Local economic development in South Africa: Strategic challenges

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Local economic development in South Africa: Strategic challenges

Christian M Rogerson

Since the democratic transition, local economic development has been a growing feature of development planning in South Africa. The major objective of national government promotion of local economic development (LED) in South Africa is to forge robust and sustainable local economies. This paper analyses 15 years' experience of LED planning, and identifies strategic challenges that face LED planning in South Africa.

Keywords: local economic development; local government; South Africa

1. Introduction

One vital dimension of global contemporary development thinking is the enhanced importance of place and of locally driven development processes (Pike et al., 2006; Valler & Wood, 2010). Within an environment of reduced central government control of development processes a widespread trend is towards a more decentralised, bottom-up approach to economic development, building on the economic strengths of each locality and supporting the foundations for economic growth, such as productive investment and enterprise upgrading. Although local economic development (LED) strategies have their roots in the high-income countries of the global North, in the South LED has gradually emerged as a development strategy due to several factors. Rodriguez-Pose & Tijmstra (2007:522) observe that ‘slow economic growth and poverty, combined with the changes in the national and international economic environment, and the effective inability of many central states to intervene at the local level have provided a fillip for locally based initiatives’.

The South African experience of policy development for LED and applied practice is distinguished by the emphasis accorded to local-authority-driven processes. Since the 1994 democratic transition, there has been a radical transformation in the nature and organisation of development planning in South Africa. One of the most significant shifts relates to the rise of LED planning, an integral component of place-reshaping (Grant & Dollery, 2010) and of ‘re-engineering local government’ in South Africa (Thornhill, 2008). Before 1994, LED planning in South Africa was limited in scope and mainly confined to isolated local development interventions pioneered by municipal authorities in the country’s largest cities. The legislative and policy context for elevating LED to an obligatory mandate for all South African local authorities was initially recognised by the 1996 Constitution and subsequently established in the 1998 White Paper on Local Government, which introduced the notion of developmental local government (Department of Provincial and Local Government [DPLG], 2006). Under the 2000 Local Government Municipal Systems Act, several LED functions and responsibilities were legislated and the activity of Integrated Development Planning was made a compulsory activity for local governments (Nel & Rogerson, 2005).
Notwithstanding the mandate for South African local authorities to undertake LED, until 2006 no national government guidelines existed to assist them in pursuing LED activities (Rogerson, 2008). During 2002, one study of the state of LED showed that municipal administrations were ‘deeply uncertain as to what LED means, what they are supposed to do and how they are supposed to organise it’ (Meyer-Stamer, 2002:3). Considerable confusion as to the meaning and activity of LED arose out of the operations of the Local Economic Development Fund launched in 1999 by the responsible ministry, the Department of Provincial and Local Government (DPLG), as part of national government’s poverty alleviation strategy (Binns & Nel, 2002).

The establishment of this fund was a catalyst for a ‘project based’ approach to the practice of LED as municipalities were encouraged to apply to DPLG for support funding (Sibisi, 2009). Despite well-meaning intentions, the outcome of the LEDF was a proliferation of small projects, most of which collapsed after the close of project funding. The LEDF failed to deliver long-term sustainable LED and its legacy was to foster a practice of LED that was more akin to ‘social work’ than to building the competitive economic base of localities (Meyer-Stamer, 2002:8). During the period of the LEDF there was a general lack of understanding of what LED was and of capacity to implement, particularly at local government level (Patterson, 2008). Overall, in terms of the evolution of policy and practice for LED in South Africa, the period 2000–05 was a missed opportunity and distinguished most clearly by the DPLG’s difficulties in consolidating national guidelines and creating a framework document to assist LED activities by municipal authorities (Rogerson, 2008).

The years 2005–06 marked a significant watershed for LED policy in South Africa (Rogerson, 2008). After nearly 10 years of LED being a statutory obligation for the country’s local authorities, in 2006 the DPLG released a comprehensive statement of its interpretation of and goals for LED, representing the first definitive set of guidelines for local authorities (Nel & Rogerson, 2007). The National Framework for Local Economic Development provides a vision for creating ‘robust and inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives’ (DPLG, 2006:17).

This 2006 framework signals a new ‘policy maturity’ in the planning of LED in South Africa and furnishes ‘the essential base for a phase of consolidation in LED activities and planning’ (Rogerson, 2008:308).

