

Thina Sinako Provincial LED Support Programme
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LED Learning Encounter: Municipalities & LED
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Record of proceedings

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1 Presentations

1.1 Introduction to the LED Learning Encounters

Mr John Reynolds, Thina Sinako Programme Coordination Unit

1.2 Overview of the national LED Framework & its implications for the Province

Mr Themba Zakade, Department of Housing, Local Government & Traditional Affairs

1.3 Overview of key issues emerging from the local government support work of the Thina Sinako Provincial LED Support Programme

Mr Onke Makunga & Ms Phumeza Skoti of the Thina Sinako Programme Coordination Unit

1.4 Overview of key municipal issues emerging from LED support provided by GTZ in the Province

Mr Shawn Cunningham, Strengthening Local Governance Programme (GTZ, ICON Institute and Swisscontact)

**1.5 Reflections on the evolving nature of Local Economic
Development in South Africa: 1990-2007**

Prof Etienne Nel, Rhodes University

2 Points raised during discussions:

The following points were raised during discussions after presentations and during the final discussion session:

- There are now seven categories of municipality that are used to guide municipal support.
- In response to the question of how one elevates the status of LED, it was noted that the Provincial Government has a key role in raising awareness and has to use regulations to clarify resource flows and utilisation.
- There is still a lack of integration between LED Strategies and Integrated Development Plans (IDPs). IDP service providers are often not competent – municipalities need clear guidance on what constitutes a good quality IDP so that they are in a better position to judge the work of their service providers. The IDP Review indicated that the better IDPs are those that are developed by municipal officials, with service providers used as facilitators and document writers only. Training of councillors and officials also appeared to have a positive impact on the quality of IDPs, as did approaches to integrated development planning as an on-going process rather than a once-off event.
- The current process aimed at the development of guidelines for the development of LED strategies by municipalities should help to strengthen the hand of municipalities in managing service providers they appoint to support the development of their LED strategies.
- Achievement of targets that are specified in IDPs are often beyond the control of the municipalities concerned, e.g. the equitable share and the Municipal Infrastructure Grant do not always enable the meeting of locally defined targets.
- Municipalities cannot take over the roles of the private sector and NGOs. Question: is there a role for government to kickstart or take shares in economic development initiatives? Concerns were expressed regarding the boundaries of such engagement – a clear understanding of the particular cases that would justify such intervention and the points at which government steps back is needed.
- We might have to revisit our understanding of *developmental local government* given the concrete experiences of municipal difficulties in service provision and facilitation of local economic development.
- The location of the LED function within municipal structures needs to be revisited. LED is still being assigned to low-ranking officials and is not seen as something encompassing the broad range of municipal activities (e.g. if municipality is to create an enabling environment for LED, it needs to gear to gear a broad range of systems and activities in support of that goal – this requires management commitment). Nationally, LED seems to be working where is handled high up in the municipal hierarchy – this seems to release sufficient energy and momentum to make critical municipal processes work to create an enabling environment for LED.
- Some municipalities are concerned about LED being an unfunded mandate, as all government mandates should lead to growth.
- The Presidency and the Department of Provincial and Local Government are introducing an inter-sphere planning framework that will aim to align the planning and budgeting milestones of the different spheres of government in order to allow for the more effective pursuit of common outcomes.
- Private sector involvement is not just about getting money, but also about getting business input and advice based on experience.
- There is a big body of knowledge and funding for poverty alleviation, but not for LED – LED budgets would be useful for activities that can unlock local economies. However, in its research GTZ found no correlation between size of LED budget and quality of LED interventions – sometimes low budgets motivates municipalities to form partnerships with the private sector. In

general, innovation is often the casualty when a rigid, bureaucratic approach is forced.

- Sometimes involvement by authorities in economic development leads to over-regulation that stifles activity. Perhaps government interventions should focus on support to bulk buying, access to markets, etc. Sensitivity is needed to the reasons why backyard modes approaches to business were chosen in the first place – bringing backyard businesses that sustain households into the regulatory framework could destroy them without providing alternatives to those whose livelihoods depend on them. Perhaps there is a role for NGOs to support backyard businesses and help them to eventually graduate into more formalised and regulated commercial activities.
- Are Local Economic Development Agencies always useful? We need a fuller consideration of the conditions under which they are useful.
- GTZ is not planning direct feedback on the research it conducted in 2006 to municipalities – the research was aimed more at influencing dplg, GTZ and the Thina Sinako Programme than giving detailed inventories of achievements and requirements to municipalities. A sample of municipalities was chosen.
- Regarding decentralisation:
 - Can we assume that the local sphere of government can deliver where the national sphere cannot?
 - Should we say that the national sphere of government has failed to deliver to many localities and rather give resources and capacity to the local sphere to allow it to implement effectively?
 - If resources are allocated for local implementation, one would need regional support agencies to support municipalities.
 - How does our system of multiple spheres of government and its resource hunger compare with the situations in other countries? In New Zealand, there is a Minister of Local Government, but no Ministry – the national government only intervenes if laws are broken; implementation is at the local level.
- When the economy and population size of a rural town is in steady decline, should we intervene or just let the process take its course?
- One of the constraints facing tertiary institutions in terms of engagement with the development of local economies is a capacity constraint associated with increases in student numbers without concomitant increases in staff numbers. One possible incentive to academics to become more involved in local development processes is to gear the subsidies of tertiary institutions towards the creation of space for engagement by staff with local communities (an example is the US extension service).
- The experience of countries such as India, China and Brazil shows that SMMEs have a key role to play in developing local economies – what can we do to emulate this example? We do need to consider the broader historical roots of economic development in other countries before trying to adapt their lessons to our needs – for example, Japan's investment in education and infrastructure over a long period of time laid the foundation for rapid development.
- There are not too many examples of successful public-private partnerships (PPPs), partially because formation of these requires engagement with quite a complex process. There are still a large number of idle state assets and lots of ingenuity and skill in the private sector that could be matched to great advantage through successful PPPs.
- Reasons for the slow formation of PPPs include (i) the perception that PPPs are perceived as privatisation by some and therefore opposed, and (ii) it takes a long time to get the required “no objections” from government (i.e. significant red tape). In general, emphasis should be placed on cooperation, which could develop further into a legal relationship at an appropriate stage.
- Communication and social capital are critical for effective partnerships – time and a number of informal engagements are required before partnerships take shape.