

**REFLECTIONS ON THE EVOLVING NATURE AND
PROSPECTS OF LOCAL ECONOMIC DEVELOPMENT IN
SOUTH AFRICA: 1990-2007**

**Paper prepared for the Thina Sinako Local Economic Development
Support Programme in the Eastern Cape, South Africa, by**

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September 2007

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INTRODUCTION

Prior to 1991, the development concept and strategy of Local Economic Development (LED) was not part of the development lexicon in South Africa. With the exception of some very limited local government advertising campaigns and the work of NGOs, the concept of locally-based and driven development interventions was an alien one in South African practise. The rigidities of the apartheid state, both in terms of its racial controls but also its centralized management of all affairs precluded local development initiatives. What spatial economic development there was, focussed on the flawed pre-1991 Regional Industrial Development Programme, which was tainted by failure to promote the former Homelands, corruption and faulty economic logic.

The emergence of LED in South Africa owes its origin to a coalescing of factors, largely triggered by the democratic transformation which started in the early 1990s and the opportunity it afforded South African development planners to apply approaches which were already becoming well established elsewhere in the world. Key in this regard were:

- 1) The emergence of Local and Regional Forums / Development Forums from 1992/3 which laid the basis for community-integration, community-based planning and the visioning of a post-apartheid reality. While few of the forums achieved much on the ground, they helped lay the path for later change and a new approach to bottom-up development.
- 2) The recognition by academics and planners that external experience indicated that cities and communities around the world were experimenting with locally-based development in areas such as inner-city renewal and that such processes could be grafted on to South African practise. The book by Richard Tomlinson entitled 'Urban Development Planning' was a key document in this regard.
- 3) A distinctive policy shift which occurred in the country, partly as a backlash to the strictures of apartheid and partly as a reflection of the democratic and community-based principals which were to under-gird post-apartheid South Africa. Key in this

regards were the community-based focus of the Reconstruction and Development Programme, the recognition of the important role of municipalities in social and economic development as enshrined in the 1996 Constitution and the 1996 Local Government Transition Act which empowered metropolitan areas to engage in new development interventions. The de facto support of decentralization brought the country in line with parallel thinking around the world and laid the basis for later action.

- 4) In parallel, the early 1990s was marked by the quite widespread activities of NGOs and development agencies, such as the IDT (Independent Development Trust) which focussed development on the local level and often sought to engage directly with affected communities.

Within the broad context detailed in the previous paragraph, LED in South Africa had its genesis. Starting from a diverse and often poorly articulated base, LED slowly evolved through the 1990s, transforming from an activity led by communities, fora and NGOs to the situation where it has now become a legal requirement (through the IDP process) that all municipalities must plan for. In this process, while there have been cases of remarkable success, in other instances key elements have been lost, the path followed does not completely follow international experience and, unfortunately, as experience has shown, having a policy and a plan does not imply that success is inevitable. The hard-nosed reality of the frequent incompatibility between market forces and policy desires has definitely taken its toll, exposing the weaknesses of poorly thought-out LED policies.

This paper reflects on the evolving experience of LED from 1990-2007. It places emphasis on the broad shifts in LED policy and practise which have occurred in South Africa and further afield, it considers how LED has evolved, what we have learnt from applied experience, what the current challenges seem to be, issues related to the current policy context and the findings from recent research, including the 2006 World Bank / Development Bank study of LED in the country. From the outset of this paper, it needs to be pointed out that this document reflects on the broad South African and global experience of LED and on NOT the specifics of the Eastern Cape or of particular programmes such as Thina Sinako. References to local cases is made selectively based on their ability to illustrate key points. Further it needs to also be noted that the author has

been involved with LED in the province since 1993 and that certain of the information / evidence drawn on to illustrate points may no longer be current policy or practise, given the rapid turn-over in staff which is one of the challenges facing applied LED

APPLIED LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA: A PERIODIZATION AND CRITIQUE THROUGH TIME

i) Pre-1950

Despite comments regarding the recent emergence of LED in South Africa, one must also acknowledge that, prior to the 1950s, in an era of greater local government autonomy, most major municipalities in the country were actively pursuing limited aspects of LED. These were largely of a boosterist nature including the attraction of industry, place-marketing and infrastructural and land development. In addition there were cases of public works programmes for poor whites and tourism promotion.

ii) 1990-98

It is fairly widely accepted that the first major case of LED in the recent period was in the town of Stutterheim in the Eastern Cape, starting in 1990. While the initiative there has had its challenges, key principles such as partnership formation, community-based planning and successful local-level interventions indicated that local communities had the potential and the capacity to initiate locally-based change. Over the years over 150 other towns came to learn from the Stutterheim experience, indicating the important initial catalytic effect which the town's experience had. As the years went by the forum established in 1990 was transformed into a Development Foundation which came increasingly to be at odds with the post-1995 local government, illustrating a tension which is common throughout the country – namely whether LED is an exclusive mandate of municipalities. Whatever the broader policy thinking and sensibilities are about this topic, the reality is that in South Africa the internationally accepted critical relevance of partnership based LED is often not accorded the attention and focus it receives elsewhere.

Elsewhere in the country, with the exception of isolated NGO or Development Forum projects, LED was mainly a feature of the cities. In the 1990s attention focussed mainly on

policy development, such as in Cape Town which developed its Global-Local vision. In Durban in that period an initial start was made at urban renewal through the controversial ‘Operation Jumpstart’ process.