Against this backdrop, this article analyses the major strategic challenges that confront the progress of LED in South Africa towards achieving the goals set out in the national framework document. Methodologically, the paper draws strength from a critical review of a large amount of academic and policy material on LED activities in South Africa. The analysis is enriched by a series of interviews and workshops conducted in 2009 with senior LED institutional stakeholders from national government (DPLG, Department of Trade and Industry [DTI]), local government associations (South African Local Government Association [SALGA]), development finance institutions (Development Bank of Southern Africa [DBSA]), LED consultants and donor agencies active in support of LED in South Africa (German Technical Cooperation [GTZ]) (see Appendix 1).

1During 2009 the DPLG was renamed the Department of Cooperative Governance and Traditional Affairs.
2. Strategic challenges

This section provides a synthesis of important strategic challenges facing LED in South Africa. Although these challenges are presented as separate items, it is acknowledged that many of them are interlinked and co-dependent policy considerations.

2.1 The meaning of LED

For several years ‘a battle of ideas’ has raged over the soul and meaning of LED in South Africa. The central debate was about whether LED initiatives should take a competitive or social welfare approach. It is evident that, while elements of both approaches might be required, local governments have received insufficient clarification or leadership from national government to be able to find the right balance. Moreover, while there is agreement on the desired outcomes of LED – such as reduced poverty and more jobs – ideas about the role of local government in achieving these outcomes differ considerably. A critical divide has been between those who believe local government should provide a direct solution by supporting projects for job creation and others who advocate for an indirect solution in the form of creating an enabling environment.

The 2006 DPLG policy framework reveals an important shift in the way local governments should try to achieve economic growth and poverty eradication, since it introduces notions of local competitive advantage (Rogerson, 2008). Although Van der Heijden (2008:8) argues that the 2006 framework embodies an implied rejection of the ‘community economic development’ approach, in many respects it represents an unsatisfactory compromise that offers local government elements of both the competitive and the welfare approaches to LED. Indeed, in terms of providing guidance to local government about how to achieve a balance between the competitive focus and the poverty focus, national government still has not given clear leadership. Although the current approach makes it clear that LED is not about projects, ‘the majority of the LED strategies contained in the 2008 Integrated Development Plans (IDPs) from smaller local authorities are almost entirely project focused’ (Van der Heijden, 2008:12). In the wake of conflicting signals and lack of clarity of direction from national government it is not always clear to local authorities, especially the smaller ones, what their planning priorities should be and how they should go about promoting LED. In the absence of an unequivocal message filtering from national to local levels of government, the consequence is continued confusion at the ground level or coalface of LED planning as to which policy approach local authorities should emphasise. Until there is consensus among practitioners in local authorities about what LED is, progress will inevitably be slow (Sibisi, 2009).

2.2 Integration and cooperation between LED stakeholders

There is considerable overlap between the roles and responsibilities of leading LED stakeholders in South Africa. In particular, there is considerable duplication between the activities and responsibilities of the two major government line ministries, the DPLG and the DTI. There is a pressing need for closer cooperation between all LED stakeholders so as to avoid duplication of tasks and to establish complementary roles both for different government departments and for other stakeholders.

Beyond a sharper definition of roles and responsibilities, strategic integration remains another essential challenge for moving forward with LED (DBSA, 2008; Sibisi, 2009). Nevertheless, there has been only a slow awakening to the need for an integrated
approach to LED with each tier of government playing an effective role. The lack of an integrated approach to the delivery of LED remains a systematic weakness. Achievement of the national objectives for LED can be assisted by coordinated actions and national government moving beyond ‘special projects’ for LED and instead considering LED at the local level as a significant policy goal. Some progress in intergovernmental relations and LED can be acknowledged. Since 2007 the DTI and the DPLG have been involved in bilateral processes and a collaboration framework for partnership has been developed within the national LED framework, which itself represents collaboration between the two departments. It is maintained that the DTI sees LED as a matter for shared action with the DPLG, with their respective roles defined in the Local Government Programme of Action; the interventions made by the DTI are working within the national government framework, focusing on competitiveness, comparative advantage, small, medium and micro enterprises (SMMEs) and cooperatives development, as opposed to the DPLG’s focus on governance. But, beyond these two, several other government departments implement programmes that have direct implications for LED. It is recognised that most programmes traditionally ‘focused on sectoral interests and with some notable exceptions have not really maximised the opportunities for cross sector collaboration’ (DPLG, 2008a:1). The National Joint Programme of Action for LED was proposed in 2008 to involve the departments of agriculture, minerals and energy as well as the DTI and the DPLG and to form a potential basis for sectoral integration (DPLG, 2008a). Although workshops were held to set this initiative in motion, no joint programme emerged since there was insufficient internal capacity to drive forward the necessary institutional arrangements.

