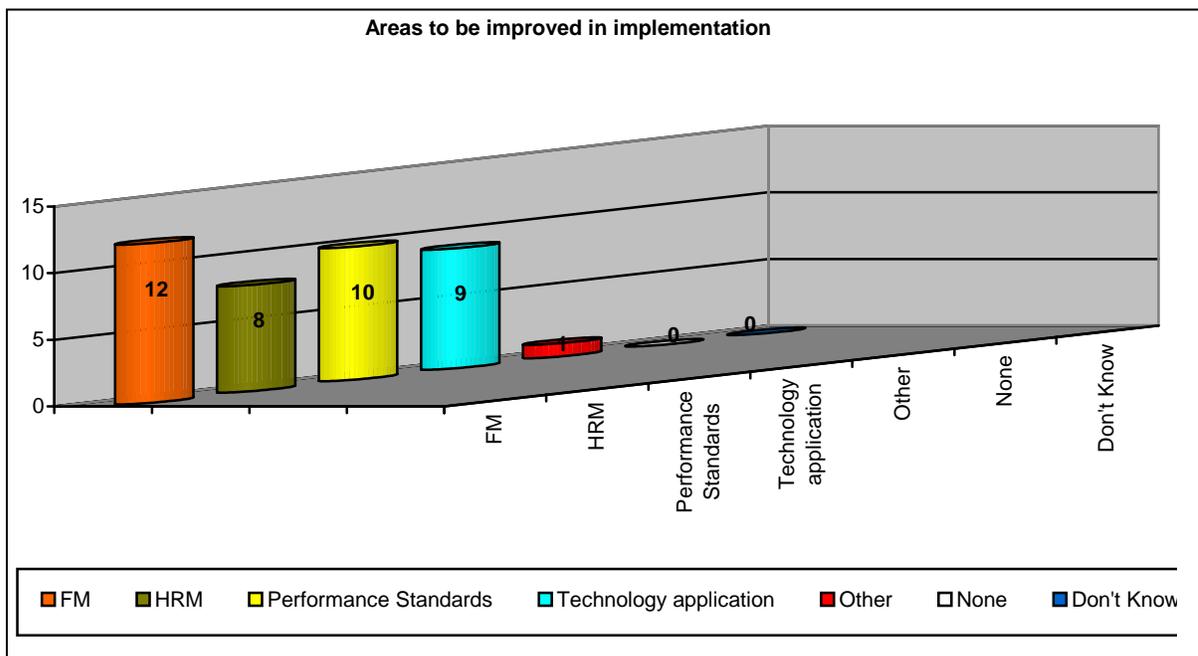


4.7.3. Resource sharing with local role-players

The City Governance of Buffalo City included weekly LED working sessions. In these sessions the municipality and role-players, like financial institutions, business mentors and IDZ representatives, set up LED one-stop centres where applications from entrepreneurs would be processed and where they could be advised about available opportunities. A similar approach was utilised in the Nkonkobe District, where the municipality initiated significant LED projects and called upon local business to partner with it on various projects. PPPs such as these, according to Gwintsa (personal interview, 27 October, 2004), have resulted in the revival and expansion of the Citrus belt, investment in a major golf estate and a spring water plant in Nkonkobe. This approach resulted in a more organic process in which role-players derived direct benefit from collaborative planning. It is clear from these findings that the VCG has some lessons to learn from HCG.

4.7.4. Areas of co-operation in project implementation that require improvement

Asked what areas overall they thought should be improved in programme and project implementation, the municipalities highlighted finance, human resources, performance standards and technology applications as shown in the diagram below. Municipalities are yearning for a more rounded relationship in programme and project implementation. It goes without saying that improved implementation will lead to improved development planning.



Diag. 4.7.4. Areas to be improved in implementation

Respondents interviewed added that these areas were a problem because of bureaucratic inertia. The lack of intra- and inter-departmental development communication results in disjointed actions at the municipal level.

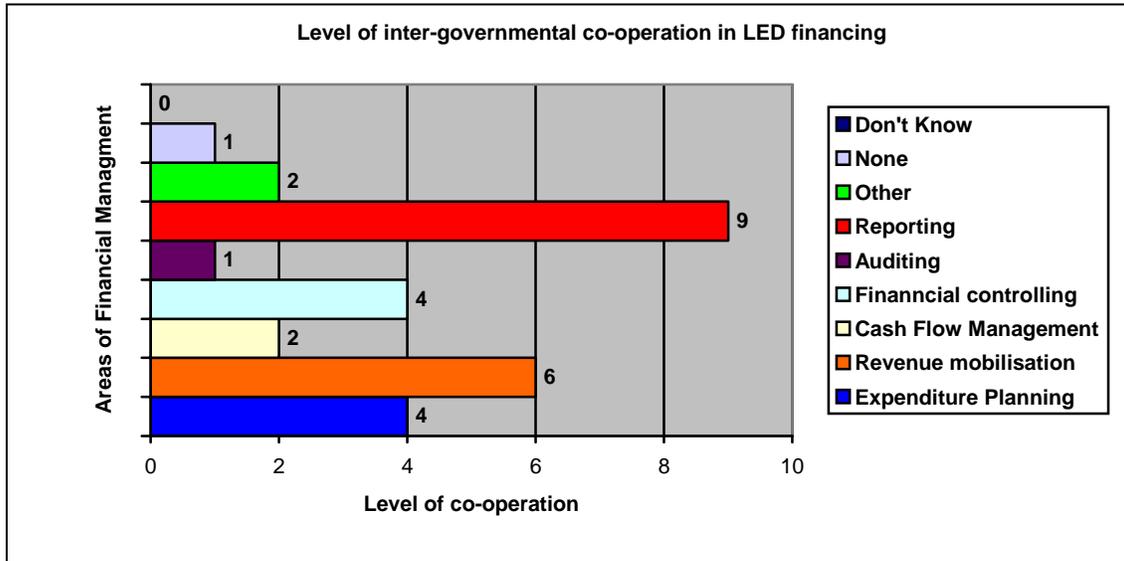
4.8. Budgeting and expenditure management

4.8.1. Areas of better LED inter-governmental co-operation

The study found that the relationship between the three spheres is essentially financial. In a nutshell it is a “resources down reports up” relationship (Magalela: personal interview, 25 October, 2004). This finding is corroborated by the fact that the majority of municipalities in this study saw reporting as the main area of inter-governmental co-operation. It is a statutory requirement that municipalities must report to National Treasury on the tenth day of each month. At provincial level municipalities have to report to the transferring department. This reporting process, according to Magalela (personal interview, 25 October, 2004), was not effective. Monthly reports are supposed to be used as monitoring tools but don't fulfil this function due to the inefficiency of the process.

In addition, Magalela (personal interview, 25 October, 2004) commented, that the provincial transferring department was supposed to visit programmes they are funding but they don't, and this undermined expenditure management for example in some financial years this has resulted in about 60% under-spending of programme funds. Consequently, it resulted in funds being diverted to other uses at the municipal level. An example of this is the use of funds meant for personnel programmes such as bonuses for Councillors. The situation is also complicated by the lack of a common and simple reporting system. In addition to this, municipalities and the other spheres have non-aligned financial information systems. According to Magalela (personal interview, 25 October, 2004), despite revenue mobilisation coming second as an area of better co-operation, there are significant challenges facing municipalities. Municipalities are supposed to

generate their own revenue on the one hand and on the other national government has a duty of annually providing funds through the national fiscus, as gazetted in the Division of Revenue Act (DORA). In addition the national sphere prioritises national objectives or programmes by allocating grants (e.g. infrastructure grant).