Research undertaken at the time indicated considerable uncertainty on the part of smaller local authorities regarding what LED was, what their development role was and how to initiate action. The fact that draft LED policy initiated in 1996 was only formalised ten years later has not helped in the process and has led to the entrenchment of narrow views of LED in the country – e.g. that is only about SMME support or community-based development etc.

iii) 1998-2002

In 1998 the publication of the Local Government White Paper which endorsed both LED and the concept of ‘developmental local government’ became a key prompt to many municipalities to engage directly in LED. The release of the Local Government Municipal Systems and the Municipal Structures Acts, both in 2000, both clarified the duties of local government and made Integrated Development Planning of which LED is a key component a legal requirement. This clearly was a major advance, though a key challenge has been the degree to which consultants have either produced uniform and/or poorly thought out and consulted programmes. In addition, many IDPs contained patently unrealistic and unattainable LED projects, requiring a greater sense of realism in future.

A parallel development was the first significant external funding for LED in the country, namely the LED Fund. This support was to be welcomed and it saw a clamouring of interest from across the country as municipalities strove to access funds to drive community-based projects. As experience tells us, many of these projects in fact failed, normally because they were grant dependent and their products could not get an adequate market share. The funds were primarily sourced from Poverty Relief sources and rightly or wrongly this entrenched in the minds of many local officials and councillors at the time that LED was primarily a poverty relief mechanism. In so doing, many local businesses were distanced from involvement either by choice or direct exclusion at the local level.

In the same period the narrow vision of what LED was perceived to be on the ground was further entrenched through the policy process at the time which, rightly or wrongly, came out in support of a new form of 'developmental' LED which was primarily pro-poor in focus. In the absence of a final guiding policy smaller local governments were left in a quandary while a debate evolved about whether LED was pro-poor or pro-growth or a combination of both. In the big cities, by contrast, thinking had evolved to a different level and Economic Development Departments, as opposed to LED units were started, staffed with experts skilled in economics and management, and having overseas experience and a knowledge of market realities, leading to a proliferation of new economic interventions and activities that they are now able to do in terms of new legislation. Outputs undertaken or initiated in this period included documents such as 'Johburg 2030' and catalytic interventions such as inner-city renewal projects in the major cities, active partnership formation, the building of convention centres and SMME support. Cape Town's initiation of its 'Red Door' programme and the establishment of 'Library Business Corners; has been particularly noteworthy. In Durban the widely acclaimed Warwick Junction project showed municipalities how creative and consultative processes could make a difference in the informal economy. Despite these apparent successes, then as now, efforts to promote township-based LED have met with only limited success.

iv) 2002-2007

The termination of the LED Fund in this period marked a break from what was emerging as established practise and left municipalities to refocus on their interventions and priorities. At an applied level the trends noted in the last section have continued, with the major consideration being that the difference in the experience, expenditure and achievements between larger and smaller centres is widening. While the city's evolve into issues such as sector-based support and global-city interventions, smaller centres often struggle with policy issues and inadequate funds to start projects. The significant rise of civil-society protests across the country since 2004, though not directed at LED's limitations, does reflect a new dimension in local governance and unless the smaller local authorities can start delivering more effectively in all areas of competence, including development, continuing protests will probably be inevitable. On this same theme, Bond (2002, 11) in an informative discussion on LED in South Africa expresses concern about delivery limitations.

Other key features of this period are:

- the passing of the Municipal Finance Act, which many local authorities have struggled to implement and which does have implications for devolving authority to external agencies,
- the establishment of Development Agencies (often with IDC support) is a significant intervention and despite some failings on the ground, does indicate that powers devolved to a dedicated agency can translate into effective local level action – the experience of the Blue Crane Route Development Agency, which has been active on a range of fronts is particularly instructive, as will be discussed later in this document,
- European Union funding for LED projects in three province may well, through time, yield valuable lessons into LED's prospects and potentially.
- The most important feature of this period has been the eventual and ten-year long delayed release of a national LED strategy document, namely the 2006 LED National Framework Document and the Associated LED Toolkit. To DPLG's credit the documents clarify that LED is a multi-focussed endeavour and it also prescribed the role of municipalities as being one of facilitating and not dominating LED. While the release of the documents is to be welcomed, policy makers now need to follow up with other under-provided for issues such as targeted support, funding and guidance for the weaker municipalities. In addition, one gets the sense that the larger municipalities are so far down the road on their own interventions through the Cities Alliance or independent action that the new documentation will not significantly affect their status.

LOCAL ECONOMIC DEVELOPMENT AND THE BROADER CONTEXT

LED in South Africa cannot be seen in isolation from the broader global development context. LED and governance practises in general in the 1990s in South Africa were guided by trends elsewhere in the world and there are direct parallels in terms of issues such as the decentralization of power to local governments, citizen empowerment and the general principles of applied LED.

At another level it is important to note that development theory and practise elsewhere in the world has evolved, partly in response to new theoretical discourse and partly in response to the limitations of earlier interventions. In South Africa these trends often have yet to be fully understood and integrated into the local development process. This information is presented to help broaden understanding and insight into current debates which might have some bearing on future LED practise in South Africa. Some of the more noteworthy advances can be classified under firstly the general, secondly the LED banner and thirdly the title of new Regional Development.