2.3 Appropriate scaling for LED

There is a lack of awareness and understanding of the most appropriate scale for accomplishing LED in South Africa. The defined territory for LED should be at a scale that facilitates the creation of trust, cooperation and innovation across leading stakeholders. As economic potential cuts across municipal and provincial boundaries, a premium is placed on the ability to capitalise on non-local relationships and understand the role that regional, national, continental and global processes play in shaping local economies (DBSA, 2008). That said, little in current LED policies or guidelines deals with the scale issue. The implied assumption in existing guidelines is that each local area is an insular economy and that the role of LED strategy is to develop this unit. Indeed, local ‘LED officials tend to take a very literal view of “local” as opposed to understanding that their local economy is organically and irrevocably linked to the district, the province, the national economy, and indeed the global economy’ (Van der Heijden, 2008:14). As a whole, this sort of thinking reinforces the tendency to introduce small project-based interventions rather than wider spatial interventions. Considerable advantage can arise from higher-level or ‘regional’-scale LED interventions, not least because ‘local’ interventions need to be positioned within a regional framework (DBSA, 2008). In Gauteng this thinking finds expression in the logic of planning for the Gauteng City Region; in the Eastern Cape, higher-level LED interventions are reflected in notions of corridor development and value chain enhancement.

Many of the problems that limit the success of local LED planning in South Africa could be solved either by re-scaling LED or by forging more integrated and spatially relevant relationships between local, district and provincial authorities in development planning. Nevertheless, this logical solution is often undermined by the lack of communication on
LED issues between adjoining municipalities, between municipalities and districts and between districts and provinces. To overcome this weakness, one useful suggestion is that it would be more effective for LED practitioners to understand and assess those value chains relevant for their own local areas, and on that basis identify potential planning opportunities for LED (Van der Heijden, 2008).

2.4 Reinvigorating the role of provinces
An important contribution can be made by the provinces in aligning and integrating policies. Provincial governments ‘are expected to play a leading role in ensuring that economic planning, infrastructure investment and development spending takes place in accordance with the principles set out in the National Spatial Development Perspective’ (The Presidency & DPLG, 2005:1). The main tool for guidance, coordination and alignment is the Provincial Growth and Development Strategy (PGDS), the cornerstone of which is a deep and thorough understanding of provincial endowments and assets, development potential and constraints, along with the forces shaping development potential, which should be spatially referenced (The Presidency & DPLG, 2005:2). The PGDS is a strategic document and while its preparation is not a legislative requirement, potentially it can assume a vital role in ensuring the effectiveness and coordinated delivery of the objectives of the developmental state, not least in its role as an alignment mechanism for LED (The Presidency & DPLG, 2005).

In terms of influencing LED, the provinces have an important role to play in guiding local governments in the evolution of LED programmes through the IDP processes and in contextualising national imperatives and grounding them within the realities and specificities of each province. The PGDS provides an essential link between national and local development processes and can be important for creating links within LED to ensure that development at the subprovincial level takes place in an integrated manner. The PGDS can ensure that development and infrastructure decisions are not limited to the perspective of a single district but instead woven together to create a regional economic development perspective that reflects and addresses local concerns and yet links with national economic planning (Lambshead, 2007). Recent evidence suggests that guidelines issued by DPLG have not always been followed in PGDS preparation. During 2007, the Minister for Provincial and Local Government drew attention to the need for ‘more work in the creation of credible growth and development strategies pointing out that only Limpopo, Western Cape and North West Provinces had strategies that could be defined as credible’ (Lambshead, 2007:2). The imperative is to reinvigorate the role of provinces by making the PGDS a more powerful influence in LED strategies.

2.5 Reducing the gap between LED practice in cities and small towns
It is evident that there is a wide gap between the existing LED practices of large cities and small towns, and between those of the richer provinces and the poorer ones (DBSA, 2008; Rogerson, 2008). Importantly, it is still the case that LED initiatives in smaller centres tend to be project based, while those in large centres are increasingly focused on creating appropriate institutional market enabling frameworks (Rogerson, 2008). In larger cities the application of the term ‘LED’ is sometimes dismissed because of its negative connotations. In large metropolitan areas the focus in LED in practice (if not in name) is on developing a more supportive and competitive business environment, institutional support for competitive sectors or clusters, business retention, removal of
red tape, and even consideration of the introduction of local investment incentives (Rogerson, 2009a). In addition, as larger cities and metropolitan municipalities have established effective LED networks with the private sector, these have facilitated a participatory approach to strategy development and a focus on the different roles of LED for the private sector and local government. Overall, South Africa’s major cities are searching for ‘systemic competitiveness at local level’ (Ruecker & Trah, 2007).

