

**DEVELOPMENTAL LOCAL GOVERNMENT WITH REFERENCE TO THE
IMPLEMENTATION OF LOCAL ECONOMIC DEVELOPMENT POLICY**

BY

SAMUEL BOGALEBJAPOO KOMA

STUDENT NUMBER: 04365003

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SUPERVISOR: PROFESSOR. DR. J.O. Kuye

Dedication

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Abstract

This thesis examines the notion of developmental local government within the context of the implementation of a local economic development policy and the interrelationship that exists between national development frameworks underpinning growth and development objectives developed at the national and provincial spheres of government and the local economic development policy executed at the local sphere of government. Chapter One provides a historical overview of the Integrated Development Plan and of Local Economic Development in the Republic of South Africa. The concept of a developmental state within the context of the Republic of South Africa and also the evolution of the system of local government are examined. Chapter Two discusses research methodology within the context of the discipline of public administration and provides a distinction between qualitative and quantitative research and the rationale behind the adoption of a qualitative research approach for the purpose of this study. An overview of Public Administration and Public Policy literature is broadly discussed in Chapter Three. The theoretical framework of developmental local government and its characteristics is discussed in the same chapter. The trajectory of national economic development policies, namely, the Reconstruction and Development Programme, the Growth, Employment and Redistribution Policy, Accelerated Shared Growth Initiative for South Africa and New Growth Path and the interrelationship with the LED policy objectives are examined in Chapter Four. The analysis of the case study underpinning this study and presentation of research findings flowing from a field research undertaken in the Emakhazeni local municipality situated in the Mpumalanga province of the Republic of South Africa are discussed in Chapter Five. An LED policy implementation model suited for developmental local government is also discussed in this chapter. The overall deductions, recommendations, limitations of this study, and suggestions for further research are presented in Chapter Six.

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Figure 1.1: Geographical locations of the Republic of South Africa and the Mpumalanga Province

CHAPTER 1

HISTORICAL OVERVIEW

1.1 Introduction

Chapter One commences with a historical background to the Integrated Development Plan and Local Economic Development in the Republic of South Africa. This background attempts to locate the origins, practices, content and form underlying local economic development with reference to developmental local government in South Africa. The academic discourse on a developmental state is examined within the context of South Africa and the chapter reflects on the characteristics and the potential of the South African developmental state. This chapter presents an overview of the historical foundation and evolution of the system of local government and the notion of developmental local government in South Africa. This analysis covers the period prior to and post the 1994 democratic breakthrough and related to this analysis is a reflection on the evolving policy development process that has shaped the new local government dispensation informed by various legislation and policies, *inter alia*, the *Local Government Transition Act*, (1993) the *Constitution of the Republic of South Africa*, (1996), *White Paper on Local Government*, (1998), *the Local Government: Municipal Systems Act* (2000) and the *Local Government: Municipal Structures Act* (1998). The notion of developmental local government is succinctly described within the context of economic development locally.

The purpose of this chapter is also to examine the evolution of South Africa's modern economy through an array of economic policy packages that had been put into practice during the apartheid period. South Africa's modern economy derives its origins, turbulence and sustenance from numerous factors that include the exploitation of abundant mineral resources, the use of cheap and unskilled labour,

the availability of physical infrastructure such as railways, telecommunications, and electricity, plus distorted and untenable spatial realities.

1.2 The justification for Local Economic Development (LED) in South Africa

Local municipalities around the world face, to varying degrees, the same problems of inequality, unemployment and growing poverty levels and limited provisioning of basic services to local communities (Horn & Lloyd, 2001:59). These realities are aggravated by international trends and new realities such as urbanisation, the technological revolution and globalisation, and the increasingly competitive environment globally. The impact of these factors on the economies of cities and towns, in general, and South African towns and cities, in particular, are not an exception. A combination of these factors constitutes the new external framework within which local municipalities must address their economic status. In South Africa and other less developed countries, economies are characterised by market failures, market imperfections, inefficiency, risk and a lack of an entrepreneurial culture. This places a huge responsibility on the governments in as far as job creation, poverty alleviation and economic growth are concerned. Therefore, innovative and viable policy strategies are necessary for the propulsion of local economies with a view to addressing pressing societal problems manifested through high unemployment and poverty levels and lack of access to basic services. Municipalities are increasingly being required to mediate between the local and global; to balance a local economic development policy aimed at urban competitiveness and poverty alleviation; to engage in more open and transparent state-society relations; and to reform intergovernmental relations (Development Bank of Southern Africa, 2000b:26).

Municipalities have a key role in coordinating and promoting local economic development (LED). Municipalities can neither simply focus on providing local services and developing infrastructure, nor limit their involvement with the private

sector to regulation through imposing planning restrictions and environmental management rules. Thus, municipalities have become critical role players in the investment decisions of private sector organisations. Many of the important variables that determine whether a private company decides to invest in a particular area are the responsibility of municipalities. These include access to development land, the local transport and communications infrastructure, serviced sites, specialised waste disposal facilities, access to trained staff, educational facilities, and housing and recreational amenities to attract and retain skilled staff. In the highly competitive developed economies, LED has become a core activity with a significant impact on the local economy and employment. LED policy should balance the need for attracting investment with the needs of local communities. The private sector requires a competitive advantage through reduced production costs and enhanced social and physical infrastructure. The municipality should promote this while protecting the environment, stimulating employment and implementing poverty alleviation strategies (Development Bank of Southern Africa (DBSA), 2000b:29-30).

For the purpose of this study, local economic development serves as a cardinal element for the boosting of local economies, and thereby addresses high levels of poverty, unemployment and inequalities facing the majority of the South African population and, more importantly, ensures global competitiveness and the integration of the South African economy within the global economic context.

The next section discusses the historical background to an Integrated Development Plan and Local Economic Development in the Republic of South Africa. The significance and the legislative imperatives underpinning both this Integrated Development Plan and Local Economic Development are discussed.

1.3 Historical background to Integrated Development Plan (IDP) and Local Economic Development (LED) in South Africa

The advent of the democratic epoch in South Africa has brought tremendous changes and challenges within the sphere of local government. One of the significant changes is the new constitutional status accorded to the sphere of local government which clearly spells out that local government is recognised as an integral, distinctive and interdependent sphere of government that ought to manage its affairs effectively, efficiently and responsively in line with national development policies such as the Reconstruction and Development Programme (RDP), the Accelerated Shared Growth Initiative for South Africa (ASGISA) and the New Growth Path. The local sphere of government is viewed as integral to the realisation of growth and development objectives underpinning national and provincial development frameworks set out above. Local government is also obliged to play a critical role in promoting social and economic development in line with constitutional imperatives. Thus, through the local economic development policy, municipalities have assumed a central role in contributing to job creation, in the eradication of poverty and in boosting local economies. A synergised and integrated approach on the part of the spheres of government is therefore a *sine qua non* towards achievement of growth and development.

The academic discourse on the developmental state is replete with literature contributed to by various scholars on the subject: for instance, Johnson (1983) Leftwich (1995) Huff (1999) Mkandawire (2001) Gelb (2006) Jahed and Kimathi (2007) Edigheji (2009) Maserumule (2009) Nzewi and Kuye (2009).

South Africa is defined and regarded as a developmental state. The following are the ideal characteristics of a developmental state:

- I. A state that excels in public administration and intervenes in the economy to promote social development. The local sphere of government constitutes an integral part of public administration that also ought to excel in regard to the provision of public services;
- II. A strong state capacity is critically important as a distinguishing feature of a developmental state. It is achieved through the creation of an inexpensive, efficient and effective public service, staffed by the nation's brightest and best servants functioning without constraint, and capable of being innovative in addressing the social and economic needs of the citizens (Evans, 1998; Palidano, 2000). Edigheji (2009:62), state that positions in the bureaucracy in Africa have to be based on merit rather than patronage and ethnic or religious considerations while Weberian merit-based recruitment and rewarding long-term public service careers are required in Africa's developmental states;
- III. A state concerned with integrating a dual economy by addressing the socio-economic needs of the entire population, especially the poor, the marginalised and the historically disadvantaged; and
- IV. A well-managed and democratic state that builds its legitimacy on its capacity simultaneously to foster productive economic activities and economic growth, to qualitatively improve the living conditions of its people and reduce poverty (National Capacity Building Framework, 2008).

Mkandawire (2001) contends that the term developmental state does not only apply to those that have attained economic growth, but also includes states that attempt to deploy both administrative and political resources to the tasks of economic development yet are not able to grow as a result of external factors such as bad luck and miscalculation. He denounces the comparison of states in Africa

with developed ones as well as the sense of despondency that this comparison has brought. In the African context, any state that develops an appropriate institutional structure in order to spark growth merits recognition as a developmental state. African states should determine what works for them, informed by their circumstances rather than emulate the East Asian models unchanged.