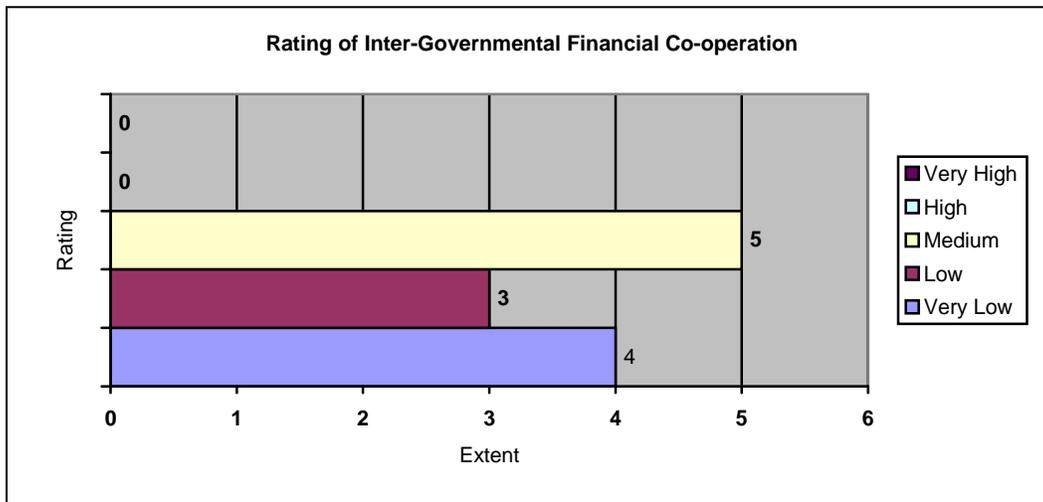
Diag. 4.8.1. Level of inter-governmental co-operation in LED financing

The ECPA has similar grants that are allocated to the local sphere and these are also gazetted. Theoretically, Magalela (personal interview, 25 October, 2004) added, there is supposed to be an agreement between local government and either of these spheres. Municipalities in turn are supposed to integrate these resources into their budgets. However, national and provincial governments do not engage municipalities for this purpose. These transfers, especially in provinces, are delayed thus undermining development planning and its outcomes such as infrastructure development. Magalela (personal interview, 25 October, 2004) noted that the revenue generated at municipal level was split amongst the three spheres to the disadvantage of the local sphere. Magalela (personal interview, 25 October, 2004) believed that the principles of inter-governmental

fiscal framework were not implemented.

4.8.2. Rating inter-governmental financial co-operation

The study also found that there was a medium rating of inter-governmental financial co-operation. This could be due to the fact that there were efforts at improving the situation, albeit through structural intervention. Some respondents though, noted that this rating reflected the lack of a relationship between provincial expenditure and LED expenditure.



Diag.4.8.2.: Rating of Inter-Governmental Financial Co-operation

Godongwana, a former Provincial Treasury MEC, (personal interview, 31 October, 2004) made the point though, that “The nature of these relations is based on the powers allocated to each sphere. National government is the tax collector and therefore the dominant sphere”. However, Godongwana (personal interview, 31 October, 2004) continued and said that there will always be contest about the best point of service delivery and therefore resources. In a nutshell, Godongwana (personal interview, 17 October, 2004) concluded the point; there will always be a “cordial-conflictual” relationship. Another senior manager from

the provincial Department of Public Works (Fekisi: Personal interview, 25 October, 2004) concurred with Godongwana's line of argument by making an example regarding the municipal infrastructure grant. Municipalities in the province budgeted R800 million and ECPA budgeted R400m for the expanded public works programme. There was no link between these two allocations and the result was that municipalities, as the physical space for implementing the programme, could not plan for the R1,2 billion allocated to the programme. Gwintsa and Zakade (personal interviews, 27 October, 2004) argue that the poor relations found in development planning are reflected in financial management.

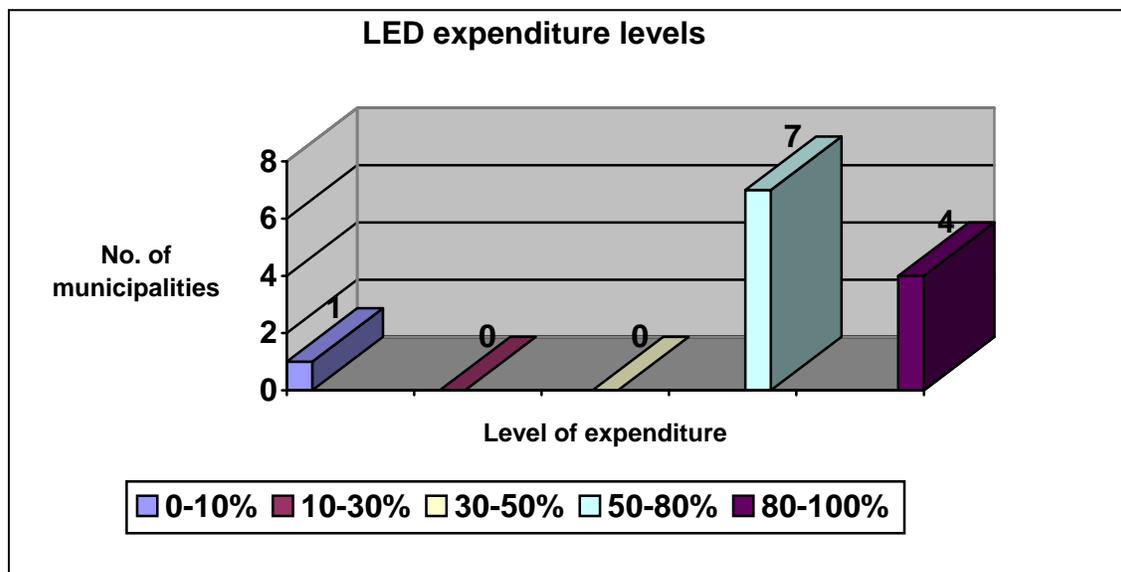
Gwintsa and Zakade (personal interviews, 27 October, 2004) went further to assert that the provincial and national government undermine the legal and social integrity of the municipalities by the lack of strategic allocation of resources to LED. Godongwana (personal interview, 31 October, 2004) concurred by making a reference to the inter-governmental budget forum. This is a forum where budget priorities are discussed. Godongwana (personal interview, 31 October, 2004) indicated that "local government participates in this process at the tail end because of the design of the process". Consequently, municipalities are not getting adequate benefit from the budget forum. This, Gwintsa and Zakade (personal interviews, 27 October, 2004) further argued, resulted in non-expenditure or mis-expenditure by provincial and national government.

Horizontally, departments were actively involved in discussing priorities with the municipality through a local inter-governmental forum. This forum, according to Magalela (personal interview, 25 October, 2004), was successful in Alfred Nzo District Municipality as provincial departments represented in that municipal area

actively participated in the inter-governmental forum. Still, having the Office of the Premier (OtP) playing an active role in municipal planning could improve this. Magalela argued that there must be purposeful and co-ordinated planning and resource management. This study found that the local sphere was territorial in their functioning thus making it difficult to achieve the required levels of co-operation. Consequently there was no consensus on roles and responsibilities between the different spheres.

4.8.3. LED expenditure level

The interviews conducted with municipalities revealed that there was high LED expenditure. About 92% of the municipalities spent between 50 and 100% of their LED budget. The low levels of budget allocation and human resources responsible for LED undermine these expenditure levels.