By contrast, as a legacy of apartheid, the huge infrastructure backlogs, low tax base and capacity constraints in many areas means that weaker municipalities seek only to meet immediate needs in terms of providing basic services. Under such conditions ‘the general likelihood of pursuing economic development takes a back seat’ (Industrial Development Corporation [IDC], 2009a:3). In most smaller centres LED concentrates mainly ‘on increased service delivery, extension of the social grant system, public works and SMME initiatives’ (Van der Heijden, 2008:3). A 2006 survey of LED in South African small towns revealed that despite nearly a decade of government encouragement only 48 per cent of them had developed a defined LED policy, only 56 per cent had established some form of LED unit and only 12 per cent had a councillor with LED responsibilities (Nel & Rogerson, 2007). In the absence of networks and little interaction between the local authority and the private sector, the local authority interprets its role as participant in rather than facilitator for LED, adopting an ad hoc project-based approach (Sibisi, 2009). Smaller local authorities as a whole place a much stronger, if not exclusive, emphasis on ‘participation’ in LED by marginalised communities rather than by the private sector. In large measure this situation is a historical legacy of apartheid, since deep divides remain between predominantly white and conservative business interests and the local authority, which are not conducive to partnering for effective LED strategies (Rogerson, 2010).

The difference between the practice of LED in large and small towns is producing divergent economic growth performance. Since the large cities’ competitive approach to implementing more effective LED offers a more promising path for sustainable economic growth, the divorce in approaches between large centres and smaller towns is further reinforcing existing spatial inequalities. An important point is that perceptions of the practice of LED differ. Van der Heijden observes that in larger centres there is a greater willingness of government to work with the private sector. By contrast, in smaller centres LED officials ‘often see their role as being “on the side of the people” as opposed to the side of formal business’ (Van der Heijden, 2008:4). In smaller centres there is a belief that the better economic performance of metropolitan areas is the result of structural and resource advantages rather than better LED practices and processes. Overall, a greater degree of interaction between LED officials and the private sector, to encourage a sharing of ideas and resources, would ‘go a long way towards dispelling this idea, and could be a key factor in getting smaller municipalities to approach and prioritise LED in a more effective manner’ (Van der Heijden, 2008:13).

A critical issue in closing the gap is to recognise the limitations of the DPLG’s one-size-fits-all approach and instead to accept the need for a differentiated approach to ‘doing’ LED. Such an approach would acknowledge that not all municipalities will ever be in a position to undertake local development planning since many local governments in South Africa lack any meaningful tax base; others are dysfunctional and open to corruption. Most local governments are simply too busy to focus on economic potential because of the imperatives of addressing basic needs. As argued by the IDC (2009a:4), issues relating to the long-term sustainable economic development of communities ‘were, if
not neglected, put on the back burner’. In addition, in less well-resourced areas the private sector is frequently risk averse so that there is a need for the state or its agents ‘to excite the confidence of the private sector’ (IDC, 2009a:9).

Under certain conditions, one way to close the gap between the LED practices of the large centres and the smaller centres or less well resourced areas could be to use Local Economic Development Agencies (LEDAs) (Bartlett, 2009; IDC, 2009a,b). The IDC asserts that:

the development agency idea serves as a possible alternative to facilitate economic development within municipalities by providing dedicated capacity and strategic intent, while allowing the existing municipal structures to continue addressing priority basic service provisioning – thereby still meeting their Constitutional and developmental obligations. (2009b:4)

LEDAs are targeted to operate in areas such as townships, rural areas, small towns and poorer provinces which face huge challenges because of high levels of poverty and underdevelopment (IDC, 2009a). The IDC’s Agency and Support Department ‘was tasked to advance and leverage the development and job creation potential inherent in various municipal areas, particularly those falling outside the major industrialised centres of the economy’ (IDC, 2009a,b). Although it is cautioned that the development agency approach ‘might not be the answer to the problems facing every community’ (IDC, 2009a:11), some LEDAs have shown promise (South African LED Network, 2008; IDC, 2009a,b), suggesting that:

in many cases, local development is best managed and implemented through a dedicated agency, rooted in the local area with a clear mandate and accountability to the relevant sphere of government, focused and with a comprehensive agenda and strategy for development. (IDC, 2009a:17)

2.6 Disseminating good LED practice

Several shifts have occurred during the first decade of applied interventions and planning for LED (Nel & Rogerson, 2005). In many respects these shifts in LED practice are a mirror of ‘learning by doing’, and in some cases of ‘learning from mistakes’. It is acknowledged that many efforts to support LED ‘have often failed as projects have not successfully involved and included local people as participants and beneficiaries – often relegating locals to “workers/labourers” rather than owners of initiatives and projects’ (IDC, 2009b:1). For the past decade, many South African scholars have been highly critical of the limited outputs or successes associated with LED practice (Nel & Rogerson, 2005). One factor behind the limited number of ‘success stories’ is the near-complete absence of any monitoring and evaluation programmes to gauge the performance of LED interventions.