According to Turok (2010:499), a developmental state exhibits three important features. First, they are capable of planning ahead and making long-term strategic decisions beyond pragmatic responses to political pressures and problems as they emerge. Secondly, they have the analytical capacity to separate the causes of problems from their symptoms and their consequences. Thirdly, they have organisational capacity to focus on the underlying issues for more tangible outcomes. The primary objective of the developmental state tends to be employment creation. Such states should also be capable of early action in anticipation of difficulties and of minimising the risks of problems occurring or reaching unmanageable proportions. A priority in countries like South Africa is to shift the economic development path in a more inclusive and dynamic direction. It is not sufficient to expand the output of the existing structure and reproduce its deficiencies, or to enrich a narrow section of the previously disadvantaged population through administrative and legal mechanisms.

Thus, the diagnostic report that was published by the National Planning Commission headed by Minister Trevor Manuel in 2011 was a first attempt to generate a broader understanding of the underlying causes and symptoms of the problems facing South African developmental state. This report allowed the broader civil society, labour, business, government institutions and members of the public to engage and deliberate on the plausible solutions that eventually informed the development of the National Development Plan which is now in the public domain.

Sustained economic success emanates from linking financial rewards to productive activity and long term performance. The other feature of a developmental state is the promotion of change informed by boldness and concerted effort on the part of government. The government seeks to act on a sufficient scale and with collective weight to influence established growth trajectories. It views the economic impact of all its interventions and understands how state procurement, regulation and services can boost or negatively impact on the creation of jobs. Different parts of the state are aligned in order to ensure that the powers of the state as an investor, purchaser, employer, regulator and provider of infrastructure and services yield consistent results. For example, in the urban setting it is important to connect policies for housing, transport, land use and basic services in order to contain low-density sprawl and to create more inclusive and efficient cities (Turok & Parnell, 2009, in Turok, 2010:500). In the employment domain, linking schools, colleges, job advisory services and employers together can ensure the integration and mobility of people into work and make the labour market function more effectively (Turok, 2010:500).

Failure to integrate and coordinate state plans and actions means that the development agenda may be undermined by contradictory state actions and speculative tendencies in the private sector looking for easy returns. Integrated actions enable the state to initiate change, and not simply to accommodate trends and respond to events as they unfold. Developmental states invest in the release of locked economic potential, encourage enterprise development and make better use of neglected resources such as labour and land. They intervene to improve and develop the market by creating financial institutions to provide risk capital, encouraging long-term business decisions and improved management, and stimulating productive activity in places that may have been spontaneously identified. The logic goes beyond compensating for market inefficiencies and promoting welfare schemes in isolation from economic opportunity. It is about building the human capabilities and culture to support a resilient and dynamic economy (Sen, 2009; Evans, 2009; Turok, 2010:500). Flowing from this background,

it is pertinent to state that the interventionist focus of the developmental state is not only confined to the economic domain and but also extends to other important terrains such as public infrastructure investment, and public service delivery in order to ensure that there is integrated and consistent implementation of state plans aimed at delivering high economic growth, investment rates and employment creation.

An important feature of developmental states is that they are democratic in the sense that different actors and interest are brought together to define a common purpose and sense of direction (Robertson & White, 1998; Edigheji, 2010). Democratic processes shape knowledge of which public goods are most needed by citizens and private organisations. Partnerships with business, labour and community organisations help to share ideas and resources, and build support and mutual commitment to activities that enhance value, encourage hard work and self-improvement and increase employment. This partnership is central to the construction of a developmental state. Collaboration among different spheres of government is also important, to avoid wasteful competition and duplication of effort. For example, the sequence and location of state investments in transport, energy, digital, low carbon and community infrastructure need proper alignment to ensure compatibility and maximise local jobs. Special initiatives and ad hoc projects are likely to be less effective than sustained effort to reconfigure and integrate broad national development policies (Turok, 2010:500). The developmental state is expressed as a development conscious state in which economic development is enhanced through political commitment and a competent bureaucracy driven by state political and economic structures. Some of the functions of the developmental state are in the form of micro and macro policies that create an enabling environment for businesses (Nzewi & Kuye, 2007: 200).

Edigheji (2009:60) asserts that there is no one formula for constructing a developmental state. The South African developmental state is based on the adaptation of some elements of the Asian developmental states especially with respect to the central development planning that produced the National Development Plan in 2012. It should be borne in mind that in every historical epoch developmental states have been constructed to respond to specific contextual developmental challenges. In doing so, they have drawn important lessons from other experiences, adapting these to address their particular context. Most developmental states, especially in Asia, are highly interventionist and protectionist, have strong state capacity and political leaders who are highly nationalistic and patriotic and, as a result, have the political will to drive through the development agenda. They are highly innovative; put measures in place to address the adverse conditions affecting the poor and make a huge investment to enhance human capabilities; create conditions for high economic growth rates; have a sufficient degree of national autonomy in policy making and give specific primacy to public policy in areas of health, education, social welfare and land reform. These are the factors that have largely contributed to the successes of the Asian developmental states (Edigheji, 2009:61-62).

According to Mayende (2009:53), a developmental state, through using its planning systems and bureaucratic capacity, crafts policies and programmes that are aimed at ensuring high levels of economic growth, equitable distribution of wealth, reduction in levels of poverty and inequality, and development, in general, for the benefit of all citizens. A disciplined and patriotic bureaucracy, characterised by high levels of technical, managerial and programme implementation capacity, and esprit de corps, is a fundamental requirement for an effective developmental state. Butler (2009:63) asserts that developmental states do not merely allocate resources, they also mobilise them to finance investment and growth. In order to gather all resources, the public sector can contribute to national investment, while government non-investment spending must remain tightly curtailed and a restrictive budgetary policy must therefore remain. A successful developmental

state does not merely develop good policies that help an economy to grow. It also has the capacity to implement and administer them, to maintain an effective machinery of government and to protect and grow a culture of honesty and high performance in the public sector. Many of the fast-growing developmental states of East Asia such as Japan and South Korea are known for the effectiveness of government administrative systems, the high quality and calibre of senior managers trained and motivated (Butler, 2009:136).

Gelb (2006) asserts that there are important tasks to be carried out by a developmental state. Amongst others these are, to formulate a cohesive and focused set of goals and objectives for national growth and development and a set of policies to achieve these goals. Jahed and Kimathi (2007:47) assert that a developmental state is one that has a development orientation and consequently adopts development functions. The state's economic policies are formulated and adopted on the basis of their ability to promote development rather than to regulate the economic actors. The developmental state is characterised by being aimed at promoting and succeeding in achieving economic growth by establishing viable institutions that yield maximum growth. The developmental state model favours a strong role for a strong state in steering such development by providing the conditions for development, that is, health, education and infrastructure and taking adequate measures to protect national industry in the globalising economy, not in order to maximise profits but in order to promote the development of its people and to achieve sustainable national economic growth (Tshishonga & de Vries, 2011:60).

For the purpose of this study, it can be argued that for the South African developmental state to deliver on its electoral and constitutional obligations related to the promotion of social and economic development and poverty alleviation there ought to be strategies put in place to propel growth measured in terms of Gross Domestic Product (GDP), per capita income and domestic and

foreign investments. The state should intervene in the economy to counter the neo-liberal ideology that promotes the minimalist role of the state in the economy in favour of the market. The success of the developmental state hinges on the bureaucratic and managerial capacity of the senior managers in the public sector including municipalities to shape and drive the development agenda aimed at delivering on the expectations and needs of the poor, marginalised and unemployed sectors of the population. This requires the ability on the part of senior managers to formulate long-term economic development plans and strategies and effectively implement them. The involvement of the broader civil society, business and labour organisations, non-governmental organisations and members of the public is cardinal to the development of these long-term economic development plans and strategies.

In the context of the 1996 *South African Constitution*, and specifically Section 152, a developmental state implies that municipalities assume a greater and significant role in economic and social development. The *Development Facilitation Act* No. 67 of 1995 (DFA) was promulgated to form the basis for a coherent framework of development and to overhaul the fragmented unequal and incoherent planning system inherited from the apartheid government. A National Development and Planning Commission was appointed to spearhead this process. Local Government was then institutionalised within the premise of an integrated development approach in the country. It is through this process that the concept of an Integrated Development Plan (IDP) was born (Kanyane & Koma, 2006:4). The *Municipal Systems Act* of 2000 builds on the *Development Facilitation Act* and the *Local Government Transition Act* to construct a new planning framework for developmental local government (DBSA Development Report, 2000b).