i) General Thinking

- Global City Debates: Since the late 1990s, building on earlier ‘World Systems Theory’, a significant body of theory has evolved debating what constitutes a so-called ‘World City’ and more importantly what its features are and what role it plays in the global economy. While South Africa’s biggest cities actively court this title it can be debated to what degree they or other places fully take on board what opportunities and constraints are implicit in this association. Of greater importance to smaller centres is the recognition that in the ‘global space’ there are ‘ordinary cities’ and that all places are linked into the global system to varying degrees. The appeal thus is for places firstly, not to see themselves only in a provincial or national context and secondly, to attempt to find strategies which enable those centres to compete, market and draw investment from a wide arena. This thinking rests strongly on the idea of niche marketing and seeing local places as ultimately influenced by broader macro-processes (Helmsing and Egziabher, 2005).
- Social Capital: Since the late 1990s, initially due to the work of Robert Putnam (in Bebbington, 1999) and later through the significant development related writings of Anthony Bebbington (1999) it has been recognised that successful development requires the presence and cultivation of a set of ‘capital’ assets, including: physical, natural, financial, human, cultural and now social capital. Issues such as goodwill, trust and partnerships are being increasingly seen as critical in applied development.
- Decentralization debates: while decentralization has been actively pursued around the world, as in South Africa, its long-term effectiveness is now being debated

(Helmsing and Egziabher, 2005) . Authors such as Robert Stockmeyer (1999) argue that when weak municipalities are given tasks they cant fulfil, one is simply ‘decentralizing poverty’.

- New Economic Geography, this approach is based on spatial economic theory and attempts to understand forces in the broader economy. While LED is grounded on implicit faith in the concept of ‘small is beautiful’ Krugman (1999) points out that growth and decline may ultimately be the outcome of broader structural forces and processes which variously cause places to grow or decline. The appeal is thus not to view local economies in isolation from the broader forces over which they may have no control.
- Clusters. In South Africa the concept of developing leading economic clusters has become well established in DTI policy and the bigger cities which have sector support strategies. There is however a need for smaller centres to take on board these ideas put forward by Michael Porter (1998) and to actively identify and develop those niche areas where a local area has a comparative advantage and not simply pursue the same package of micro-interventions that other places do.
- Value-Chains. One of the world’s key writers on LED Bert Helmsing (2003), argues strongly that on cannot ignore the deeper economic processes happening in an area and one instead needs to identify and develop pre-existing strengths. As an aside, whilst new niches, such as tourism, may indeed present themselves, there is very real merit in working with a places known economic history in terms of assets, weakness and known strengths.
- Climate Change and Sustainability. South Africa will be one of the areas of the world most affected by climate change which will impact on the sustainability of local systems. Such changes need to be understood and appropriate actions need to be taken.

ii) Local Economic Development Thinking

In the 1980s and 1990s questioning about the efficacy of LED was debated in the literature and the challenges of political interference, the limitation of short-term planning and interventions (as opposed to longer term planning), normally linked to the election cycle, were raised (in Nel and Rogerson, 2005).

A clear message which has emerged from various writings, and primarily those of Clarke and Gaile (1998), the World Bank (2006) and Swinburn and Yatta (2007) is that LED is not a static process. Instead what is apparent is that LED has evolved over time in a quest for greater relevance and success and in response to changing market realities and opportunities. One can indeed debate whether in South Africa, LED has not become locked into a certain understanding e.g. whether the focus is only on SMME support, BRE, investment and inner city renewal for example. As will be discussed in depth below, we are conscious of the fact that LED has often encountered applied limitations in South Africa, and that not all of these interventions enjoy success. As a consequence, knowledge of shifts in global thinking might well be appropriate to inform policy and practise in South Africa.

Swinburn and Yatta (2007) have advanced a table to illustrate the changing nature of applied LED. It is summarised below:

Table 1: Emerging Trends in LED

Traditional LED	Emerging LED
1) Target external firms	1) Focus on local and external
2) No legal framework for LED	2) Increasing legislative framework
3) Manufacturing sector prioritised	3) Multi-sector focus
4) Hard infrastructure	4) Soft infrastructure
5) Limited local economic information	5) Evidenced based planning
6) Public sector dominance	6) Partnerships led by the public sector
7) Supply driven	7) Demand driven
8) No focus on institutional mechanisms	8) Institutional mechanisms prioritised
9) Sectoral interventions	9) Territorial interventions
10) LED within political space	10) LED within economic space (cross-boundary)

After: Swinburn and Yatta, 2007

The above table is informative and deserves interpretation in the South African context. On the positive side what can be stated is that while South Africa has an advanced legal

and policy context for LED and practises often focus as much on local as they do on external investment, in most cases however, South Africa is following increasingly dated practises. Although it is difficult to generalise, some of the more generic realities include:

- frequently there is a narrow sectoral focus – perhaps not always manufacturing, but often a single focus e.g. on tourism or micro-business,
- soft infrastructure is seldom prioritised in South African LED - it is seen as the responsibility of higher levels of government,
- information is extremely limited and monitoring and evaluation to provide additional information is critically lacking, as was shown in the 2006 World Bank study,
- the public sector does still dominate LED and cases of true partnership driven LED are limited,
- interventions are supply focussed,
- institutional issues have been only partially addressed,
- interventions straddle the sectoral / territorial divide, and
- LED definitely does not cross political boundaries.

This international comparative table vividly illustrates the degree to which South African LED policy and practise is falling out of step with trends internationally. It would be fair to comment that many of South Africa's current challenges were experienced, historically by other countries and they have now developed new mechanisms e.g. working across political boundaries, working through partnerships etc to cope with new realities.

Another indicator that the nature of LED is changing comes from the identification that LED is increasingly adopting what are termed 'Third Wave Strategies'. This has been identified by the World Bank (2006) and Swinburn and Yatta (2007). While the First Wave was seen as focussing on: manufacturing, investment and infrastructure in the period from the 1960s to the 1980s; the second wave from the 1980s to the 1990s was seen as focusing on BRE, inward investment, sectoral strategies, manufacturing and regeneration. Latest, or Third Wave approaches are seen as having the following foci:

- improving the whole business environment
- working in functional economic spaces
- having a multi-sectoral focus

- focussing on soft infrastructure and HR development
- partnerships
- institutional frameworks
- improving quality of life
- targeted strategies
- coordination of government strategies
- network development and knowledge exchange.