Diag. 4.8.3.: LED expenditure level

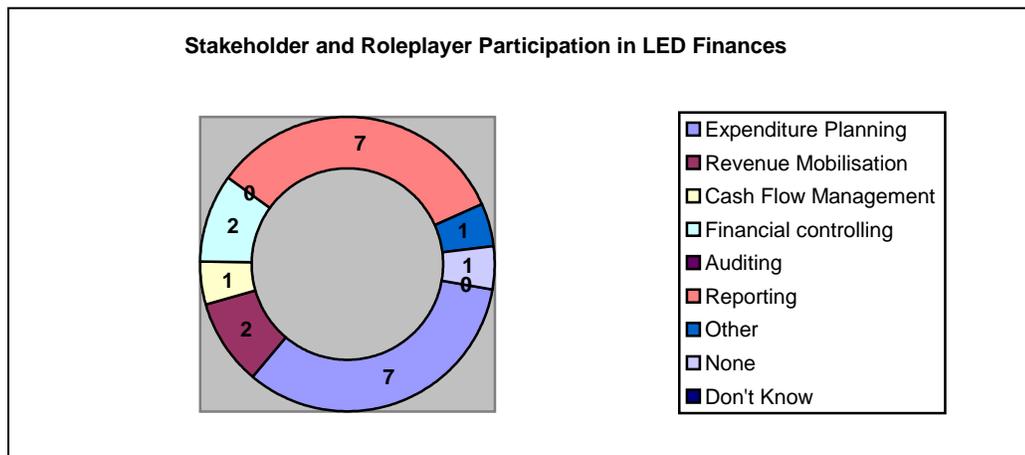
Godongwana (personal interview, 31 October 2004) understood this and justified it by saying that "it must be remembered that South African municipalities are still at a formative stage". Although this may be true, the level of economic and social

deprivation requires much more significant allocation of funds to LED.

Furthermore, municipalities are battling with administrative issues. It was only in 2004 that Johannesburg Metropolitan Municipality issued a capital bond. The Ekurhuleni Metropolitan Municipality is investigating the appropriate incentives for promoting industrialisation. The Buffalo City Municipality has just identified tax concession zones for industrial promotion and these have been submitted to National Treasury for approval. These, Godongwana (personal interview, 31 October 2004) concluded, indicate that the bulk of municipalities have limited capacity to raise LED revenue and spend accordingly.

4.8.4. Areas of local stakeholder involvement

The diagram below shows that a majority of municipalities have high stakeholder and role-player participation in expenditure planning and reporting. This confirms earlier findings where it was discovered that the local stakeholders and role-players are highly involved in municipal implementation.



Diag. 4.8.4. Stakeholder and roleplayer participation in LED finances

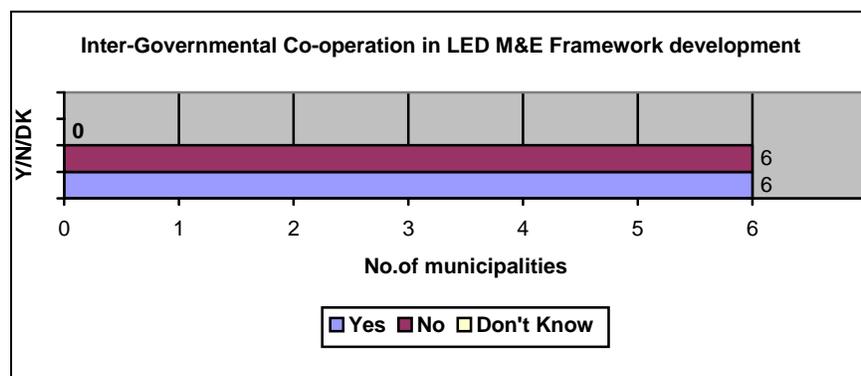
4.9. Monitoring and Evaluation

4.9.1. Inter-Governmental co-operation in LED Monitoring and Evaluation

Half of the municipalities surveyed felt that there was inter-governmental co-operation in LED monitoring and evaluation and the other half felt there was not. The evidence is inconclusive. Some of the respondents interviewed felt government was not measuring the “right things”. Gwintsa (personal interview, 27 October, 2004) argued that government was focusing on outputs rather than outcomes. Outputs refer to quantifiable goals such as the number of houses built or the kilometres of road tarred. Outcomes refer to qualitative goals such as the improvement in the quality of life as a result of having a house. Government reacted instead of focusing on early warning signs and that resulted in poor timing of interventions from the upper spheres. Gwintsa (personal interview, 27 October, 2004) found that attempts at monitoring and evaluation lacked strategic and creative thinking, and were in fact mechanistic and rigid. Despite this quantitative and mechanistic focus, operational management tools of government were lacking a monitoring and evaluation system. Ntenjwa (personal interview, 17 October, 2004) maintained that monitoring and evaluation instruments were seen as punitive measures.

Zakade (personal interview, 27 October, 2004) argued though, that on the contrary the performance management system, as a monitoring and evaluation tool, has been successful and has improved operational management. Zakade (personal interview, 27 October, 2004) concluded though, that there was poor focus on productivity and organisational culture in the current monitoring and evaluation system, which resulted in a disjuncture.

Another tool that was heralded as a good example by Somyo (personal interview, 29 October, 2004) was the district mayors' forum, which focused on monitoring implementation of the IDP. Somyo (personal interview, 29 October, 2004) complained that this tool was not replicated at a local level. In addition to this the district municipality was conducting spot visits to projects as a monitoring mechanism. Somyo (personal interview, 29 October, 2004) further argued that all the spheres benefited from monitoring done through portfolio committees of the legislature as well as customer care services of municipalities.



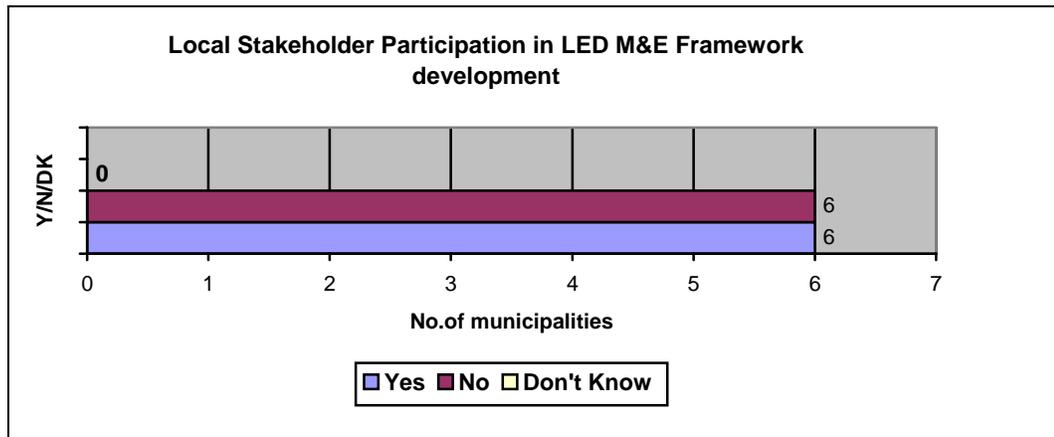
Diag. 4.9.1. Inter-Governmental co-operation in LED M&E

Gwintsa (personal interview, 27 October, 2004) maintained that monitoring and evaluation was suffering from a lack of capacity and development information to give the required feedback. This lack of capacity was partially a product of the variety and incoherence of monitoring and evaluation systems. In addition municipalities lacked the capacity to absorb monitoring and evaluation information.