As Rogerson (2006, 2008) shows, a significant finding from local LED scholarship is that while there are isolated examples of successful LED in small towns and rural areas, the best illustrations of success are generally to be found in South Africa’s largest cities. Although it is argued the shortage of LED ‘success stories’ is a result of poor implementation and lack of funding support, there are some success stories, particularly in terms of promoting clusters and of support interventions for cluster development. The promotion of joint action, learning networks and upgrading has been shown to be central for achieving ‘collective efficiency’ and increasing the competitiveness of clusters (Morris et al., 2006). The experience of learning and cluster cooperation networks, such as benchmarking
clubs in Kwa-Zulu Natal, the Eastern Cape and Gauteng, show the positive advantages of firms cooperating horizontally to learn from other firms’ best practice and upgrade their manufacturing processes (Morris & Barnes, 2006). In particular, the Durban Automotive Cluster (DAC) represents a solid example of encouraging horizontal and vertical cooperation across the value chain. Significantly, for LED policy debates, it was funding from the Durban metropolitan government that was the primary basis for cluster upgrading. The DAC is a model of a business-driven process for upgrading in which government support has been a critical element and which is potentially replicable in other contexts (Morris & Barnes, 2006; Morris et al., 2006).

The emphasis on clusters underlines the importance of localised processes and networks for local and regional economic development. But the notion of clusters and LED support for clusters need not be confined to manufacturing activities; it can also be applied to support for other sectors. For example, the planning of tourism routes directly parallels cluster cooperation and involves developing cooperative planning arrangements and relationships between localities so they can compete collectively as tourism spaces (Lourens, 2007; Rogerson, 2009b). Although tourism clusters as routes can operate on various geographical scales, route development can be of special importance outside the metropolitan areas and can furnish opportunities for LED in small towns and rural areas (Lourens, 2007; Rogerson, 2009b). The competitive clustering of activities and attractions in less developed areas, fostering cooperation and partnerships between communities in local and neighbouring regions with the objective of stimulating tourism-led LED, is best exemplified by the operations of the Midlands Meander (Lourens, 2007). Beyond tourism, the principles of cluster development could be extended to promoting craft activities and creative industries as a whole.

In sum, while there is growing consensus about what does not work in LED (such as government-led ad hoc projects) there is much less appreciation of ‘good practice’ in LED. Although what constitutes ‘good practice’ is contested and cannot always be transferred from one context to another, there is widespread agreement about the fundamental need for better governance and for municipalities to ‘get the basics right’ in terms of functioning properly to ensure the provision of the necessary infrastructure and services in an efficient and equitable manner.

2.7 Involving the private sector

Local government-driven LED has had only limited involvement with non-state actors (Sibisi, 2009). Throughout much of South Africa, the private sector has either been left out or has chosen not to be involved as a result of the mutual suspicion between public and private sectors that makes dialogue between the two groups extremely difficult (Rogerson, 2010). Mistrust is premised on divergent ideological beliefs and correspondingly different priorities (Hadingham, 2008:54). Essentially, the public sector believes business is anti-poor and business believes that government is welfarist and anti-profit in its outlook; the two groups speak different languages (Rogerson, 2010). Private sector apathy towards local government-led LED ‘has been further enhanced by its experience of local government bureaucracy, red tape and unproductive “talk shops” where much is promised but little of benefit to the private sector is actually produced’ (Lawrence & Hadingham, 2008:44). The inherent tensions between the public and private sectors are compounded by the need to transcend the apartheid legacy of a largely white owned and controlled private sector and a predominantly black public sector. The core problem is a need to construct ‘the necessary “soft factors” of
cooperation – trust and social capital’ that are considered essential for effective cooperation between state and non-state actors (Ruecker & Trah, 2007:47). One important issue for greater partnership between local government and the private sector concerns ‘red tape’ or local regulatory reform. Hindson et al. (2009:1) assert that ‘addressing red tape is an important building block of a local economic development initiative’. Opportunities to facilitate investment are often missed because of the low priority accorded to improving local business environments and cutting red tape (DPLG, 2008b).