1.3.1 National Policy Context for LED in South Africa

The Constitution of the Republic of South Africa, of 1996

Section 152 of the *Constitution* states that:

The objects of local government amongst others are: to provide democratic and accountable government for local communities; to ensure the provision of basic services to communities in a sustainable manner; to promote social and economic development and to encourage the involvement of communities and community organisations in the matters of local government. The *Constitution* specifically entrenches the developmental duties of municipalities. In this regard, Section 153 states that a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community and participate in national and provincial development programmes.

White Paper on Local Government, 1998

The *White Paper* locates the developmental duties for local government within the context of the notion of developmental local government. In essence, developmental local government is described as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives (1998:17). According to the *White Paper* (1998:18) the nature of a system of developmental local government comprises four specific and interrelated characteristics. These characteristics are: maximising social development and economic growth; integrating and coordinating activities; democratising development; and a process of leading and learning. These characteristics are succinctly discussed in Chapter Three.

The developmental outcomes of local government include local economic development. The *White Paper* specifically provides for local government to play an important role in promoting job creation and boosting the local economy. Investing in the basics - by providing good quality and cost-effective services and by making the local area a pleasant place to live and work in is the starting point. However, two other types of initiatives are important, namely, reviewing existing policies and procedures to promote local economic development and the provision of special economic services such as investment support, small business support and research and technology.

It is pertinent to state that the above-mentioned legal and policy frameworks endeavour to provide the basis, context and form for promotion of both social and economic development within the sphere of local government. The synergy that ought to be developed and operationalised for the achievement of local economic development from a policy perspective is also given impetus by the *Policy Guidelines for Implementing LED* in South Africa issued by the former Department of Provincial and Local Government in March 2005 (now the Department Cooperative Governance).

Policy Guidelines for Implementing LED in South Africa

According to the Policy Guidelines for Implementing LED (2005:4), effective implementation of LED in the second decade starting from 2005-2014 of South Africa's democratic order will be a critical contributor to government success in growing the national economy and building a single and integrated economy that benefits all. A government-wide approach to developing and supporting robust and inclusive municipal economies is required and should be facilitated through the active and dynamic alignment of the National Spatial Development Perspective (NSDP), Provincial Growth and Development Strategies (PGDSs) and District/Metro Integrated Development Plans (IDPs). Municipalities are required to design Spatial

Development Frameworks (SDFs) as a core component of the IDPs. The Spatial Development Frameworks should indicate municipal growth points, identify strategic portions of land for development and set parameters for an efficient and effective land use management system. The SDFs should inform infrastructure investment planning and therefore describe specific interventions to attain integrated human settlement patterns (Mashamba, 2008:425).

In understanding the imperative of a synergistic approach towards the implementation of LED, it is important to note that all state action and economic activity converge in a municipal area. State success in supporting economic development will depend on the extent to which the three spheres of government align their development strategies, coordinate their actions and achieve integrated development outcomes in these respective municipal areas (Policy Guidelines for Implementing LED, 2005:12).

Integrated development outcomes can be achieved through effective and healthy intergovernmental relations. Thus, the national government in respect to both strategic planning and development is mostly responsible for setting the overall strategic framework for the economic and social development of the nation and also for all spheres of government. The national Medium Strategic Framework is one of the strategic planning tools that provide the strategic direction of government pertaining to growth and development over a specific period of time. Provincial governments must tailor their strategies and development policies according to the specific conditions and needs that are prevalent in their areas. They should also ensure that municipal IDPs combine into the type of sustainable development that forms a framework throughout the province as a whole and is integrated as a unit. In turn, national government must ensure that local and provincial governments operate within the national enabling framework and are structured and capacitated to best promote development and growth as a whole (Bekink, 2006:103-104).

1.3.2 Provincial Policy Context for LED

The Provincial Growth and Development Strategy is the key instrument of provincial governments for planning and implementing their social and economic development agenda for the provinces. The Provincial Growth and Development Strategy is developed within the framework of the National Spatial Development Perspective (NSDP) and also in reference to the Integrated Development Plans prepared by the district and local municipalities and the metropolitan municipalities. The National Spatial Development Perspective provides a framework and mechanisms that harmonise national priorities, provincial growth and development strategies and municipal integrated development plans. By mid-2008, the implementation of the National Spatial Development Perspective was completed or in progress in 23 districts, with 15 more being enrolled (Fifteen Year Review Report, 2008). The National Spatial Development Perspective (NSDP) uses spatial data to indicate areas of high economic potential and informs the development of Provincial Growth and Development Strategies (PGDS) and municipal IDPs (Levin, 2009:960).

The coordination and implementation of the Provincial Growth and Development Strategy in the municipal sphere remain a challenge. The consultation, cooperation and joint-efforts by provincial departments and municipalities are usually hindered by political issues and consequently stifle growth and development (Fourie & Valeta, 2008:139). The overlap among the three spheres of government creates the potential for policy incoherence, gaps and omissions, duplication of effort, confused accountability and uncertainty on the part of business and other stakeholders (Turok, 2010:503).

Economic development is complicated by ambiguity about the specific roles and responsibilities of the three spheres of government. The nine provinces have some constitutional autonomy, reflecting the 1990's political settlement, but are obliged

to work within national legislation and policies. They are required to prepare growth and development strategies informed by national priorities contained in the national economic development policies and strategies such as the National Spatial Development Perspective, and the New Growth Path adapted to distinct local needs and opportunities. The provinces are also required to work with local municipalities and provide assistance in their capacity building efforts and encourage consistent LED initiatives. Municipalities are required to prepare Integrated Development Plans encapsulating a LED strategy (Turok, 2010:503).

The overarching goal of the Provincial Growth and Development Strategy is to develop consensus amongst stakeholders and to develop programmes that will align to national, provincial and local strategies. According to Malan (2008:83), the alignment of strategic planning among spheres of government is weak and it becomes difficult to translate national priorities into provincial and municipal strategic planning and to match local development opportunities of municipal integrated development plans with the resource allocation decisions of national and provincial governments. Therefore, harmony and alignment among the National Spatial Development Perspective, the Provincial Growth and Development Strategies and Integrated Development Plans ought to exist with a view to ensuring an integrated approach to development planning among the three spheres of government.

MPUMALANGA PGDS-Provincial Growth and Development Strategy

Mpumalanga Province is one of the provinces established in terms of the *Constitution of the Republic of South Africa, 1996*. Mpumalanga, meaning the ‘place of the rising sun’, lies in the north-eastern region of South Africa, with the capital Nelspruit situated approximately 350 km east of Johannesburg. It is characterised by spectacular natural beauty, abundant natural resources and is one of the fastest growing Provinces in the country. The province is also known for

its tourist routes and citrus fruit but its economy is dominated by its coal reserves and it possesses the countries' biggest power stations. The PGDS 2004-2014 is the fundamental policy framework for the Mpumalanga Provincial Government. Six priority areas of intervention were identified based on the social, economic and development needs of the Province, namely economic development; social development infrastructure; social development; sustainable environmental development; good governance; and human resource development (Mpumalanga PGDs, 2007).

The provincial government officially launched the so-called '*The Big Five*' flagship projects in 2007 geared towards fulfilling the strategic objectives of the Provincial Growth and Development Strategy. The flagship projects are listed as follows: Accelerated Capacity Building and Training; Heritage, Greening and Tourism; the Maputo Development Corridor; and Moloto Development Corridor; and Water for all. These projects are inextricably intertwined with the Provincial Growth and Development Strategy and relate to the six priority areas underlying the PGDS (Conceptual Framework of the Mpumalanga Flagship Projects, 2007). The PGDS was reviewed in 2008 and a resolution was taken to establish a Provincial Development Council in order to streamline provincial development planning processes and implementation. The Office of the Premier as the core of government through programme coordinators assumed both a strategic and programmatic approach pertaining to the implementation of the projects. Flowing from the flagship projects, the district municipalities convened LED summits with a view to ensuring alignment of priorities to drive the implementation process in the district and local municipalities.

By and large, the Mpumalanga Provincial Government through its political leadership had taken an active role in addressing the pressing challenges facing the province. Effective implementation of the flagship projects would to some extent help the province realise the strategic objectives of the Provincial Growth and

Development Strategy (PGDS). It is apparent that the realisation of growth and development through a developmental state requires bold and visionary political leadership, active and interventionist approach, a well capacitated executive and management cadre and the involvement of key stakeholders coupled with the allocation of administrative and financial resources. Thus, as Edigheji (2010:1) asserts, a country like South Africa is better positioned than most late developers to construct a democratic developmental state because despite the current global economic crisis that sparked the active and regulative role by states across the globe, the South African ruling party, the African National Congress (ANC), and the government had recognised that addressing the developmental challenges facing the country such as the need for greater economic growth and the reduction of high rates of poverty and unemployment requires a developmental state that is democratic and socially inclusive: a developmental state with a capacity to intervene to achieve the aforementioned goals.