4.9.2. Local stakeholder participation in LED M&E

Equally, half of the municipalities surveyed felt that there was adequate local stakeholder participation in LED monitoring and evaluation. Participation in internal audit committees, as reflected by Ntenjwa (personal interview, 17

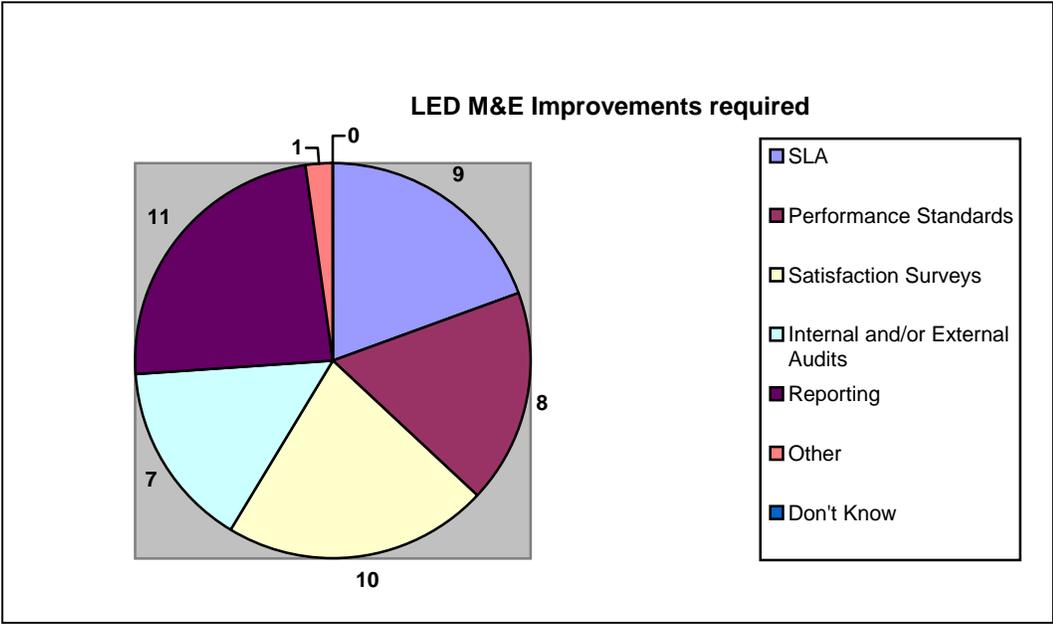
October, 2004), is an example of this involvement. Mama (personal interview, 17 October, 2004) warned though about a need to clarify roles and responsibilities in monitoring and evaluation.



Diag. 4.9.2. Local stakeholder participation in LED M&E

4.9.3. Areas of improvement in LED Monitoring and Evaluation for effective co-operative governance

Respondents from municipalities surveyed were asked to identify areas of improvement in monitoring and evaluation and these areas were pre-selected. All of the areas identified in the quantitative questionnaire were seen as requiring improvement. This is a reflection of an overall weak monitoring and evaluation process.



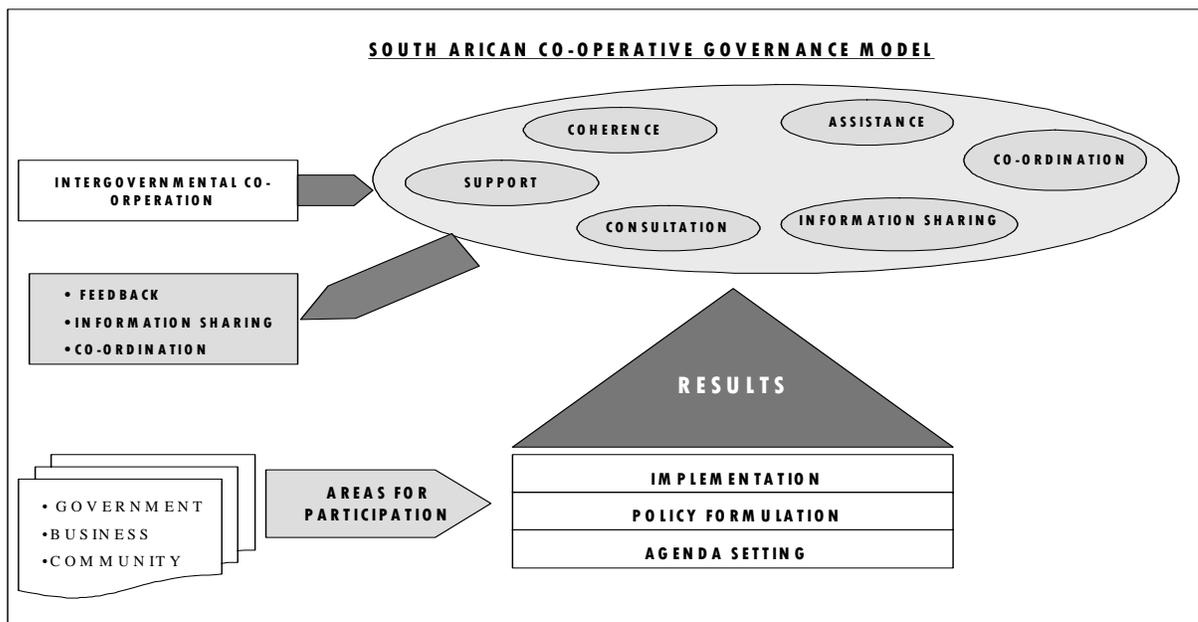
Diag. 4.9.3. LED improvements required

5. Conclusion and recommendations

This study has discussed several features of co-operative governance in South Africa. This chapter draws conclusions based on these and recommendations are then made.

5.1. Conclusions

Co-operative governance requires mutual understanding as the basis for co-ordination of functions. This mutual understanding is derived from inclusive decision-making. The distribution of decision-making powers, channels of communication and procedures for roles and functions are the operational tools of co-operative governance. The process is both vertical and horizontal and it can be summarised as represented in the diagram below.



Diag.5.1. South African co-operative governance model

Within government co-operative governance was managed through inter-governmental co-operation processes and procedures. The objectives of inter-governmental co-operation among the three spheres of governance were:

- achieving coherence,
- providing assistance to lower spheres,
- co-ordinating of efforts,
- sharing information with each other,
- consulting each other on policy, programmes and projects, and
- supporting each other's efforts.

If achieved, these objectives would lead to better feedback, information sharing and co-ordination. On the other hand government, business and community structures were supposed to collaborate in agenda setting, policy formulation and implementation. The collaboration was supposed to result in the objectives noted above. Collaboration occurred horizontally through structures like NEDLAC, Provincial Growth and Development Planning conferences and IDP forums. These were institutions set up by government to foster constitutional principles of co-operative governance. They had also crystallized a social compact for the development of South Africa. The key conclusion of this study is that the entire system is not working in terms of integrated development planning in South Africa – as evidenced by the Eastern Cape because of the domination of the national sphere.

This domination is a product of the fact that those who design tools for co-operation control the process of co-operative governance. In the case of South Africa the national sphere designs these tools. Consequently, they dominate the

process, hence the “top-down” and government-centred co-operative governance that prevails in the country. This conclusion flows from the views from key respondents. Ntenjwa (personal interview, 17 October, 2004) specifically highlighted the complexity of the instruments designed and provided by the national sphere for integrated development planning. This resulted in IDPs being done for municipalities rather than by municipalities. Evidence from the surveyed municipalities corroborated this, as it revealed that experts largely drove the planning process. Other respondents felt that there was ascending control of financial resources with the higher structures. In other words, the provincial sphere had more power than local sphere and the national sphere had more than the provincial.

It can be concluded too that municipalities were not proactive in asserting their role of directing planning and adapting planning tools to fit their context. The ironical by-product of this process was the weakness of co-operative governance in the lower spheres and thus centralised governance. Centralised governance carried the risk of alienating the national sphere from its lower spheres. One may ask, why this is the case when the South African Constitution (1996) defines characteristics and modus operandi of government in co-operative governance as inclusive of planning, design and implementation of policies?

A major discovery, though, is that the development-planning environment in government is dominated by financial control. Financial control is centralised at National Treasury. National Treasury, through the PFMA, theoretically devolves financial management to lower spheres and horizontally to managers. However, templates for strategic planning, budgeting and integrated development planning

are designed with the approval of National Treasury. Before the approval of departmental plans and municipal IDPs, National Treasury provides budget allocations within which all of the plans must be made. Then national departments make allocations for national priorities and set aside specific grants for assisting municipalities in these areas. Provincial governments then follow the same approach. Later municipalities have to align their IDPs with the above spheres. By this time the municipalities have confined planning space. If they plan outside this scope their IDPs will be non-implemented. In the case of the Eastern Cape about 90% of the municipalities have no capacity to generate their own revenue. In six of the nine provinces, this situation is similar. Left totally dependent on the upper spheres, municipalities are powerless in the development-planning context.