Local governments tend to concentrate excessively on aligning local planning processes with provincial and national guidelines, resulting in a tendency to overlook the potential ‘quick wins’ that might achieved by reforming the demand side of the local business environment (Christianson, 2008). Used at local level, the business climate survey can be an effective tool for stimulating and sustaining regulatory and administrative reforms (Kaufmann et al., 2008). It can identify, reveal and prioritise ‘in an easy-to-understand way the regulatory and administrative bottlenecks to private sector development’ (Kaufmann et al., 2008:1). It is evident that identifying local regulations that can and need to be reformed involves implementing the LED concept of partnership between local government and local business (Christianson, 2008; DPLG, 2008b). Accordingly, local government:

needs to engage, honestly and systematically, with its own private sector in order to work out exactly what the hurdles to local business development are, which of them can be ameliorated at a local level and then to work out a reform programme. (Christianson, 2008:2)

2.8 Taking LED seriously

Many observers consider that LED is ‘not taken seriously’ by many South African local governments and instead relegated to a ‘backroom function’ or minor issue on the agenda with no political importance. Certainly, the limited success of LED projects with a welfare focus has undermined the credibility and significance attached to LED by many local authorities. The limited perceived success of LED in South Africa has meant that its career path lacks credibility, with the consequence that it is associated with low-level staffing and high turnover, especially outside the larger metropolitan areas and cities. In many municipalities the practice of LED becomes either a ‘dumping ground’ for ineffective officials or only a stepping stone for competent local government personnel because of LED’s constrained career prospects.

Overall, there is an absence of professionalism in LED because of its poor career prospects, with the result that LED does not attract or retain the sort of officials who might be able to combine business skills with public sector skills. The status accorded to the function of LED varies widely between different municipalities, with implications for access to resources for staffing. Only rarely is LED located in its own department, often operating within a wider unit such as planning and community services (Malefane, 2009). Commonly, ‘the delivery of basic services is given priority over LED activities in terms of political support and access to resources’ (Lawrence & Hadingham, 2008:43). This situation is the result of a lack of understanding of the importance of LED and of what can be done and general pessimism about the limited successes observed in LED, especially in small towns. LED must be given the prominence it deserves in local government, with issues of economic development becoming ‘central to the development agenda of a locality’ (Lawrence & Hadingham, 2008:45). An important
step towards professionalising LED would be for municipalities to acknowledge it as a cross-cutting issue – to be effective, LED implementation ‘has to be considered as a municipal-wide intervention’ (Malefane, 2009:166).

2.9 Building LED networks and sustainable knowledge platforms

One lesson of LED practice in the North is about the need to build expert networks and sustainable knowledge platforms in order to support competitiveness and turn local endowments to regional and national competitive advantage. The linking of these networks ‘facilitates a more structured sharing of tools, documentation of good practices and development of guidelines’ (Salazar-Xirinachs, 2008:v). The outcome is organisational or institutional learning, an essential base for strengthening LED (Ruecker & Trah, 2007:78).

The DBSA (2008:4) stresses the importance of enhancing institutional strength for LED through building associational networks. The South African LED Network, founded in 2004, is one promising knowledge platform, established with support of the GTZ LED project. As of March 2009, the Network had 317 members. Among its objectives, it seeks to promote ‘discussion and exchange between the various kinds of LED practitioners to build a body of knowledge of what works when, which approaches can be used and how to mobilise other local stakeholders to actively engage in LED processes’ (Hadingham, 2008:55). It is dedicated to the promotion of good practice and dialogue in local economic development, as well as connecting and networking with practitioners (South African LED Network, 2008).

The significance of developing knowledge centres or platforms is that they provide the foundation for high-level learning and capacity-building which must encompass both private sector associations and groups of local consultants contracted to develop LED strategies, projects and implementation plans (Morris et al., 2006; Ruecker & Trah, 2007; Lawrence & Hadingham, 2008). Strengthening formal sector private institutions, such as business chambers and professional associations, is essential in order ‘to assist them to better define, understand and manage their mandate, and to build the necessary administrative and management capacity to do so’ (Ruecker & Trah, 2007:38). High level training of consultants is necessary, as many consultant driven strategies are desk based rather than participatory exercises; by capacitating consultants the application of participatory and inclusive LED approaches will be assured. Implementation of the DPLG’s LED Qualifications Framework is currently constrained by the lack of appropriate training providers. The policy challenge is thus to nurture and support LED networks and knowledge platforms in order to enhance a systemic approach towards high-level capacity-building in LED.