Earlier Clarke and Gaile (1998), with reference to the USA, identified the recent emergence of what they termed Fourth Wave strategies including a significant focus on HR development, the provision of IT networks, strategic investment and innovation.

With reference to 3rd /4th Wave strategies, it is apparent that South Africa is pursuing some of them e.g. coordinating government strategies, having quality of life goals, and targeted strategies. However action in other areas is limited or lacking, including: working in functional economic spaces, the widespread use of partnerships, and there is only limited knowledge exchange, and HR and IT development.

iii) New Regional Development Thinking

While the focus of this document is on LED and the DTI in South Africa is currently working on a new Regional Industrial Development Strategy, it is very important to take note of the fact that in many parts of the world, following a period of some abeyance, there is now a fresh look at new forms of innovative regional development. Whilst the failings of regional development some 30 years ago in the West in some ways opened the door for LED, it would appear that what is emerging is often now a complement to LED. These ideas are considered both to illustrate current practise, which may inform local thinking, but also since District Municipalities in South Africa are currently tasked to support LED, the size of Districts and the external role they are playing in multi-localities is, in reality, more of a Regional than a Local intervention.

Some key trends emerging around the world are:

1) Canada:

Lessons from the Canadian experience include:

- the importance of targeted support for rural areas / communities
- the need to provide regional support for areas which constitute a logical economic units (regardless of political borders)

2) Australia

Australian experience reveals the following lessons:

- the importance of regional agencies
- the importance of a cluster-based approach to development
- concern with issues of research and development and global competitiveness.

3) The United Kingdom

In England in 1995, to complement already existing Regional Development Agencies in Scotland and Wales, 10 Regional Development Agencies were established, which are tasked to promote economic development, regeneration, business efficiency, investment, competitiveness, employment and skills development. In addition, in alignment with above mentioned 3rd Wave Strategies, there is a strong focus on developing a 'Knowledge Based Economy' and 'Innovation'.

4) Korea and Japan

Both have strategies focussed on the development of secondary nodal cities and in the case of Korea there is strong support for sectoral specialization within such centres.

5) New Zealand

Recent experience in New Zealand is probably some of the most innovative at present and it is therefore examined in some depth.

In 2002 the government launched the policy of 'Growing an Innovative New Zealand' to improve overall national GDP, to improve global connectivity, to improve sound financial management, to enhance innovation, attract skills, improve global connectedness and to use government resources to maximise the impact on innovation. A key basis of development thinking has been to start a Partnership Approach between government and

regions to help ensure locally driven development and sustainable development. Key applied features are:

- a) A Cluster Development Programme has been launched to encourage collaboration and networking between firms.
- b) Also established has been the Regional Polytechnic Development Fund.
- c) A 'Regional Partnerships Programme' has been established. It is modelled on the OECD's LEED fund and it part-funds partnerships to promote regional economic development. The ultimate goal of the programme is to improve sustainable regional development. It also seeks to encourage cooperation among regional groups and to improve locally driven strategic development. As a result: 26 regional partnerships have been established. Grants are available for planning, capacity building, and for inter-regional Capability. This is designed to improve regional governance, to address barriers, to encourage strategic focus and regional specialization. Critical to the success of this approach is that funding is based on a competitive bidding process following the establishment of meaningful partnerships with identified development foci. A key example in the area of Southland was to stress the importance of a knowledge economy and facilitate broadband access to 90% of the population.

The New Zealand experience sheds light on key aspects of contemporary regional development, and the lessons are namely:

- the need to work through strong partnerships of key local stakeholders
- the importance of developing knowledge based economies
- the need to set up strong, local / regional Economic Development Agencies to ensure proximity to clients and local buy-in
- the 'region' must be a manageable unit which stakeholders identify with and are prepared to collaborate in
- local buy-in to programmes to ensure ownership and to avoid dependence on state resources

- locally based identification of needs / strengths /opportunities.

6) Brazil

In Brazil there is a focus on the development of axes of development and efforts to reduce regional inequalities. Lessons for South Africa from the Brazilian experience include:

- the importance of devolving control over regional and local matters from the central state
- the potential of locally identified action plans where there are high degrees of local relevance and buy-in
- the need to link regional development to regional and global markets.

LED POLICY IN SOUTH AFRICA

LED policy in South Africa, though developing through the 1996 Constitution and the 1998 Local Government White Paper finds its most substantive expression in the 2006 LED National Framework document. Key elements in this document which have advanced local understanding of LED are:

- it defines the role of local government in the LED process
- it identifies the need for strategic planning
- it identifies the importance of partnerships
- it effectively bridges the pro-poor, pro-growth debate
- it introduces a series of interventions
- it clarifies the role of different institutions.

In parallel in 2006 the LED Toolkit was released. This too has many innovative features, including advice regarding the building blocks of LED and the importance of Action Plans.