Hence the conclusion that formal allocation of powers and functions is inadequate. Formal power can either be enhanced or undermined by informal power networks. Such networks go beyond government structures and may be more powerful than government when it comes to the delivery of goods and services. Therefore, government is challenged to use its legitimate power position to lead beyond and guide the networks outside its system. However, elite networks, it has been found, tend to distort reality and mask poverty. This they do by creating spaces and institutions that fake equality in income, access and the ability to participate. An example of this is found in the shopping malls that they create where all consumers are given the impression of being equal participants in the economy. This theoretical finding flows from and is supported by the points made by Somyo (personal interview, 29 October, 2004) and Ntenjwa (personal interview, 17 October, 2004) about the dominance of white businesses in IDP processes. The literature suggests that businesses participate in LED with a view to influencing

planning decisions in their own favour. Note for instance that a reading of Xuza's (personal interview, 17 October, 2004) comments about the active role played by big business in Buffalo City in LED is also consistent with this conclusion. However, another conclusion that can be drawn from Somyo's (personal interview, 29 October, 2004) interview is that those who are organised tend to participate more, as was and is the case with the network of churches and non-governmental organisations. Equally these networks, as theory suggests, complemented formal government power. The role of government then is to highlight the inequality whilst promoting and implementing strategies that target poverty.

The study has found that in the western countries such as the US and UK LED has focussed on competition for private investment. It also included mobilisation of human capital and privatisation. Privatisation strategies included forming Public Private Partnership (PPP), location of new firms in distressed areas, and analysis of economic feasibility of development projects. The municipalities surveyed in the study have also revealed their preference of PPPs as a LED strategy. In western countries LED entailed the movement away from statist development planning and government regulation towards government as an enabler. Their targets for LED entail job creation, skills development, promotion of enterprising activities and provision of appropriate infrastructure for business development. This is different to South Africa by a lack of focus on land restitution and Black Economic Empowerment.

In Latin America, LED was anchored on building nodes for exporting raw materials and minerals. It established linkages between the export sector, the consumer

market and a growing labour force. Their strategies included technical and capital intensive farming and free-trade zones. Government offered infrastructure and services. Therefore, government played a supportive role and the business was central to LED. The study has found similarities between this particular LED model and the SDIs and IDZs in South Africa. It was also observed that it was ranked as the third most important strategy by the municipalities surveyed in this study as opposed to ISRDS. However, Gwintsa (personal interview, 27 October, 2004) concluded that LED needed more Import Substitution Industrialisation (ISI) than export-oriented strategies. Another conclusion that could be drawn from this is the fact that the Eastern Cape is predominantly rural and therefore their LED perspective will be dominated by rural development.

The African model revealed that high unemployment and domination of the informal sector are the key challenges of LED. Africa experienced urbanisation without employment. Consequently production systems could not cope with urbanisation and urban management. The central government played a key role in managing investment and urban development. In East Africa central government promoted industrial estates, distribution of loans to industrial and processing establishments, modern technology, infrastructure development, power and extension of services. West African communes have power to intervene in economic and social development but they do not. This was found to be consistent with the surveyed municipalities as they displayed little regard for urban management by the down ranking of the Urban Renewal Strategy (URS). It was revealed that national government in West Africa was more responsible for urban regeneration than the municipalities, which was a worrying trend.

In other words, even where the local sphere has been given powers to intervene in LED they do not. Instead the African model revealed that the informal sector attended to urban housing and employment creation. It re-configured the city into multi-nuclei of de-concentrated production and service activities. Key elements of this model include the use of indigenous resources, family enterprises, labour intensive skills and competitive markets. It also focuses on poverty alleviation and eradication. Strategies used in this regard included shelter provision, land management, micro-enterprises, urban agriculture, commodity trading and vending, service provision and credit mobilisation. The biggest challenge to the African LED model was the complex land management model. It included leasehold, freehold and customary systems. Therefore, the informal sector complemented central government in LED. However, both are hampered by rapid population growth.

Like elsewhere in Africa, the South African LED model is premised on the land challenge. The South African model seeks to achieve long-term security of land tenure. Land and rural development policies regulate conditions of residence on certain land, conditions and circumstances for termination of tenure and land eviction. Therefore, there is more clarity on land management issues in South Africa's model of LED. This is important for investors in LED. Sectors highlighted for LED, especially in the rural context, include agriculture, forestry, tourism, rural industries, SMMEs, financial services and labour intensive programmes. The model also highlights the objective of social stability and increasing local capacity to plan and implement rural development. There was also a focus on building viable institutions, accessible social amenities, and developing skills and knowledge.

LED in South Africa has adopted a nodal approach to development planning. There has been a shift towards demand-driven development expenditure. This direction was taken after the intervention of the President's Office, which was worried about incoherent planning. Zakade (personal interview, 27 October, 2004) noted that these were just policy "stop-gap" measures due to a lack of policy provisions. The intervention also focused on institutional development. Human resources development support, technical support through NGOs as well as national and provincial departments were the key institutional support mechanisms. Other strategies instituted by this intervention were safety nets, local partnerships, SMME promotion, infrastructure development, policy and procedure revision by municipalities, provision of special economic services and municipal service partnerships.

The Local Government White Paper (1996) and the Municipal Systems Act (2000) were central to defining the IDP process. Co-operative governance was highlighted as the key objective of these policies. LED also featured strongly as one of the mechanisms of planning and managing economic development in the municipal space. The IDP had the following components: situational analysis, visioning, strategy formulation, programme planning as well as a monitoring, evaluation and review. The IDP legislation isolated LED as a key area for co-operative governance. The conclusion of the study in this regard is that there was a convincing policy and legislative context to achieve co-operative governance in IDP (LED). However, IDP practice and overwhelming evidence from municipalities and resource interviewees pointed to a dis-functionality of the co-operative governance model in IDP (LED). This was revealed from the differentiated

resourcing of LED right up to how municipalities monitor, evaluate and review IDPs. In LED, specifically, the study found, there seems to be no nationally coherent policy. Experts who use the workshop medium for engaging local stakeholders dominated IDP. The central flaw of this technique was argued in the theory section, which was its fallacious assumption of equality among stakeholders.

5.2. Recommendations

Co-operative governance in development planning in LED in South Africa needs urgent rethink and reform. The recommendations of the study are divided into three areas namely policy, management and organisation.

5.2.1. Co-operative Development Planning⁴ policy

Despite there being a plethora of legislation and policies that profess to promote co-operative development planning, the reality is they are inadequate. It is recommended that the three government spheres must synthesize existing policy with the objective of streamlining it. Various provisions need to be made consistent through integration into a singular guiding framework. The framework needs to prioritise key areas of co-operation. A mechanism also needs to be put in place for monitoring best practice so that the framework is continuously refined. Below are some of the suggested elements of this singular guiding framework.

The vision for co-operative development planning must be underpinned by the principle of contextuality. Contextuality refers to the centrality of local conditions

⁴ Stands for co-operative governance in development planning.

to co-operative development planning. Its benefit lies in the appreciation of the unique features of each locality and its development opportunities. Particularly in LED, contextuality ensures use of the comparative advantages of each area for its economic development. It also facilitates flexibility and adaptability of development planning. Contextuality also allows development-planning strategies across sectors to be relevant to existing problems and they are not foreign to local stakeholders either.

This vision must also encapsulate effective management of power networks. By planning networks the study refers to those power networks that have no primary or secondary interest in the planning processes, but, who in the conduct of their business, can undermine development planning. Differentiation in the management is vital as they carry different capacities, threats and resources. Central to development planning is the ability of the government to stretch its limited resources by utilizing resources of power networks and neutralizing networks with negative agendas. Therefore, this calls for consistent power network analysis and engagement beyond the IDP cycle.