2.10 LED capacity training

Since 2004 enormous effort has been made by the European Union, GTZ and other stakeholders to improve the capacity of local government officials through training (Patterson, 2008). Although the jury must still be out on the long-term impact of these interventions there are promising signs of positive outcomes, alongside certain disappointments. The fruits of the large-scale capacity-building initiative are manifest in the appearance of a more proactive group of LED officers able and willing to conduct a dialogue with the private sector about the appropriate directions for LED. Nevertheless,
in certain parts of South Africa, especially poorer provinces and small towns, capacity gaps remain.

Limited capacities of LED staff have the consequence that many smaller municipalities ‘focus on compliance with statutory requirements rather than attempting to proactively manage economic opportunities that could have widespread local impact’ (Lawrence & Hadingham, 2008:45). A 2007 survey in Mpumalanga concluded that LED processes ‘are poorly embedded in the majority of municipalities’ and that ‘basic preconditions for LED process are not in place in the majority’ (GTZ, 2007:6,7). Low skills in poorer municipalities and a lack of qualified technical municipal staff result in an unhealthy, if not exclusive reliance, on consultant-driven strategies for LED. As municipalities lack capacity to monitor the quality of these strategies, there is a cumulative trend towards the production of low-quality LED plans marked by a project focus, unrealistic targets, an inability to identify the drivers of local development and poor implementation (Van der Heijden, 2008). By contrast, cities enjoy the advantage of being able to draw on a wider talent pool. Generally the ‘quality and qualifications of personnel in key LED portfolios and the inability of incumbents to negotiate and strategise with the often intimidating private sector are big stumbling blocks to the effective implementation of LED initiatives’ (Lawrence & Hadingham 2008:44). A parallel issue is the uneven character of the training landscape, both in terms of training availability for the basic LED Qualifications Framework at National Qualifications Framework Levels 4, 5 and 6, and for tertiary level training in LED at South African universities.

2.11 Funding LED

There is currently a range of funding sources for LED activities, including the DBSA LED Fund, national sector support from various government departments, the Municipal Infrastructure Grant, the Neighbourhood Development Partnership Grant, local government own revenue and equitable share funds, and donor funding (Patterson, 2008; Sibisi, 2009). While arguments that LED is an ‘unfunded mandate’ no longer have credence, limitations remain in access to development finance, especially outside the more well-resourced metropolitan municipalities, many of which can access finance from commercial markets (Sibisi, 2009). Smaller municipalities struggle to access available sources of funding ‘due to internal capacity constraints whilst their credit rating and weak revenue base bar them from accessing standard concessional loan instruments’ (DBSA, 2008:3). The lack of networks reinforces a lack of awareness in poorer municipalities of the range of funding opportunities that are available to them. This lack of awareness is worsened by the complexity of available funding mechanisms, such as those available through the DTI.

Although financial support can be accessed from an array of sources, ‘the municipality or “local development agency” often lacks adequate locally available funds and competencies to drive the LED process independently’ (Patterson, 2008:11). Furthermore, often the funding sources which are accessible at local or national level are, to a large extent, insecure. Patterson (2008) maintains that generally LED has few secure funding sources and often relies on charitable donations and public grants. This means that local and international non-governmental organisations or donors are significant actors for many local authorities in terms of either accessing or making available direct funding for local development initiatives. New initiatives launched in 2008 by the DBSA through its Local Economic Development Fund are seeking to finance LED in two priority focus areas: localities with demonstrable or latent economic potential
which lack the capability and revenue base to access the commercial and grant funding that would enable them to capitalise on the potential within the area, and localities with demonstrable or latent economic potential which have a strong enough fiscal base to raise commercial loans but lack sufficient institutional capacity and thus need development solutions support to enhance their critical role in the South African economy (DBSA, 2008).

2.12 Improved local data

A core challenge for LED in South Africa is to improve the quality of local data to improve understanding of local economies, identify local competitiveness and assist LED decision-making (Rogerson, 2008). To build competitive local economies, LED officials in South Africa need much more effective analytical tools, and to focus on ‘the real economic challenges such as accurate economic data and value chain analysis’ (Van der Heijden, 2008:16). In particular, good local-level data is a sine qua non for LED planning and especially for identifying the competitive advantages of localities (Rodriguez-Pose & Tijmstra, 2007). Yet, typically, in the 2008 IDPs most local authorities included an economic profile of their local area based on the 2001 Census, which is not only outdated but also does not contain meaningful local-scale economic data since it is largely concerned with the position of individuals and not enterprises (Van der Heijden, 2008).