Partially informed by international experience, there are certain general policy concerns which can be raised, over and above the content of the documents. These include:

- while partnerships are stressed more direction is needed on how to establish or manage them

- a parallel a concern which has featured in previous critiques (Hindson, 2003; Nel, 2001; Nel and Rogerson, 2005) is whether adequate space is provided for non-local government role players to take on a more pro-active developmental role or whether local development by default is seen as a local government mandate. Other role players are certainly not excluded, but are there mechanisms to encourage their involvement ?
- the attention paid to DMs is probably appropriate given capacity constraints, however, questions can be raised about whether a district is an appropriate spatial context to plan for local action ? If strategic planning takes place at a district level can it really allow for local idiosyncrasies in local towns and communities and unique opportunities. In a sense, this is de facto, more regional development than local. Caution will clearly be needed to ensure that local issues are not inadvertently overlooked in the development process.
- An emerging trend in South Africa is the new found support for the notion of the ‘Development State’. While it is an undeniable reality that many South East Asian states owe their current economic status to the earlier pursuit of state intervention, one needs to be cautious not to ignore the political, ideological, social, cultural and economic contexts of that time period. Some countries nationalised land and banks in their phases of pursuing the development state – it is questionable whether South Africa, in a neo-liberal era, can pursue such measures. Hence, instead of looking East rather than West for solutions, perhaps there is merit in finding locally and contextually appropriate solutions internally.
- One of the most significant critiques of the way in which LED is applied in South Africa comes from the German PACA expert, Jorg Meyer Stammer (2003) who debates whether the strong focuses on community development within LED is appropriate and whether alternate approaches to deal with this matter might not be more opportune.
- Finally, the issue of alignment needs mention. While there is clearly an inherent logic in aligning the goals and objectives of government across all spheres of government and policy e.g. poverty relief etc., there is a potential contradiction if attempts are made to align strategies across all levels. Whilst some strategies, e.g. agriculture support might apply across multiple levels, in many cases, as LED is based on using unique local assets, it is highly probably that provincial etc

strategies do not cater for unique local variables and as such a development tension is inevitable if all localities end up pursuing broadly similar growth paths. This would contradict the globally recognised importance of independent and unique actions, particularly within the context of a volatile global economy. Support for this line of thinking can be found in a recent Isandla Communiqué (2007) which identifies that a ‘one size fits all’ approach to local government in South Africa is problematic.

LOCAL ECONOMIC DEVELOPMENT PRACTISE IN SOUTH AFRICA

After some 17 years, considerable experience with respect to applied LED has been built up in the country. It has been argued elsewhere (Nel, Hill and Eising, 2004) that LED in South Africa presents a ‘mixed balance sheet’, success is not across the board as Meyer-Stammer (2003) goes on to say, achievements in South Africa are rather ‘unspectacular’. These comments deserve both an interrogation of why success is not more uniform and by implication an identification of what else needs to be done to catalyse LED.

The 2006 World Bank / Development Bank survey of LED in the country noted some interesting trends (World Bank, 2006). In the first instance some 82% of municipalities had appointed an LED officer, however only 48% had developed an LED policy and 88% reported not having a councillor directly responsible for LED. Less than half of municipalities reported that they had established links with the private sector. An aggregation table showed that more than half the municipalities scored well below the average in terms of operational features.

A series of detailed case studies undertaken by the same survey highlighted the importance of:

- Partnerships / effective engagement of the private sector
- creating a supportive economic environment
- effective marketing and business research

- strong and committed leadership
- the need to tap into local skills, social capital, raw materials and unique local assets / products

in successful LED.

Particular challenges noted with applied LED, included:

- the differing experience and results of LED across the country
- the actual impacts of LED are difficult to identify – either because of the general nature of economic change or the limited nature of M and E engaged in
- while job creation is taking place not all data is adequately captured or analysed to understand what works
- funding for LED varies widely and in many places is minimal
- there are differing allocations of staff to LED across the country and differing levels of engagement with other role-players

In addition to the findings of the World Bank (2006) study, it is important to reflect on the broader LED experience in the country. Although it is difficult to summarise the complex reality and diverse experience which exists, none the less some key trends can be identified:

- in some cases actual projects seem to have gone through something of a lifecycle – moving from inception to intervention, to some degree of success, to gradual loss of enthusiasm if projects prove not be sustainable and marketable and eventual demise. This was particular true of the grant dependent LED Fund projects, but also has been true of community projects, and municipal micro-interventions
- applied issues raised in the World Bank (2006) report include well known challenges including:
 - o rapid turnover of municipal staff
 - o frequent shortages of adequate funds
 - o limited staff numbers and capacity
 - o results are often limited
 - o there is minimal monitoring and evaluation – which impedes evaluation, and informed choices about the opportunities and problems likely to face future interventions.

- Across the urban hierarchy clear differences in applied success are apparent. In the larger, well resourced centres comprehensive interventions are in place and they are noted for the innovative use of partnerships and strategic planning. Key interventions include: inner-city renewal, marketing, sectoral interventions such as the Johannesburg Fashion District etc. Smaller centres by contrast tend to be marked by having often only a single or a limited number of interventions, which often struggle through a lack of adequate support and the frequent limited market capacity which exists in smaller centres. The reality that a distancing is taking place between the bigger and the smaller centres is a potential cause for concern as it simply exacerbates the already significant wealth gap between cities and rural / small town areas.
- In many instances there is a very real sense that LED is driven by political choices and one must question whether such choices are always economically viable. As Meyer-Stammer (2002, 5) notes: ‘LED has been captured by non-economic actors in the political-economic system who want to further issues which are not directly linked to economic development’.
- In terms of outputs, concerns can be noted on two fronts, in the first case limited M & E means that outcomes are difficult to gauge; secondly, concerns can be raised about just who benefits from LED – is it just the wealthier areas or are benefits widespread. In a detailed study of Cape Town, Turok and Watson (2001) expressed concern that while there are flagship projects in the city (such as Century City, the inner city and the water front) the reality is that such projects are not matched with similar levels of investment in the township. As a result they have expressed concern that the gap between the wealthy and poor areas has in fact increased.
- A range of minor themes which can be identified including:
 - Frequent allegations which are made of the politicisation of development
 - The stand-alone nature of many projects
 - Bureaucratization of the process, which can cost initiative, delays implementation and sidelines other role-players
 - The need for dedicated LED funds – either as a larger share of local allocation or from devolved funds
 - IDPs lists are often over-ambitious