Closely associated with the management of networks is the management of stakeholders. Stakeholders refer to groupings that have an interest in the development planning process. The study recommends that the vision should highlight differentiated engagement of stakeholders. Non-uniformity of stakeholder capacity, skills, interests and influence are reason enough for the differentiated engagement of stakeholders. Differentiated engagement for purposes of IDP entails arranging different forums for different stakeholders and applying varied techniques for effective participation.

It is recommended that the vision must continue with the focus on poverty eradication through acknowledging the centrality of the informal sector to development planning. Many of the municipalities in South Africa are unable to improve their revenue position because of grinding poverty of their citizens. These citizens are fast relying on the informal sector, which is consistent with the African experience. That is not to say the informal sector is weak. However, most of the poverty is structural, and because of structural constraints the informal sector can be by-passed. Any poverty eradication strategy must be guided by the vision of learning from and supporting the informal sector. Learning from the informal sector may require in-depth research into how they organise themselves and what can be beneficiary to development planning.

Co-operative development planning policy must incorporate sustainability in its vision. Sustainability is currently a “buzz-word” and this study seeks to highlight the duality of meaning, which sees sustainability as environmental sensitivity and as the institutional capability to manage development planning processes and strategies. This understanding allows the three spheres to avoid “white elephant” projects like expanded public works projects such as clinics without nurses and medication, schools without desks, and multi-purpose community centres that are being vandalised because of non-utilisation.

The new vision for co-operative development planning must incorporate the principle of enterprising municipalities. Municipalities need to use their assets for revenue generation. This will fast track their financial independence and therefore bolster their role in co-operative development planning. This is not to

accept as fair the current domination over them (municipalities) by those spheres with more financial resources. It is true that the ability of the municipality to use its assets creatively puts it at a more powerful position in brokering development planning. Municipal Service Partnerships (MSPs) set a good policy foundation for this orientation but it is not sufficient.

Co-operative development planning policy must explicitly promote decentralisation in its vision. Evidence in this study has shown that the upper spheres often has little knowledge of or appreciation for local conditions. Hence they force their development priorities through municipal planning processes. Decentralisation will result in real capacity building, as municipalities will determine development priorities for the province and the country. This will result in bottom-up development planning processes. National fiscus will divide revenue according to municipal needs, emerging regional trends and national policy priorities emerging in the regions. That will invert the current process, where national government determines priorities, the provinces follow, and municipalities come only at the end.

This study recommends a policy mission based on the above vision. The policy's mission must ensure that financial management follows development plans. This is logical because no planning process ever starts by measuring its human, physical and financial resources. Instead, the starting point is assessing the development challenges and then identifying the required resources to achieve those goals. It is a planning prerogative to mobilise resources for development plans, instead of limiting these to available resources. The significance of this shift is that it reverses the dominance of fiscal policy over development policy.

Effective development policy implementation will lead to bigger revenue and therefore sustained fiscal health.

Sustained fiscal health and effective development planning require urgent investment in human capital in the municipalities. This recommendation acknowledges current efforts by government to build skills through the National Skills Development Strategy (NSDS). Resources need to be set aside for deepening the skills base in co-operative development planning and development management. This continues to be an area of weakness amongst many of the municipalities of South Africa. Human capital development is not and cannot continue as an endogenous process. Co-operative development planning requires skilled communities, more especially in LED. Community skills development requires a robust exogenous skills development strategy guided by the IDP.

Equally, the mission of co-operative development planning should continue the focus on infrastructural development. Infrastructural development must be based on the IDP and not parachuted by the national and provincial departments. A shift from a bias on social infrastructure to economic infrastructure must be key to co-operative development planning. This includes industrial parks, inter-modal transport corridors and agricultural parks amongst others. Such infrastructure investment would enable the municipality to generate more revenue from businesses. Infrastructure patterns that are pillared on the economic logic of the local space evolve a regional economic network and ultimately a national one based on natural economic capabilities of various areas.

It is such economic foresight that will enable municipalities to engage with the global economy as contributing players rather than beggars for investment. The mission of co-operative development planning policy must be to enable municipalities to be sound global economic players. Currently South African municipalities are presenting themselves as victims of global investors and metropolitan municipalities. This approach is a departure from “buffalo hunting” or investor chasing as it empowers the municipality to work with its local realities, resources and talent to explore markets available for locally produced goods. Investors will be secondary part of strategy of global engagement. Broadening markets for local business means more revenue and sustainability for local business and the municipality. This global engagement is also important for understanding global power networks and their agenda in relation to localities. Finally, it would also enable municipalities to share in the governance and development experiences of other parts of the world.

Amongst key issues South African municipalities need to share globally are strategies of engaging the informal sector. The policy mission needs to highlight the centrality of this sector, as there are many lessons of dealing with poverty and economic challenges found in this sector. The informal sector is the fastest growing sector economically and socially. It provides shelter for a significant portion of the global population and equally employs large numbers. Ignoring the sector is unwise and municipalities do it at their own peril, as evidenced by the rest of the African municipalities. Co-operative development planning needs to take the informal sector into account in order to be able to do a reasonably accurate economic and social analysis. Such analysis will enable the municipalities to develop realistic strategies. Equally the informal sector can

benefit from transforming the formal sector from a complex restrictive sector to a more open and flexible one. These changes will benefit both sectors in the final analysis.

Another recommendation is that municipalities must accept that urbanisation is here to stay and therefore instead of shying away from urban management strategies, they should embrace them. Urban management focus should constitute a key element of the co-operative development planning mission. Co-operative development planning would also ensure that the country has diversified urbanism marked by differentiating “micro-perspectives” instead of “one-size fits all” solutions to urban challenges. Micro-perspectives will provide space for innovation by municipalities in managing urbanisation. In addition, it would be unwise for municipalities to ignore rural linkages. The study prefers an urban management system that recognises and exploits urban-rural linkages for effective development planning. This is important in South Africa because urban spaces are encroaching on rural land and this is contentious.

On the basis of this, land management must be another key element of the mission of co-operative development planning policy. South Africa, like the rest of Africa, has a complex land management system. National government has responsibilities regarding state and traditional land. Traditional authorities are equally central. Private owners also have a role to play in land management. In this context the municipality is the least empowered and yet its constitutional and statutory obligations require access to land through a simple and administratively efficient mechanism. When an investor is seeking an investment opportunity in a municipality that is largely rural, he/she cannot do so without engaging traditional

authorities, national and provincial government and, to a limited extent, the municipality. Dispersed land management powers and functions are both a challenge and opportunity for redefining co-operative development planning. In other words, if it can work in land management then the principles can be adapted to other areas of development planning.

Finally, the mission of co-operative development planning must be the creation of economically active municipalities that can promote strategies such as industrialisation. The efforts of all three spheres must be to ensure that municipalities are economic players of note. They must identify, pursue and create economic opportunities globally. Collaboration must be achieved in industrial clustering, promotion of inter-firm linkages, rewarding innovation in production and supporting industrial management and organisation. By consolidating local business and creating a vibrant, diverse business class, the municipality would be able to extend its tentacles of economic power beyond its current limits.

Consequently, the central aim of co-operative development planning should be the existence of empowered municipalities that steer co-operative development planning resulting in economically diverse and active localities, regions and country.

Goals of the co-operative development planning policy should include:

- Robust policy management steered from below
- Simple and contextual development planning practice
- Sustainable management of local development

5.2.2. Management of co-operative development planning

The study recommends that the management of co-operative development planning must improve information management, programme management, financial management, as well as monitoring and evaluation.

5.2.2.1. Information Management

It was found that the quality of baseline information for planning was not good, hence the recommendation of improved information management. Localizing Statistics South Africa (SSA) by conducting local statistical fieldwork and thus enabling them to support municipalities with baseline data annually could achieve this. This is despite the recent weaknesses of data received from SSA regarding incorrect economic indicators that was reported widely in the newspapers. This study assumes this was due to institutional weaknesses that will be improved with time.