1.3.3 Local Policy Context for LED

According to the *Local Government: Municipal Systems Act, 2000* as amended, Section 23 (1) (a-c), local government planning is to be developmentally orientated. In order to achieve this objective, all municipalities must undertake developmentally orientated planning to ensure three purposes:

- I. municipalities strive to achieve the objectives of local government set out in the Constitution;
- II. municipalities give effect to their developmental duties set out in the Constitution; and
- III. municipalities, with other organs of state, contribute to the progressive realisation of the (socio-economic) fundamental rights contained in the Constitution.

In terms of the *Municipal Systems Act, 2000* as amended, each municipal council must adopt a single, inclusive and strategic plan for the development of the municipality within a prescribed period after the start of its elected term. Such a plan should have amongst other objectives the following aim:

- I. to link, integrate and coordinate plans and to take into account proposals for the development of the municipality;
- II. to ensure that resources and capacity of the municipality should be aligned for the implementation of the plan;
- III. to ensure that the plan forms the basis on which annual budgets are to be based;
- IV. to ensure compatibility with national and provincial development plans and planning; and
- V. to commit the municipality to adhere to the legislation.

According to Roux and Van Rooyen (2002:218), traditional local government planning practices are being replaced by modern planning techniques to enable local government officials to respond effectively to changes in the municipal environment. New planning models are evolving throughout the world to capacitate local government officials to optimise their resources in fulfilling their functions. Planning entails the activity involved in creating a plan. In other words, a process of planning is required to formulate a plan, which, in turn, necessitates systematic thinking. It can also be stated that a plan is a meticulously conceived programme of intended action. It should be noted that, although a plan by definition does not constitute a policy, it can be argued that once a plan, or intended action, has been approved, it contains important policy directives and guidelines. A definite link therefore exists between planning and policy formulation in so far as planning provides the programmed action of integrated development policy.

According to Ceasar and Theron (1999:60), IDP involves a process through which local government observes issues and sectors in relation to one another and encompasses all efforts to address the needs of its residents, especially the poor. The IDP implies a process of holistic planning, taking account of and integrating all aspects of local government including economic issues, social issues, spatial issues and institutional issues. Ceasar and Theron (1999:61) also state that the 'IDP is a structured plan to be followed in future, with a common agreement on action to be taken on the integration of different sectors in order to achieve set goals'. Planning is a directive activity that requires a systematic approach to historical data, current conditions and expected results. Planning therefore has long-term implications for local government. IDP implies that a process is embarked upon which should be managed by local government officials in a holistic manner, according to the principles of sustainable development because it contains important policy directives (Roux & Van Rooyen, 2002:220).

Essentially, an IDP sets out the vision, needs, priorities, goals and strategies of a municipal council to develop the municipality during its term of office, as part of a long-term vision and plan for development. In terms of the Municipal Systems Act, the community must have a say in both the content of the IDP and the process by which it is drafted. The IDP provides the framework for determining the budget of a municipality. It is closely linked to the performance management system of a municipality in terms of which a municipality's progress is assessed. The IDP is not only a plan, but is also a strategic instrument, a management tool, and a method of running a municipality. The IDP provides a framework for all the activities of a municipality. It is also meant, over time, to be an important site of effecting cooperative governance in practice (Carrim, 2001:1-2).

According to the Development Bank of Southern Africa (Integrated Development Planning 2000a:4), municipalities should essentially adopt a strategic approach to

planning and implementation through the IDP process. In terms of the planning and implementation process, the following issues are germane:

- I. The vision is an ambitious, credible, inspiring and achievable statement about the particular municipality's future.
- II. The IDP process requires a comprehensive external as well as internal environmental audit. The result is a so-called *status quo* analysis.
- III. The IDP process requires a thorough SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, which is referred to as the situational analysis.
- IV. From the situational analysis an integrated development framework (development objectives), consisting of a set of development strategies, is derived.
- V. The IDP process defines operational strategies to achieve the set development strategies. Short and medium term implementation steps give effect to these plans.
- VI. All implementation plans should be linked to the particular municipality's budget, which requires that each implementation step be linked to a responsible person, a target date and a budget.
- VII. The IDP process requires an annual evaluation of the plan to account for changing circumstances, needs and realities.

The IDP is a comprehensive and sophisticated planning tool for assessing municipal service delivery and infrastructure development. However, most municipalities have neither the financial nor the administrative capacity to design and implement an IDP fully. During the transitional phase of local government, the planning process has tended to be complicated and prescriptive. All municipalities, regardless of size or capacity, were required to provide the same level of detail in their IDPs. Few municipalities outside the metropolitan areas could comply with the strict time-frames set by national and provincial legislation. Those that tried found it possible only by ignoring the statutory requirements for public

consultation. This meant that scarce resources were wasted in producing documents most stakeholders could not understand and that municipalities in financial distress could not implement the plans (Development Bank of Southern Africa, 2000a:92).

Integrated development planning is the overarching pivotal point around which local government developmental and regulatory responsibilities revolve, and has proven to be a vital tool in ensuring the integration of legitimate physical and economic needs of local communities with broad municipal goals. Simply put, where properly designed and implemented, integrated development planning can be both integrative and distributive; it is a municipal planning tool aimed at integrating rich and poor neighbourhoods while distributing goods and services. Spatial plans would be mindful of connecting and binding an existing town with neighbouring townships and rural villages in a much more concrete way, by means of new housing, transportation and commercial development in intermediate buffer areas (Mogale, 2003:232).

Integrated Development Planning is one of the key tools for local government to cope with its new developmental role. In contrast to the role which planning has played in the past, Integrated Development Planning is now seen as a function of municipal management, as part of an integrated system of planning and delivery. The IDP process is meant to arrive at decisions on issues such as municipal budgets, land management, promotion of local economic development and institutional transformation in a consultative, systematic and strategic manner. Integrated Development Plans, however, will not only inform the municipal administrations, they are also supposed to guide the activities of any agency from the other spheres of government such as corporate service providers, non-governmental organisations and the private sector within the municipal area. The development of IDP represents a major policy shift in South African local government and holds the leaders of municipalities paramount in development (Malefane, 2008:3).

Credible IDPs should include LED plans that elaborate on strategies and programmes required for ensuring local economic growth, job creation and poverty eradication. These plans should take cognizance of strategies such as the National Spatial Development Perspective, the New Growth Path, Provincial Growth and Development Strategy and the millennium goals. It should also develop and facilitate public-private partnerships, SMME development, and sustainable development. A functional IDP process is the one which is able to identify the real needs of the people and to break them down into sectoral issues including but not limited to water, health, electricity and housing. The effective management of the IDP process can, therefore, be defined as the ability of municipal stakeholders to harmonise responses to the priority issues in terms of balanced resource allocation and programmatic implementation of development projects coupled with mechanisms to monitor cost effectiveness and to reduce duplication and wastage in the use of limited resources at the disposal of municipalities (Mashamba, 2008:425-426).

It is apparent that through the formulation and implementation of IDPs as required by the *Municipal Systems Act, 2000*, municipalities are well placed to effect and realise the basic developmental needs and interests of local citizens. In addition, IDPs ensure participation from diverse stakeholders such as business, community-based organisations, and labour and youth formations within the municipality. More fundamentally, IDPs provide a yardstick by which local citizens are able to measure the performance of a municipality during its term of office (Kanyane & Koma, 2006:10).

The design and implementation of IDPs is not unproblematic, particularly in relation to local economic development (LED). Given the entrenched apartheid legacy of unemployment, simultaneous transitional constraints, inherited expanses of undeveloped townships and rural areas, and housing backlogs, newly demarcated municipalities face the unparalleled challenge of large-scale

underdevelopment and poverty completely out of proportion to the means at their disposal. Another challenge, however, is that local municipalities are newly established and, with few exceptions, have severe capacity deficits. Newly elected councillors and appointed officials responsible for driving transformation processes, while politically committed, are very quickly swamped by complex technical, legal and institutional constraints and by an uncompromising bureaucratic mindset. To navigate these challenges, they are forced to resort to the use of external service providers such as consultants whose advice may perpetuate old development patterns that hamper redistribution and integration goals. The result may be betrayal of the aspirations of poor communities, and particularly women and other marginalised groups (Mogale, 2003:232-233).

The formulation of LED strategies in the municipal sphere is informed by the Integrated Development Plan (IDP) adopted by municipal council. The IDP precedes the LED plan and strategy shaped by a municipality. According to Fourie and Valeta (2008:139), invariably, IDPs are prepared and adopted with minimal input from provincial and national departments. Many IDPs are not aligned to provincial and national priorities and many programmes and projects identified in the IDP process become unfunded. This silorised approach to strategic planning negatively affects government's impetus to ensure integration, coordination and communication within the various spheres of government. It is imperative that proper coordination and alignment are ensured in as far as both the IDP and LED planning processes are conducted within municipalities.