- A fixation with micro-projects – which are normally done without adequate market research, making them vulnerable to market limits or unforeseen problems or debt. The poor experience of the LED Fund is relevant in this context,
- SMMEs struggle to access finance
- Underplaying the potential role of partnerships
- Because of long delays in releasing policy, Meyer-Stammer (2002) notes that ‘role-confusion’ as to who should play what role in LED is a major challenge. Similar he notes the long-standing uncertainty as to whether municipality’s are driver, facilitators or observers of LED.
- Differing views over what LED is, are held by different government departments and are a cause for concern, as noted by Tomlinson (2003) in a recent article on this theme.

More positive themes which have emerged are:

- a range of government departments, including Public Works, Social Development, Water Affairs, Agriculture, DTI, and Environmental Affairs and Tourism are all variously supporting a range of local-level interventions, some of which clearly are leading to enhanced local impact. There is however probably a need to enhance local level collaboration between these different role-players to maximise impact and results.
- There is significant interest in LED, it is acquiring higher profile status nationally and even with global bodies such as the ILO and World Bank.
- Within South Africa there is increasing interest in LED and the intervention of external agencies, such as the EU support structures, and GTZ is noteworthy in this regard.
- At the local level there have been a range of innovative interventions and within the bigger cities in particular, allowing for the bias in terms of where success takes place, many projects are comparable with those elsewhere in the world.

Interesting themes which have emerged in recent years include:

- the popularity of the concept of Development Agencies – partly as a result of IDC support. Even though not all agencies have enjoyed the same degree of success,

there clearly is merit to setting up dedicated agencies focussed solely on development projects, given that municipal LED officials often end up taking on additional duties such as IDP administration. Such moves have many parallels with experience around the world.

- The Municipal Finance Act has caused some degree of concern regarding local government powers and what can be devolved, which has important ramifications for Development Agencies and Section 21 companies.

THE BROADER CONTEXT WITHIN WHICH LOCAL ECONOMIC DEVELOPMENT OPERATES IN SOUTH AFRICA

As development theory has evolved over time, it has become apparent that different theories attach differing views to the historical and economic context in which development occurs. Modernization has been accused of ignoring antecedent conditions, focussing solely on the present and assuming all places have equal development potential. By contrast Dependency theory argued that the historical context of any place and the nature of past processes exercises a determining influence over current and potential growth prospects.

Given the nature of the increasingly global world in which we live, and the vulnerability of local places to processes often beyond their control e.g. shifts in the global demand for a particular product, e.g. vehicles and particular minerals and changing tourism perceptions of desirable places to visit, key aspects of local economies are often at the mercy of external forces. In addition, historical legacies, e.g. differing skills and infrastructure development over time, businesses losses and gains, local resource endowments or their absence provides a equally important context which can aid or hinder local development. Many rural areas in South Africa now have restricted LED prospects in the light of the loss of skills and declining agricultural output over time – either as a result of social change, transport improvements, market saturation, the rise of alternate markets and/or environmental factors. Places where skills and resources have accumulated over time and which have marketable resources, clearly are better placed to take advantage of development opportunities. This does not always hold true, one only has to think of the

catastrophic loss of jobs in the Free State Goldfields in recent years which reflects directly on market shifts and resource depletion and leads to a scenario of restricted opportunities at present.

As such, shifts in broader market demand and differing inheritance between places can exercise a determining influence over local prospects for LED. A case study from the Karoo can be used to illustrate this point.

This case-study is based on a broader study of the Karoo (Nel et al, 2007) and the economic and social changes taking places within it. Figure 1 indicates the decline in the area's main agricultural product – namely sheep, over time. This translates directly into lost farm jobs and the reduced dependence of the farms on the small towns established to meet the needs of farming in the 18th and 19th centuries.

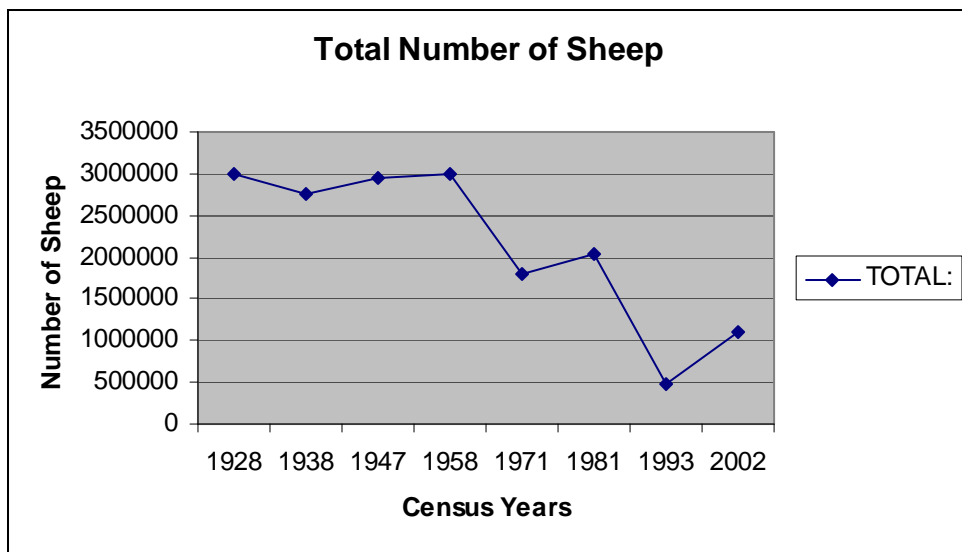


Figure 1

Source: Nel, et al, 2007

Figure 2 indicates what is happening in small town populations in the area. All places are growing, either through natural increase or the in-migration of people from the rural areas. However the four largest centres – with their more diverse economies and services are experiencing the most rapid growth. Interviews conducted in the area suggest that these larger towns are now far less dependent on the rural economy and growth is more

dependent on the size of the towns internal economy and new external activities such as tourism.