Statistical information from SSA could be based at municipal ward level, which is the most basic geographic unit found in the Municipal Structures Act (2000). Such data will be consolidated at the level of the municipality. Significantly, municipalities will rely on accurate data gathering and analysis in areas such as local poverty index, skills profiling, economic activities and community needs as well as many other categories of development planning data. In turn such data will enable contextuality. It can be mapped out like a quilt to reflect a bigger picture for co-operative development planning.

It must be the objective of the above process to simplify development-planning data. Simplicity of this data will enable all planning networks and stakeholders to

integrate efforts into the “development-planning quilt” and thus re-inforce municipalities rather than contradict them or compete with them. This synchronisation is not a given but is itself a consequence of contextuality as well as active lobbying and advocacy. Simplified data will also enable all spheres to track their targeting strategies and the effectiveness of their programmes. Synchronisation only allows for complementarity through diversified efforts.

The above recommendation also presupposes the ability of a municipality to warehouse and circulate this data appropriately. Warehousing requires a well-developed Municipal Information Management System (MIMS). Warehousing also requires a well-oiled infrastructure of accurate data management including safe storage. Such management could enable municipal planning and management accuracy and pattern analysis. The study doesn't assume that this is an easy objective to achieve as municipalities are plagued by inaccurate accounts to users of their services.

Accurate data also requires continuous cleansing and not a once-off effort, as is currently the practice at municipalities. Data-warehouse managers have to clean the data continuously for it to be relevant. Annual updates should be preceded and followed by verification, isolation of corrupt data and clearing the MIMS of the latter. This will result in panels of studies about local space and its development planning trends. Panelling will result in longitudinal analysis of the planning processes, consequences and effects. Once cleaned, the data can be used for planning. Clean data allows for accurate benchmarking of development planning interventions. The municipality will then be able to extrapolate and forecast trends, which will allow them to anticipate changes in the local

development context. Equally, the upper sphere could use this data for vertical and horizontal aggregation. Vertical aggregation will allow for easier quilted planning and trends analysis. Horizontal aggregation will enable cross-sectional analysis. All these techniques rely on the data processing and analysis capabilities of the municipalities and thus the need for improving information management skills and infrastructure.

5.2.2.2. Programme Management

Programme management can benefit from the above recommendation, but it also must be improved for co-operative development planning to work. Firstly, consistent with the above, development programmes require all spheres to converge with the beneficiary communities or groups in the municipalities. This convergence will enhance contextuality. Contextuality in programme design also means that these role-players must base their design on specific indicators arising from the localised statistical profile.

Secondly, a programme should be designed with a simultaneous assessment of the skills required for its implementation. Implementation must be inclusive of monitored skills development. This should ensure that the municipality and the beneficiary community have skilled human resources. Repeat programmes will benefit the municipality from reduced input costs and a local flow of resources into the beneficiary community, which otherwise would have been left with only external human capital to rely on.

Thirdly, programme design and implementation should lead to increased economic value for the municipality. Each programme must increase the asset

value of the municipality. Such assets must also ensure that the credit-worthiness of the municipality is improved. Economic value also relies on the articulation of municipal investment with key economic drivers of the local space.

Fourthly, programmes could, where possible, be designed and implemented to offset global trade in favour of the municipality. This means programmes must ensure that the municipality is able to export its goods and services, whilst importing only required goods and services. National indicators such as balance-of-payments must be localised for municipalities to understand their contribution to the national development scenario. Municipalities who are “trade smart” will not go “cap-in-hand” to the global trade market but will be actively involved in pursuing positive trade indicators.

Fifthly, programme design and implementation should integrate methods utilised by the informal sector. These may be affordable and thus lead to improved household saving. This is particularly true if the beneficiary community is represented by the informal sector. That is not suggesting that programmes not targeting the informal sector per se must not take into consideration their methods and benefit the informal sector. In many instances this approach will enable the municipality, through its development planning programmes, to respond to the informal sector’s challenges and solicit their support.

Sixthly, programmes should be designed and implemented to enhance urban management systems. They can ensure articulation of sub-systems such as transport, workplace, settlement, culture and sanitation to mention but a few. Currently, as the study has found there is little regard for urban management

systems (UMS) in the municipalities' survey as well as in the African model of LED. At the heart of development planning is the pursuit of efficient UMS, as these ensure controlled and directed growth patterns of local industries.

Seventhly, programme design and implementation needs to ensure simplified land management. All the above elements of programme design and implementation depend on simplified land management. Local social compacts on land administration are an important step in allowing the municipality to simplify land management. This will secure local and external investors.

Eighthly, programme design and implementation should ensure that there is a direct link between programmes and economic production. Direct promotion of local productivity bears significant sustainability factors that the municipality requires for its own revenue generation and integration of efforts with the private sector.

5.2.2.3. Financial Management

The study recommends a bottom-up financial management model. In this model planning must come before budgeting, resulting in financial management systems that are based on development planning objectives. Budgeting must, like planning, be quilted. Unlike what is currently the case, the municipality must do revenue generation independently in the first instance and then inter-dependently. The model must also entail a programme-based expenditure management. This must be directed at the set development planning objectives. Financial reporting needs to be programme based, where programmes report on

the results that have been met. Overall this model calls for socio-economic accounting at all the spheres.

5.2.3. Organisation of co-operative development planning

Programmes organise the various role players into relevant structures and sub-structures. Municipalities should take the lead in co-operative development planning because the quilting technique requires leadership from below. It is recommended that the organisation of co-operative development planning should improve municipal expertise, stakeholder management, intra- and inter-governmental relations and international relations.

Contextuality, as noted throughout this treatise, presupposes non-uniform treatment of stakeholders and community groups. Contrary to current practice, it calls for unique treatment. In addition to this, municipalities must be able to resource map stakeholders in order to complement their limited resources. Invariably, this approach to stakeholder management will enable municipalities to use stakeholders strategically. Consequently, stakeholders will have better control and management of development planning.

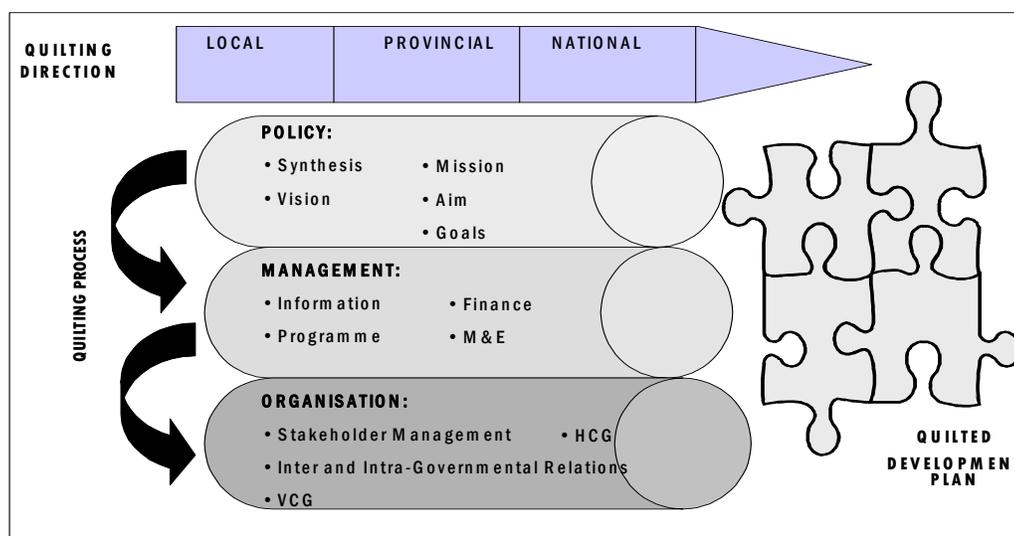
Vertical Co-operative Governance (VCG) requires, the study recommends, a bottom-up approach to development planning structures. The study has discussed the quilting technique as a planning method for actualising bottom-up planning. This recommendation focuses on the structural organisation of development planning. Planning networks must be quilted from the local interests, to municipal, regional, provincial and national levels. Aggregated co-

ordination of effort will lead to consistent planning at the different levels. The first planning stage must be at the level of role-players and stakeholders. Secondly, municipal wards must aggregate ward interests into a ward plan. Thirdly, ward plans must be consolidated into municipal plans. Fourthly, municipal plans must be consolidated into district plans. Fifthly, district plans must be consolidated into provincial plans. Sixthly, provincial plans must be consolidated into national plans. Each step in this sequence will have a multi-stakeholder forum that has to ensure consistency and efficiency of plans.