The implementation of local economic development by South African municipalities is not optional, voluntary or unconditional. It is not by their choice, or by favour intended to benefit their local communities, that they have to implement local economic development, but rather in terms of a legislative obligation with which they need to comply (Malefane & Mashakoe, 2008:5). As also argued by Malefane and Mashakoe (2008:5), the *Constitution of the Republic of*

South Africa, 1996, is the most important piece of legislation that guides various laws, policy papers and regulatory frameworks. It serves as a foundation for reference to the institutionalisation of local economic development as a strategic function of municipalities.

The *Constitution of the Republic of South Africa, 1996* specifically entrenches the developmental duties of municipalities. In this regard, Section 153 states that a municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community and participate in national and provincial development programmes. Bekink (2006:69) asserts that developmental duties cannot be achieved without the cooperation and constructive support of both national and provincial governments. In instances where municipalities are not successful in developing their own strategies to meet community needs, national and provincial governments may have to adopt a more prescriptive approach. In this regard it is important to note that developmental duties should not be seen on an individual basis within each sphere of government, but should be promoted on a collective basis within government as a whole.

The traditional role of the local government which formerly entailed glaringly inequitable rendering of basic services to the community at large, has been completely redefined into a developmental role. This is in tandem with the *White Paper on Local Government of 1998*, which advocates a developmental local government. This simply means that local government should be developmentally orientated and driven. South African municipalities are in addition tasked with the formulation and spearheading of local economic development (LED) policies in order to best fulfil the developmental priorities and needs of local communities. However, many municipalities remain unclear about the meaning of LED and how to implement it (Meyer-Stairer, 2002 in Rogerson, 2006). International experience has demonstrated that local municipalities can play a pivotal role in LED initiatives for poverty alleviation. Municipalities are strategically placed to undertake long-

term planning in the arena of poverty alleviation, particularly as it relates to relationships with non-governmental organisations (NGOs), community-based organisations (CBOs) and the private sector (Pieterse, 2000).

According to Mokate (1999:192-193), the concept of local economic development was brought about by negative factors such as urban decline, high unemployment rates and conditions of increasing poverty. Thus, there is a natural synergy between local economic development and poverty alleviation to a certain extent. Malefane and Mashakoe (2008:474) assert that the challenges facing cities include decaying central business districts and rural areas that are lacking basic infrastructure and neighbourhoods and townships with few economic opportunities. In each case, economic growth and job creation are essential. It should be noted that during the apartheid period heavy emphasis was given to top-down, national-government-directed regional policy interventions. One consequence of this heavy top-down planning was that the activity of LED was undeveloped. Incipient LED activities, however, did emerge in South Africa prior to the 1994 democratic transition. These activities were limited and confined mainly to a scatter of city-based initiatives focused on place marketing designed to attract inward investors (Rogerson, 1999).

LED is a multi-dimensional and multi-sectoral process through which the skills, resources and ideas of local stakeholders are combined to stimulate local economies to respond innovatively to changes in the national and global economic environment, to attain as an end result, job creation, poverty alleviation and the redistribution of wealth (Applied Fiscal Research Centre, n.d:5). In short, LED is not a single project or an activity or once-off event. It is a continuous and on going process to respond to low economic growth and high unemployment rates and to stimulate the economy and create new job opportunities (Applied Fiscal Research Centre, n.d:5; Department of Provincial and Local Government, 2000(a):1).

The multi-dimensional and multi-sectoral nature of the LED process is reflected in the various initiatives of stakeholders who participate alongside local government, through a process of interaction, consultation and support to strengthen and realise LED. An example to illustrate this point is the initiative undertaken by stakeholders in the then Midrand Metropolitan Local Council (MMLC) to boost the Council's economic development objectives. The Gauteng Provincial Government has supported this LED process through its urban renewal initiative and by creating an enabling legislative policy environment within the Province. The urban renewal initiative of the Province has assisted the MMLC to obtain funding for the development of a taxi rank, a business district and a sports area in Ivory Park. Other stakeholders such as the local business community (Midrand Chamber of Commerce) also contributed in various ways to support the LED process. The Chamber has, for example, a representative in underprivileged areas who provides valuable information and ideas about the development needs of these areas. A community-based organisation (CBO) such as the Ivory Park Youth Development Theatre Project (YDTP) has also played a significant role in the LED process and many of its projects have been developed and implemented with the cooperation and assistance of the MMLC (Department of Constitutional Development n.d:245-267).

Local economic development first appeared on the development domain in South Africa in the early 1990's with the demise of apartheid, and within a remarkably short space of time it experienced a radical transformation in its acceptance and credibility, from being regarded as a rural practice to becoming a mainstream development policy. LED planning is now a mandatory component of local government administration and development planning, with cities such as Johannesburg, Cape Town and Durban having developed detailed LED strategies that focus on themes such as inner-city regeneration, business attraction, small business support and community economic development (Nel & Rogerson, 2005).

Local governments do not necessarily have to play the leading role in the LED process. In the aforementioned example it is clear that other stakeholders contributed to the promotion of the LED process in the Midrand area and also provided input in the form of skills, resources and ideas. Local governments, as the government in day-to-day contact with the community, should however participate in some way or the other to ensure that optimal support is mobilised for LED. They have, in fact, a legal obligation to promote LED. It is also becoming evident that almost every effort to promote LED requires the input, participation and support of local government (Department of Provincial and Local Government 2000 (a):2). The input can be material or non-material or both.

LED is generally viewed not merely as simply rhetoric, but as a fundamental shift in the key role players and activities associated with economic development. It is a locally driven process that seeks to identify, harness and utilize resources to stimulate the economy and, more importantly, to create new job opportunities. In fact, it is the sum total of the individual contributions of a broad spectrum of the social security mainstream for improving the economic status of local authority, business, labour, non-governmental organisations and individuals by harnessing their resource capacity (International Republican Institute and National Business Initiative, 1998:2).

Since 1994, the promotion of LED initiatives has emerged as a central aspect of policy and planning for both urban and rural reconstruction (Nel, 1994, 1995; Xuza, 2007a). The new emphasis accorded to LED promotion is inseparable from the changed processes shaping the national economy including the impact of globalisation since 1994 (Pycroft, 2000). Hall and Robbins (2002:43) observe that South African localities were compelled to engage in serious soul-searching about their role in a new political order while facing complex and dynamic global forces. In several cases the onset of a local economic crisis linked to mine or factory closures was a precipitating force for the launch of proactive LED initiatives (Nel & Hill, 2001; Nel & Binns, 2002a).

At the same time, in the evolving practice of LED across South Africa an important role was played by the Local Economic Development Fund launched in by Department of Provincial and Local Government (DPLG) - currently the Department of Cooperative Governance in 1999 as part of national government's overall poverty alleviation strategy. The launch of this fund has been a major catalyst for triggering a project-based approach to the practice of LED throughout much of the country (Van der Heijden, 2008). Under this fund, municipalities could apply to the Department of Provincial and Local Government (DPLG) for the funding of projects such as cultural tourism initiatives, the promotion of agro-processing, and the development of business incubators or human resource programmes (Binns & Nel, 2002). Despite the good intentions set out for fund, the outcome of this fund has been a proliferation of a number of unsustainable projects (Binns and Nel, 2002).

Patterson (2008:8 in Rogerson, 2009) observes that during the period of the fund's operations there was a general lack of understanding of what LED was and the capacity to implement it. In Mpumalanga, for example, a 2002 investigation of the state of LED in the province showed that municipal administrations tended to be gravely uncertain as to what LED means, what they were supposed to do and how they were supposed to organise it (Meyer-Stamer, 2002:3). As a result of the disappointing outcomes of the fund, the Department of Provincial and Local Government (DPLG) collapsed the fund into the Municipal Infrastructure Grant (DBSA, 2008:2). One legacy of the LED fund has been its tacit role in fostering a practice of LED that is more akin to social work than to the building of competitiveness of localities (Meyer-Stamer, 2002:8).

For most of the municipalities the initial LED practice was confined to small, medium and micro enterprise projects, the support of survivalist type initiatives in the form of community economic development projects, the majority of which proved unsustainable once donor or public sector funding disappeared (Van der Heijden, 2008:3). The Development Bank of Southern Africa (2008:3) records that,

until recently, the main focus of most municipal LED initiatives was on micro-level projects with the result that the initiative lost currency as an effective sustainable development tool. The national review undertaken by the Good Governance Learning Network (2008) concurred that the successes of projects focussed on LED were limited and, where interventions did produce results they tended to be tourism linked (Good Governance Learning Network, 2008:84).

In the South African context, LED is seen as important for the following reasons: creation of jobs and new employment opportunities; increasing income levels thereby enabling people to pay for services; broadening the tax and revenue base of a local authority; improved municipal services and facilities; the development of human resources; the building of new institutions for sustainable development and the linking of developed and underdeveloped areas (International Republican Institute and National Business Initiative, 1998:3).