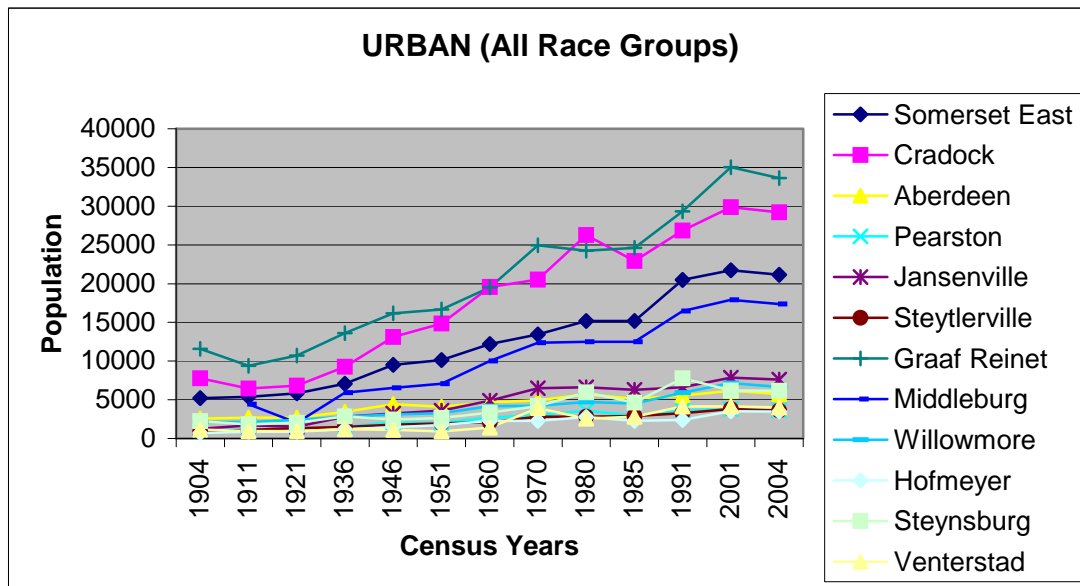


Figure 2

Source: Nel, et al, 2007

If one goes one step further, Figure 3 indicates business changes within small towns of the Karoo. The point comes through once again that growth is focussing on the bigger centres. However, in contrast to the population growth most smaller towns are losing businesses – often at a dramatic rate. What this reflects is the increasing number of unemployed, unskilled people in smaller centres with the attendant loss of economic opportunities and market. Loss of skills becomes reinforcing and it is stating the obvious to comment that LED prospects are similarly impacted on.

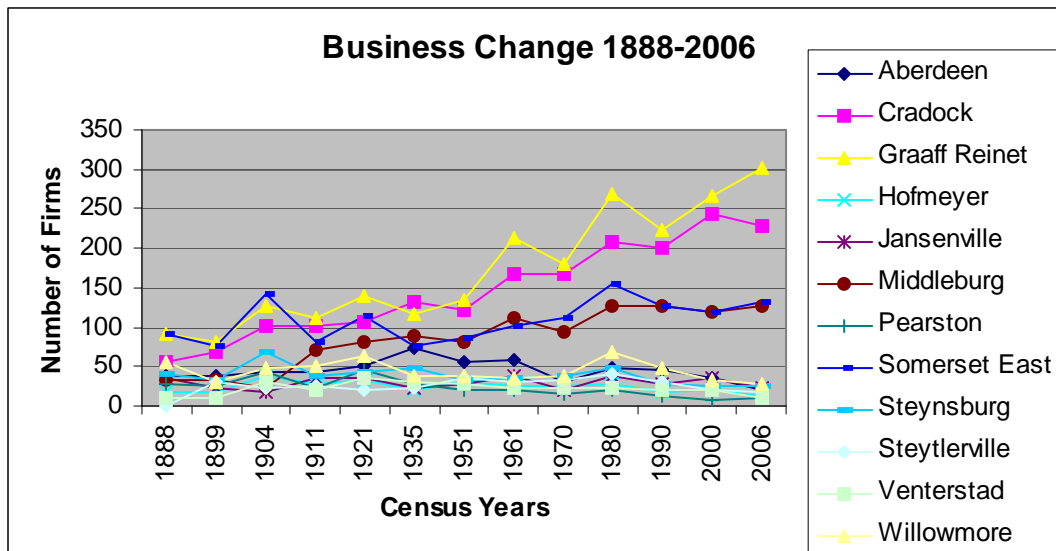


Figure 3

Source: Nel, et al, 2007

A cursory overview of LED and economic development in the Karoo notes the economic vibrancy of Graaff Reinet in multiple economic sectors, and the enterprising nature of the Development Agency in Somerset East which has become a key agent of LED. By contrast, the economies of most smaller centres are stagnant and here is little evidence of meaningful LED.

What the case-study shows is that not all places are on the same growth trajectory. Larger places with diverse skills and bigger economies are better able to weather economic change and to adapt to new contexts. Smaller centres with narrower skills and resource bases, might be growing demographically, but that does not imply that they will also be growing economically. While such shortfalls naturally demand local action and LED, it is stating the obvious that those places, with diverse economic and skills bases are probably more likely to be able to initiate and benefit from successful LED.