Regarding horizontal co-operative government (HCG), this study recommends that the relevant stakeholders with relatively similar resources and capacity plan together. It also requires that different sectors identify inter-dependent variables collaboratively and ensure consistency in their sectoral plans and resource utilisation at the same level. Basic sectors in the South African context would include community organisations, NGOs, labour, government, public entities and business. The composition and functioning of these HCG structures will be determined by specific conditions that prevail in each level.

5.2.4. Summary Model

In summary the recommendations propose the following model:



Diag. 5.2. Quilted Co-operative Development Planning Model

5.2.5. Weaknesses of the study and areas of further research

Methodologically, the main weakness of the study is its inability to get responses from more municipalities as initially envisaged. Equally, getting respondents from the national departments could have balanced the study more. Inclusion of the new Inter-Governmental Relations legislation could also have enriched the findings. Theoretically, the study may be accused of economic reductionism and this is despite its selected focus on LED. Institutionally, the study could be seen to be atomising development planning institutional mechanisms. All these weaknesses, despite being important, do not significantly undermine the findings. Instead, they present further possibilities for research.

Further research could be done with more respondents from across the country. Also, a study focusing on evaluating co-operative governance in development

planning for the social sector could offer interesting comparison with this study. Finally, this study sets firm foundations for the development of a theory on the quilted planning model and this could be pursued at a higher academic level.

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Qualitative Questionnaire

Evaluation of Co-operative Governance in IDP (LED)

A. *Situational analyses:*

1. What is your understanding of the government collaboration in planning?
2. In what ways is this being realised in situational analyses for LED?
3. How are local stakeholders and role-players participating in LED situational analysis?
4. How can this be improved?

B. *Vision, objectives and goals*

5. In what ways are the vision, objectives and goals aligned to national and provincial economic objectives?
6. How were various economic interests of local stakeholders and role-players taken into consideration when drawing the vision, objectives and goals?
7. How can the alignment of national and provincial economic policies to the LED vision, objectives and goals be improved?

C. *Strategies*

8. In what ways were the LED strategies aligned to provincial and national economic strategies?
9. What mechanisms were utilised in ensuring effective participation by local role-players and stakeholders in crafting LED strategies?
10. How can the quality of this participation be improved?
11. How can consistency and co-ordination of strategies between the various spheres of government be improved?

D. *Programme and project implementation*

12. In which ways are the LED programmes and projects linked to provincial and national economic programmes and projects?
13. How can the level of coherence, support and consistency of economic programmes and projects between the various spheres be improved?
14. How were LED programmes linked to those of local role-players and stakeholders?

E. *Budgeting and expenditure management*

15. In what ways have the various spheres of government co-operated in budgeting and expenditure management in LED?
16. In what ways have the local stakeholders and role-players co-operated in LED budgeting and expenditure management?
17. How could co-operation in budgeting and expenditure management be improved in LED?

F. *Monitoring and evaluation*

18. How has inter-governmental collaboration been in LED monitoring and evaluation?
19. How have local role-players and stakeholders contributed to LED monitoring and evaluation?
20. In what ways can inter-governmental co-operation in LED monitoring and evaluation be improved?
21. How can the role of local stakeholders and role-players be improved in LED monitoring and evaluation?

Thank you for your co-operation and support in this study.

Quantitative Questionnaire

Evaluation of Co-operative Governance in IDP (LED)

Municipal Name	:	
Category	:	
LED Budget	:	
Number of LED employees	:	

A. *Situational analyses:*

1. Which sphere(s) of government are actively involved in situational analyses for LED? Please select from the following:
 - Province
 - National

2. Which tools do the municipality for situational analysis in LED use? Please select the right answer(s)
 - Questionnaire
 - Workshops
 - Written Submissions
 - Experts
 - Other, specify

3. Are the tools used in the situational analysis successful in identifying real LED needs of the community?
 - Yes
 - No

B. *Vision, objectives and goals*

4. Which policies are best represented by your LED vision, objectives and goals?
- GEAR
 - PGDP
 - LED White Paper
 - Other
5. How was the alignment of your LED vision, objectives and goals with the national and provincial economic policies?
- Policy workshop
 - Experts
 - Interviews
 - Submissions
 - Other
6. How did local stakeholders and role-players contribute to the development of the LED vision, objectives and goals?
- Policy workshop
 - Experts
 - Interviews
 - Submissions
 - Other

C. Strategies

7. The LED strategies of the municipality were informed by the:
- Integrated Sustainable Rural Development Strategy
 - Urban Renewal Strategy
 - BEE strategy
 - Public Private Partnership strategy
 - Land Reform strategy
 - Spatial Development Initiatives including IDZs
 - Other
 - None

8. Which tools were used for co-ordinating LED strategies between the three spheres of government?

- Policy workshop
- Experts
- Interviews
- Submissions
- Other

9. Were the tools of co-ordination effective?

- Yes
- No
- Don't Know

10. In your view, how would you rate the level of participation by local role-players and stakeholders?

- 0 – 10%
- 10 – 30%
- 30 – 50%
- 50 – 80%
- 80 –100%

D. Programme and project implementation

11. Do all spheres of government collaborate in the implementation of economic programmes and projects?

- Yes
- No
- Don't Know

12. Which of the following resources do the different spheres of government in LED implementation share?

- Finance

- Human Resources/ Skills
- Equipment
- Other
- None
- Don't Know

13. In which aspects has there been co-operation between the municipality and local role-players and stakeholders in LED implementation?

- Financial resources
- Human Resources
- Equipment
- Information
- Other
- None
- Don't Know

14. Which aspects of co-operation in project implementation require improvement?

- Management of financial resources
- Human Resources Management
- Performance standards
- Technology application
- Other
- None
- Don't Know

E. *Budgeting and expenditure management*

15. LED had better inter-governmental co-operation in the following areas, please select:

- Expenditure planning
- Revenue mobilisation
- Cash Flow Management
- Financial controlling
- Auditing

- Reporting
- Other
- None
- Don't Know

16. How would you rate the level of inter-governmental financial co-operation in LED?

- Very Low
- Low
- Medium
- High
- Very High

17. What percentage of the LED budget was spent in the last financial year?

- 0 – 10%
- 10 – 30%
- 30 – 50%
- 50 – 80%
- 80 –100%

18. In which areas have the local stakeholders and role-players participated in LED budgeting and expenditure management?

- Expenditure planning
- Revenue mobilisation
- Cash Flow Management
- Financial controlling
- Auditing
- Reporting
- Other
- None
- Don't Know

F. *Monitoring and evaluation*

19. Was the LED monitoring and evaluation framework developed through inter-governmental co-operation?

- Yes
- No
- Don't Know

20. Did local role-players and stakeholders participate in designing LED monitoring and evaluation?

- Yes
- No
- Don't Know

21. Which areas of LED monitoring and evaluation require improvement for effective co-operative government?

- Service Level Agreements
- Performance Standards
- Satisfaction surveys
- Internal and/or External Audits
- Reporting
- Other
- Don't Know

Thank you for your co-operation and support in this study.

Signature:.....

Date:.....