Suffice it to state, LED is intended to empower the most vulnerable, marginalised and poor sectors of local communities in order to be able to raise sufficient income to meet their basic needs and aspirations. LED cannot be separated from poverty alleviation projects and programmes initiated and implemented at municipality level such as Expanded Public Works Programmes, the provision of free basic services, the capacitation of cooperatives and a host of others. LED is process-orientated requiring *inter alia* the formation of new institutions, the development of alternative industries, the improvement of capacity of existing employers to improve quality, the identification of new markets, the transfer of knowledge, and the nurturing of new companies and enterprises. Irrespective of what form it takes globally, local economic development has one primary goal, which is to increase the number and variety of job opportunities available to the local population. However, in order to facilitate these activities, local government and community groups must take on an initiating rather than a passive role (Giloith and Meier, 1989).

It is against this background, that the solicitation of input, resources, and ideas from various stakeholders (including municipalities) is crucial in order to realise local economic development objectives. The setting up of LED institutions and structures is an attempt to facilitate an inclusive and robust approach to achieve LED objectives. Local government as one of the spheres of government nearest to local communities is well placed to identify, drive and implement programmes aimed at addressing unemployment, poverty alleviation and developmental challenges facing South Africa. Increasingly, municipalities have assumed the important role of ensuring that substantive and beneficial development takes place within their jurisdiction. The developmental outcomes of local government include local economic development.

The next section outlines the historical background of local government in the South African context. The important legislative and constitutional imperatives that have shaped the establishment and structuring of the system of local government are discussed.

1.4 Historical background of South African Local Government

Apartheid has left its imprint on South Africa's human settlements and municipal institutions. Transformation requires an understanding of the historical role of local government in creating and perpetuating local separation and inequity, and the impact of apartheid on municipal institutions. Equally important is the history of resistance to apartheid at the local sphere and struggles against apartheid local government (Department of Provincial and Local Government, 2008). Apartheid was not the beginning of geographic, institutional and social separation at the local spheres. Segregation was already a policy by the time apartheid was introduced in 1948. However, the *Group Areas Act*, 1966 the key piece of apartheid legislation, instituted strict residential segregation and compulsory removal of Black people to the townships under the Black Local Authorities.

Through spatial separation, influx control, and a policy of own management for own areas, apartheid aimed to limit the extent to which affluent White municipalities would bear the financial burden of servicing disadvantaged Black areas. The *Group Areas Act*, 1966, restricted the permanent presence of Black Africans in urban areas through the pass system, and reserved a viable municipal revenue base for White areas by separating townships and industrial and commercial development (Department of Provincial and Local Government, 2007).

The *Coloured and Indian* management committees and local affairs committees were established in 1960's as advisory bodies to White municipalities. In 1971, the *Bantu Affairs Administration Act* provided for the appointment of Administration Boards, which removed responsibility for townships from White municipalities. In 1977, community councils were introduced, without significant powers and with inadequate resources. The *Black Local Authorities Act*, 1982, replaced community councils with no appropriate revenue base and hence were rejected by community mobilisation in the mid-1980s (Vyas-Doorgapersad, 2010:45).

Only 10 per cent of the Black African population lived in the urban areas in 1910. By the 1930's, more than a million Black Africans lived in the urban areas and had never lived in the reserves (Welsh, 1994:138). Population pressures in the twentieth century had a major impact upon social change in the urban areas. The last sixty years have seen a massive relocation of Blacks to the urban areas, pushed out of the White farms by mechanisation in the 1960s and pulled into the towns by the growing manufacturing and service centres. By the end of the World War II, there were more Blacks than Whites in the urban areas. By 1970, the number of people living in urban areas had almost doubled to 48 per cent (Nattrass, 1988: 78). By 1994, over 60 per cent of all Blacks lived in urban South Africa despite the distortions of apartheid period (Picard, 2005).

At the same time, by the 1980's the urban African population was predominantly urban-born. The twenty-and thirty-year-old second generation urban residents of the 1980s had very different experiences of childhood and employment to those of their parents. Socialised in urban schools rather than rural villages, they moved into semi-skilled or white-collar rather than unskilled employment. Exposed to radical political ideas, they resented apartheid restrictions on their education, their housing and urban services, and their political rights. Unlike their immigrant parents, and especially unlike their peasant grandparents, they could exert considerable pressure on the state through direction of action and non-compliance. Given the declining resistance to change among the dominant classes, the settled urban working-class could successfully demand its inclusion in the political system of representative democracy (Seekings, 1995:7-12).

In a nutshell, the political struggles of the 1980s that culminated in South Africa's democratic transition were driven by a settled urban working-class that had not existed in earlier decades. Capitalist development thus moulded the classes that exerted growing pressure for democratisation from below, and the classes that put up diminishing resistance to social and political change from above. Economic development indeed led to democracy, largely because it transformed the class structure (Nattrass & Seekings, 1998:30).

Urban municipalities had to absorb large numbers of people from the urban black townships who had been excluded from the municipality under the apartheid dispensation. This meant that the skills levels available in the historically Black areas were limited as was the case in provinces which had inherited homeland staff. In 1999, a decision was made to form uni-cities or mega-cities, large and highly centralised urban administrations. These were to be Category A municipalities, or large metropolitan areas. Government sought to have more district councils and fewer local councils in the rural areas (Xadu, 1999:3).

According to McCarney (1996), countries seeking to remake the structure of their societies place a strong emphasis on the development of a viable and effective system of local government. Democratic local government is assumed to be a prerequisite of national democracy. Strong local government, it is commonly argued (Swilling & Monteiro, 1994), improves service delivery, restrains the excesses of national governments and the anti-democratic tendencies of centralised power, and its physical or spatial proximity compared to national and regional government affords citizens and communities more opportunities to engage officials and politicians. Across the globe, the establishment of strong local government is perceived to be a necessary condition for successful democratisation, market-oriented economic policy frameworks, local economic development, effective management of urbanisation, and the establishment of environmentally sustainable planning and development systems (Swilling & Monteiro 1994).

The foundations for the local government system were laid in the aftermath of the Anglo-Boer War and the creation of the Union of South Africa in 1910. The *South Africa Act, 1909*, created a unitary state with a three-tier governmental structure comprising central, provincial and local components. The nature of the South African political system was inextricably linked with the country's economy and the dominant role of gold mining. The migrant labour system, introduced to guarantee a steady stream of cheap Black labour to the mines, was adapted into a broader system of social, political and economic control, which was later refined into the system of apartheid. As the economy developed, urbanisation increased and the government began to seek ways in which Black people could provide labour in White towns and cities but be excluded from living there. It passed restrictive legislation designed to curb the movement of its Black citizens, including the *Native Trust and Land Act of 1936* and the *Native Laws Amendment Act of 1937*. This legislation failed to discourage Black people from migrating to urban areas, where municipalities had to provide basic services for them (DBSA Development Report, 2000b:9).

The crisis in local government was a major force leading to the national reform process which began in 1990. National debate about the future of local government took place in the Local Government Negotiating Forum, alongside the national negotiating process. The Local Government Negotiating Forum framed the Agreement on Finance and Services writing off arrears to Black Local Authorities. It also negotiated the *Local Government Transition Act, 1993* that did not provide a blueprint for a new local government system but simply stated a framework for change. The process put forward in the *Local Government Transition Act* was essentially a locally negotiated transition and resulted in a wide diversity of forms of local government (Department of Provincial and Local Government, 2008). The *Local Government Transition Act* provided three-pronged phases, namely, the **Pre-Interim phase**: This phase covered the period from the passing of the *Local Government Transition Act* of 1993 until the first local government elections held in 1995/96. In 1993 a bilateral forum, the Local Government Negotiating Forum, was established to negotiate the transition to the new form of local government. The local government forum confirmed the bipolar division of membership in transitional local authorities. Each Transitional Local Council would have a non-statutory membership of 50% selected under the banner of the South African National Civics Organisation (SANCO) and a statutory half which consisted of representatives of existing segregated local government authorities, representatives of local government associations, White provinces and the National Party (Cloete, 1995:4).

The Interim phase: This phase started with the first local government elections and ended with the implementation of the final constitutional model of local government in 1997 (although power-sharing arrangements remained in effect until 2000). This implied that elected transitional councils would still reserve 30% seats for Whites in the municipalities. In May, 1994 the new ANC dominated Government of National Unity (GNU) faced a major challenge: the need to rationalise the some 850 racially based local authorities. As part of the forum principle, existing racial councils were replaced by interim non-racial structures representing former White councils and ANC dominated civics in equal numbers (Cloete, 1995).