In many respects the availability of official local-level data for planning purposes has deteriorated since 1994. In sectors such as manufacturing, the quality of available spatial data has declined since the democratic transition because certain regular data series (such as the manufacturing census) were abandoned. For priority economic sectors, such as tourism, creative industries, or craft, almost no spatially disaggregated basis exists which might inform the identification of competitive advantage and enhance LED planning for these critical sectors. Improving the range and quality of data for local level planning is a major challenge for LED stakeholders (Sibisi, 2009). A collective responsibility exists across all levels of government (especially of Statistics South Africa) to gather improved data that can be used for monitoring local economies and defining competitive advantage. In the absence of available official data, municipalities are often forced to rely on purchasing local or regional data sets available from private sector enterprises such as Global Insight or Quantec. Another alternative is to use qualitative rather than quantitative planning instruments. To move forward, one suggestion is to explore the development of local economic models that can be based upon municipal expenditure.

2.13 The second economy

Conceptually, the notion of evolving second economy strategies which are ‘separate’ from first economy strategies is misguided (Devey et al., 2006; Sibisi, 2009). Nevertheless, while criticism can be directed at the concept of the ‘second economy’ as an all-encompassing notion that includes a number of different employment statuses, it has rejuvenated interest in what national government has done or can do for those working in the informal economy. The debates about the second economy highlight the fact that the most critical support interventions made in support of the informal economy have often been those made by local governments through changing regulations, assistance to urban agriculture or market development rather than national government interventions (Devey et al., 2006).
The DBSA (2008:3) argues that ‘government and LED practitioners are still grappling with the challenge of understanding and developing appropriate strategies to address the informal economy and associated livelihood strategies that often buck against national planning frameworks and paradigms’. Support and strategy development for the second economy raises the issue of how communities can engage more directly with the LED agenda and with LED processes so as to access and influence LED debates. Critical importance is attached to the need to leverage support for ‘community empowerment’ and to unleash local creativity and innovation. Advocating the expansion of local multipliers to assist the second economy is a logical policy foundation for future support for the second economy. Among several interventions to support the second economy are initiatives linked to the extension of social grants, smallholder development, cooperatives, the Expanded Public Works Programme and initiatives to establish value chains in poorer areas as a means of keeping money in circulation in those areas before moving back to the ‘first economy’ (Philip & Hassen, 2008). Critically, LED policy-makers and practitioners in South Africa must ensure that the issues of the second economy do not fall off the policy agenda with a re-balancing of LED towards a central focus on building local competitiveness.

3. Conclusion

The 2006 National Framework for Local Economic Development represents a critical turning point in the drive to provide a comprehensive policy statement for planning LED in South Africa (Rogerson, 2008). The analysis in this paper shows that, to achieve its central vision of shaping robust and inclusive local economies, all LED stakeholders need to pursue a set of coordinated interventions to address important issues arising from the South African LED experience during the period 1994–2009. Thirteen challenges need to be addressed: the clarification by national government of the meaning of LED, especially to guide small towns and poorer municipalities; greater integration and closer cooperation between LED stakeholders and sector departments involved in implementing LED; appropriate scaling of LED; reinvigoration of the role of provinces; narrowing the gap in LED practice between large cities and small towns or poorer municipalities; the dissemination of good practice; the professionalisation of LED; involving the private sector; building LED networks and knowledge platforms; capacity-building at several levels; LED financing; improving local economic data; and pursuing interventions aimed at the second economy.

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Appendix 1

In this research, interviews or personal communications were obtained from the following persons: S Bartlett, IDC Head of Agency Development and Support Department, 22 March 2009; S Cohen, SALGA Office for LED and Planning, 19 March 2009; C Lambshead, LED Consultant, 20 March 2009; D Madurai, Executive Manager, Development Planning and Local Economic Development, DPLG, 19 March 2009; E Masotja, Director LED, DTI, 10 March 2009; D Mitchell, Real Consulting and Facilitator of Workshop for National Joint Programme of Action for Local Economic Development, 13 March 2009; S Nel, IDC Deputy Head of Agency Development and Support Department, 19 March 2009; Y Patel, Deputy-Director General, DPLG, 19 and 26 March 2009; S Sibisi, DBSA Chief Investment Officer LEDI, 19 March 2009; and G Trah with M Wegmann, GTZ SLGP-LED Component, South Africa, 6 March 2009.