If one steps back from the case-study and reflects on the NSDP of 2003 and 2006, a not too dissimilar trend is suggested at, namely that in economic terms, places of differing potential can be determined across the geographic space of the country. While the implications of the NSDP in terms of identifying the type of investment places with or

without economic potential should receive may be somewhat controversial, the point none the less is that not all places can be treated equally, we cannot expect similar LED processes and outcomes in all towns and, by implication, uniform approaches are unlikely to enjoy widespread success.

There is a need for LED in South Africa to:

- acknowledge more fully differing legacies between places – particularly in terms of skills, infrastructure, development and economic opportunities
- acknowledge, anticipate and respond to broader economic forces which may well be beyond national control
- to plan for differing types of support for differing potential LED experiences. This needs to be particular sensitive to the requirements of the smaller, weaker centres.

CAMEOS OF SUCCESS

In this section and the in following table examples of what can generally be regarded as successful LED from South Africa and further afield are drawn on. While in all cases it is acknowledged that there are associated weaknesses, the emphasis in this section is simply on briefly illustrating key success variables.

Town	Key Challenge	Interventions	Successes	Lessons
Alicedale, Eastern Cape	Job loss, closure of railways	Partnership driven process of town renewal	Resort complex, rugby academy, job creation	Partnerships, large scale intervention
Wuppertal, Western Cape	Poverty	Rooibos tea production – community / government project	Successful farming and export, job creation	Niche marketing, using unique resources, social capital
Cape Town	Structural challenges	Partnership led inner city renewal. Training for employment. Community- based waste removal	Revival of the CBD. Skills development and job placement. Community empowerment	Pro-active interventions. Partnerships
Japan	Need to	Government	Job creation;	Targeted

	promote rural development	funding of community industry	viable business enterprise	funding; working with the market
Tanzania	Unemployment	Micro-business support / micro-loans	Limited job creation	Need for financial investment in the poor
Somerset East Eastern Cape	Need to enhance development	Multi-faceted project. Development Agency	Job creation – laying the basis for sustained growth	Importance of a Development Agency, partnerships, working with the market, leadership
Durban, KZN	Informal Sector Challenges in Warwick Junction / need to redevelop inner city	Warwick Junction, Point redevelopment. Convention Centre	Provision of facilities. Urban renewal, investment	Working with the community. Investment, partnerships
Napier, New Zealand	Marketing an asset	Festivals, architectural tours	Jobs, tourists	Partnerships between key role players, marketing
Invercargill, New Zealand	Isolation, low economic growth	IT extension, marketing, major projects	Jobs, market access, tourist	Leadership, partnerships, competitive bidding

THE WAY FORWARD

In terms of taking the LED process forward in South Africa, we need to be cognizant of both past strengths and failings. LED clearly has experienced mixed success and municipalities differ fundamentally in their capacity and ability to lead LED. Key issues which need to be considered in LED in South Africa include the following:

i) Institutional

There is a need to better integrate LED support from government departments and thereafter to better coordinate local actions. On the ground level, limited capacity with respect to LED needs to be addressed and/or establishing Development Agencies probably needs to be pursued more vigorously. The role of partnerships in development need to be

paid more than lip-service and genuine efforts to establish and sustain effective partnerships and associated LED fora are needed. Infrequent forum meetings is not a substitute for meaningful joint action. In addition, other role players need to be more actively engaged in LED processes.

ii) Leadership and Vision

LED relies on capable, well-connected, charismatic leadership and this needs to be both inculcated and supported. In parallel having a realistic, empowering vision which all stakeholders endorse is needed.

iii) LED Strategies

LED strategies need to be built on locally unique attributes and not copy the experience of others. In this context, acknowledging and responding to global, national, local and historical and contextual realities is critical. The positive experiences from the cities need to be interrogated and learnt from. Simultaneously there is a need to undertake very thorough research into what one can actually do to transform poor rural areas / townships – and to avoid merely providing token support

iv) The Beneficiaries

One mustn't lose sight of the country's extreme wealth gaps and simply pursue growth focussed practises which do not meaningfully impact on poverty.

v) LED Processes

As Helmsing and Egziabher (2005) note, LED relies on market forces and mechanisms and these cannot be built up overnight. The process takes time and effort. In addition, the limitation, of decentralization, local capacity weaknesses and the impact of broader forces all need to be factored into planning decisions. The two authors go on to remind us that LED is not just about local government action, rather it is about partnerships and joint action, within a market context which takes time and care to nurture.

CONCLUSION

South Africa's engagement with LED is a noteworthy story of development action and intervention which has made the country a leading example of applied LED in the world (Nel and Rogerson, 2005). Commitment to LED and policy support does not however ensure success on the ground. As has been noted in the World Bank study (2006) and the findings of numerous authors, as noted above, LED faces a range of applied, institutional, funding and policy challenges. As LED has evolved over more than a decade it has exposed numerous strengths and weaknesses – key in this regard is the widespread support and buy-in to the LED process across the country. However one is also conscious that experience and success varies markedly and it is generally the largest centres, with their access to skills and resources, which have achieved the most significant results. Success in smaller centres tends to be more modest and very real challenges often exist.

Going forward into the future, we need to learn from past failings, international experience and local successes – in order to better inform and guide future choices. Some of the key obstacles appear to be linked to funding shortages, limited skills, poor market links of projects and the limited nature of partnerships. Hopefully through time and the experience of projects such as Thina Sinako we will see the attainment of greater levels of applied success which reveal how best to ensure that sustainable LED is entrenched.

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