The Final phase: This phase began with the final constitutional model of local government in 1997, although some of the constitutional provisions only took effect after the 2000 local government elections. The 1996 *Constitution* provided for strong and entrenched local government. It made provision for the different spheres of government to exercise exclusive powers and perform their functions in such a manner that there would be no encroachment on the geographical, functional or institutional integrity of another sphere (Cloete, 1995).

With the demise of the apartheid system and its concomitant replacement by a democratic form of local government, the challenge for the newly established structures and elected councillors has been to transform deep-rooted socio-political aspirations, particularly those of the poor and marginalised, into tangible, material improvements in living and working conditions. For these social groups, the struggle to dislodge the apartheid system and its practices and the promise of a better life for all could sound hollow were it not to be followed by the elimination of physical and economic discrimination, the creation of opportunities and consequent poverty eradication (Mogale, 2003:231).

The municipalities created during the transition phase were confronted with numerous complex problems. Many of these problems are related to overcoming the legacy of the past. Most municipalities have, to a greater or lesser extent experienced a range of problems associated with their administrative staff. Many municipalities have reported skills shortages as some of the more skilled and experienced municipal managers have left council employment. The amalgamation of former White municipalities with their surrounding Black townships brought with it the challenge of creating a unified administration. The unification of administrative structures has frequently led to the over-staffing of municipalities, placing a severe burden on the finances of the council. The other challenges that face municipalities include inadequate training of municipal staff, lack of disciplinary measures and performance management systems as well as financial crises as a result of non-payment of services (Pycroft, 2000:146).

The next section discusses the local government reform process that was initiated before and after the dawn of the democratic order in the Republic of South Africa. The challenges that faced the system of local government during the policy reform and development are also elucidated.

1.5 Legal framework

South Africa's process of policy reform and development occurred principally during the period between 1993-2000. It was through this process that the citizens of the country were chiefly involved in shaping the mounting prices of legislation, proclamations, white papers and by-laws tabled for action mainly between 1994 and 1999. The ANC-led government argued that the successful implementation of the Reconstruction and Development Programme (RDP) was dependent upon the ability of local structures to deliver basic services to their communities (Kanyane & Koma, 2006:3). In the first four years since the democratisation of local government, there was increasing concern that the capacity of the newly established municipalities to achieve this objective had been vastly overestimated (Bernstein, 1998:299). Local government was (and is still) in a state of continuing crisis during the Government of National Unity. After 1994, most local authorities, who were charged by the *Constitution of the Republic of South Africa* with delivering the bulk of public services, were failing amid chaotic administration systems and an exodus of technical staff (Kroukamp, 2001:7).

The period between 1998 and 2000 saw the introduction of a number of pieces of legislation and policies relating to local government. For example, the *Municipal Structures Act* (Act 117 of 1998) guided the rationalisation of municipal administrations. The legislation provides provincial Members of the Executive Councils (MECs) with the power to determine the type of municipality that will exist within each demarcated boundary. There are three types of municipality. First, Category A municipalities (Metropolitan municipalities): these have exclusive

legislative and executive authority throughout their area of jurisdiction. Secondly, Category B municipalities (Local municipalities): these share executive and legislative authority with Category C municipalities (District municipalities). Within these basic types of municipalities, each Provincial Local Government MEC must then determine whether an executive mayor or an executive council should perform the executive functions of the municipality (Local Government: Municipal Structures Act, 1998).

Where local municipalities have sufficient administrative and financial capacity, as is the case in localities with a history of being a municipality, they will execute all their powers and perform their functions. This is in sharp contrast to municipalities in relatively poor or rural areas, with a dearth of capacity and limited prospects of sustainability. Partly as a result of these deficiencies and their consequently weak institutions, such municipalities have generally been granted a reduced range of powers and functions. Where this has happened district municipalities, with the acquiescence of local actors, and the imperative to coordinate and streamline development initiatives, have assumed additional powers and functions on their behalf (Mogale, 2003:230).

Subsequently, the Municipal Demarcation Board appointed by a former President of South Africa, Nelson Mandela, determined Johannesburg, Durban, Cape Town, Pretoria, East Rand and Port Elizabeth as metropolitan areas. The Board also reduced the number of municipalities from 843 to 284 (later reduced to 283) to ensure cost-effectiveness. Consequently, there were six metropolitan cities, 46 district municipalities and 234 local municipalities (Burger, 2001). In addition, there are now two newly demarcated metropolitan cities namely, the Buffalo City in East London and Mangaung in Bloemfontein proclaimed by the Municipal Demarcation Board bringing the number to eight. These metropolitan municipalities are all characterised by high population density, extensive economic development, multiple business and industrial districts and a complex and diverse

economic base. They enjoy considerable legislative and executive authority over their area, manage a single municipal budget and operate a unified tariff system for household services (Butler, 2009: 131).

It may be suggested that the sphere of local government was challenged to put the policies of the South African government into action. From 1998 onwards local governments did not enjoy sufficient capacity, and yet had a spread of 843 municipalities, the so-called Transitional Local Councils (TLCs), which were confronted by serious cash flow problems and gross corruption caused by under-capacity in human resources. There were some policy gaps, which were bridged by the transition from TLC to local authorities; the latter assumed full status in 2000. From the advent of the new democratic dispensation the national government did not pay enough attention to the capacities of local authorities, especially rural municipalities, where municipal mayors, councillors, traditional leaders and municipal managers struggled to make sense of the policies and the new financial management systems. This was a critical material omission. However, there is now a re-orientation and new focus to make the municipalities work (Kanyane & Koma, 2006:6).

The transformation phase of local government, which resulted from the 2000 democratic local government elections, is, however, underpinned by a plethora of challenges and constraints. The salient and current challenges facing municipalities entail, among other things, the enhancement of sustainable development; the promotion and consolidation of professional ethics; the use of best practices for municipal service delivery; appropriate financial management; and good governance. Although there is now an attempt to accelerate service delivery, especially in basic services such as water, electricity and housing, rural communities are still afflicted by the scourges of poverty and unemployment, to mention but two of its problems (Kanyane & Koma, 2006:6; Butler, 2009:133).

It is apparent that the two-fold process of deracialising and democratising local government has not provided South Africa with viable and sustainable municipalities. What is now required is the fundamental restructuring of the municipal system, a process outlined by the *White Paper on Local Government* mentioned earlier, and its implementation through a number of interrelated legislative processes. The objective of municipal reorganisation is the achievement of developmental local government, which the Constitution asserts should be the final form of local government (Ministry for Provincial Affairs and Constitutional Development, 1998).

The creation of developmental local government in South Africa requires the restructuring of municipal councils' institutional approach, changes in leadership, a focus on poverty alleviation, economic growth, and management of development in an integrated and sustainable manner. It also requires entrenched socio-economic inequalities to be addressed. Developmental local government is achieved by maximising economic growth and social development through implementing integrated development planning (Pycroft, 1998).

Local government has undergone a process of transformation from apartheid's highly unequal, racially classified local administrative apparatus to a potentially integrated developmental, equitable and sustainable form of government. It is therefore apparent that municipalities are pivotal to reshaping and strengthening local communities and intensifying service delivery, especially to the poor and thereby, deepening the foundation for democratic, integrated, prosperous and truly non-racial local communities. It is important that substantial assistance should be diverted toward provincial and local government capacity building and the institutionalisation of service delivery instruments with the jurisdiction of local governments (Mogale, 2003:216).

The next section discusses the historical overview of the emergence, structure and economic performance of the South African economy. The important economic sectors that shape and contribute to the South African Gross Domestic Product (GDP) are elaborated upon.

1.6 South African emergence of the modern economy

The emergence of South Africa's modern economy is usually located in the discovery of diamonds in 1867 and the opening of the Witwatersrand gold mine in 1886. This led to a great influx of Europeans, first as diggers, then as mostly skilled workers on the mines. They were supplemented by some 10 000 Black workers by 1874. These were mostly migrants employed at Kimberly mines. By 1899, 100 000 migrant Black Africans worked on the Witwatersrand gold mines. The mining industry flourished, and the realisation grew that there was greater wealth in South Africa than was previously thought. The imperatives of social stability to ensure the uninterrupted exploitation of wealth, and the military-political cost of the conflict between Boer and Brits led to the reconciliation in 1910 (Turok, 2008:112), already discussed.

The discovery of diamonds (in 1867) just mentioned attracted foreign investment, initiating modern capitalism in South Africa, and creating unprecedented demand for labour. By 1871, 75 000 people had flocked to the diamond fields, and this development created labour shortages not just in the mines, but also on the farms, in new industries, on the railways and in public works. Diamonds were soon overtaken by gold discovered in 1886 on the Witwatersrand as noted above transforming the entire southern African region. While the metal ore was of low quality and difficult to extract, potential gold wealth was vast, and was the metal central to the liquidity and stability of the then gold-based international economy (Butler, 2009:12).

Once the mining industry became firmly established, the necessary infrastructure and ancillary industries soon followed. A substantial consumer market developed, as well as light and heavy industry with a solid basis in steel and its associated metal products and engineering works. Urban centres sprang up rapidly with all the consequent services. Other industrial areas emerged around harbour facilities where there was abundance of labour (Turok, 2008:112-113). South Africa developed the system of migrant labour that was to mark its later twentieth century history, that is, the cyclical and annual movement of able bodied young Black labourers into and out of the core urban economy. Historically, migrant labour in South Africa began on the sugar fields of Natal which depended upon labourers from Mozambique. Later cyclical migrancy became a generalised domestic and sub-continental cheap labour system feeding the country's mining, commercial, and agricultural sectors. The mine owners' preference for such migrant labour, mainly because it was cheap, initially coincided with some Africans' own interests. Young male Black urban labourers provided money for chiefs and for fathers. Only gradually did money become necessary for survival in rural South Africa, and migrant labour correspondingly become a necessity for survival. By the 1920s, 30-40 per cent of active men in rural areas were away at work at any given time (Butler, 2009:13).

In 1960 South Africa's old apartheid regime had its first major shock as a result of the Sharpeville uprising against the pass system that had been imposed on the country's Black African population. After this shock the economy rapidly recovered, and for the rest of the 1960's it experienced a boom period with economic growth rate in excess of 5% per annum. Employment opportunities were vast; unskilled migrant labour streamed in from the homelands which were self-governing states before the transition to democracy in 1994; and skilled labour immigrated from abroad. In 1970, approximately 81% of the economically active population was involved in the formal economy including agricultural and domestic workers and most of the remaining economically active population was engaged in informal and rural subsistence activities (De Lange, 2000).

In the 1960's production and social services were labour-intensive and employed a level of technology much lower than that of today's sophisticated industrial and information technologies. Communication systems were much less developed and a much larger share of economic activity was non-tradable. These circumstances suited the South African economy perfectly. It had access to a large pool of cheap and submissive labour and was richly endowed with minerals and raw materials required for the infrastructural development of both its own economy and for those of its trading partners. Foreign competitors offering consumer goods were distant and did not threaten local producers who were perhaps less efficient and productive, but who nevertheless had acquired the technology for setting up an effective and internally competitive South African economy (De Lange, 2000).

The comparative advantage that South Africa enjoyed in the 1960's declined as global economic circumstances shifted. Technology in the developed world became increasingly sophisticated, capital intensive and labour saving. Economic policies and individual lifestyles were pursued in South Africa to keep up with these trends. Instead of concentrating on inward development suited to South Africa's local strengths, South Africa tried to become a global player by adopting ever more sophisticated technology requiring more capital, more highly skilled and unskilled manpower. This created a weakness in a number of areas within the South African economy. Furthermore, South Africa became more vulnerable to the environmental, social and labour costs already absorbed and adapted to by the economies of more advanced nations (De Lange, 2000).

In common with most other developing countries, South Africa's economic fortunes declined sharply in the mid-1970's as the first major post-war recession was sparked by the increase in international oil prices. Thereafter, in the 1980's and early 1990's, GDP growth was heavily and negatively influenced by country-specific factors such as changes in commodity prices, political instability and the international disinvestment that resulted from the struggle for non-racial

democracy. In the 1980's, growth averaged less than 1.5 per cent, and in the 1990's barely improved upon this disappointing rate was. As a result of continued population growth, real per capita GDP actually declined after 1981 and per capita growth resumed once more only in 1995 (Butler, 2009:56).

Since 1994, the country has enjoyed positive but quite low levels of economic growth and this is depicted in the table that follows. Average real growth of around 3.1 per cent per annum has translated after population growth into around 1.1 per cent growth per capita GDP per year. South Africa's post-apartheid growth has been mostly jobless growth; the number of people employed in formal non-agricultural employment fell substantially between 1994 and 2000 (Butler, 2009:56).

Table 1.1: Economic growth 1994-2012

Year	% growth
1994	3.2
1995	3.1
1996	4.3
1997	2.6
1998	0.5
1999	2.4
2000	4.2
2002	3.7
2003	3.1
2004	4.9
2005	5.0
2006	5.4
2007	5.1
2008	-1.7
2009	3.5
2010	4.5
2011	3.2
2012	2.3

Statistics South Africa (2008;2012)

The South African growth path from at least the turn of the century until the middle of 1980's can be analysed in terms of the following categories (Makgetla & Van Meelis, 2003:97-98):

Primary economic sectors: Exports of gold and other minerals essentially financed the growth of import-substitution manufacturing as well as infrastructure, and paid for the imports these industries needed. To this day, over half of all exports are minerals based. From this standpoint, South Africa was, historically, a resource-based economy, using its abundance of minerals and energy for large-scale, often relatively capital-intensive export production. It had weak downstream linkages from minerals beneficiation and did not create enough employment.

Markets: Gold and other minerals were exported internationally. Domestic demand was limited due to unusually large inequalities in income. Manufacturing focused on relative luxuries for the high-income group, with exports centred disproportionately on Southern Africa.

Regional context: Spatial inequalities were integral to the apartheid growth path. On the one hand, the homelands stood apart both administratively and economically. They became impoverished regions with particularly corrupt, underfunded and understaffed government services and weak infrastructure. On the other hand, South African mining capital and other trade dominated much of the regions, while from the mid-1970s military attacks undermined neighbouring economies.

Class relations: Mining-based economies are typified by relatively large-scale production and capital intensive refining. These factors tend to generate substantial inequalities in income and wealth. Mining and agriculture have relied on cheap unskilled labour generated largely through the migrant labour system, as already discussed. A narrow complex of mining and financial capital dominated the economy. Commercial agriculture also enjoyed substantial state support. Foreign investment was large compared to the rest of Africa, mostly in the form of loans,

holdings of gold shares and direct investment especially in the mining, manufacturing and the financial sector.

Role of the state: State action largely shaped the growth path, providing cheap labour, investment capital, subsidised infrastructure and energy and tariff protection for domestic manufacturers. Thus, various structural elements in this growth path laid the groundwork for unemployment. The structural factors included: The limited education and skills of the majority of the unemployed; limited access to basic infrastructure that affects the potential of small and micro enterprises. The structural elements inhibiting employment creation came to the fore when the apartheid growth path faced major crises from the mid-1980s. Gold mining faced a decline. In 1985, the economy suffered a massive outflow of foreign capital, essentially as the result of popular opposition to apartheid (Makgetla & Van Meelis, 2003:97-98).

Furthermore, South Africa's current socio-economic realities exhibit the following aspects: idle manpower, production capacity and skills existing side-by-side with great material needs; limited markets and loss of niches for traditional, subsistence and craft skills; patterns of livelihood based on traditional skills no longer valued and yet not replaced by the production of tradable goods; money, almost entirely created through bank debt at high interest rates, ending up in the hands of debt-strangled people, organisations, and commercial enterprises operating in the formal sector of the economy; insufficient money in circulation to buy what industry and local labour can produce; effective local industrial capacity and associated employment destroyed because of cheaper imported goods and global competition; economic capacity drained away from local communities by cheaper production and retail markets in urban centres (De Lange, 2000).

The South African economy has become increasingly diversified over the years. In the late nineteenth century, mining and agriculture dominated the economy. However, South Africa became progressively a manufacturing economy, with manufacturing surpassing other sectors by the mid-twentieth century. Services have achieved huge significance during the past four decades. The country entered the twenty-first century being a reasonably diversified and robust economy, dominated by the tertiary (services) sector (66 per cent of output) with the secondary sector (including manufacturing) accounting for 20 per cent and the primary sector for only 10 per cent (Du Plessis & Smit, 2007).

Manufacturing, finance and government are the three biggest industrial categories. The fastest growth in recent years has been in transport, communications, financial institutions, insurance business services and real estate. Despite this diversification, some scholars argue that resources remain at the heart of the economy. While mining itself accounts directly for a little over 5 per cent of the GDP, there are strong relationships between mining and sectors such as electricity, non-metallic mineral products, iron and steel industries, fertilisers, pesticides, chemicals, and the petroleum industries. The mineral-energy complex still accounts for a fifth or even a quarter of the output of the economy (Fine & Rustomjee, 1996).

Table 1.2: Contribution of various industries to GDP, 2007

Industry	% of total
Finance	20.1
Manufacturing	15.2
Wholesale & retail	10.8
Government services	10.5
Transport	5.8
Mining	5.1
Personal services	4.8
Construction	4.6
Agriculture	2
Electricity	1.2
Other services	1.1
Other	1

Statistics South Africa, (2008)

Throughout the twentieth century, the country experienced diversification of mining activity. By the middle of the century, South Africa was one of the world's largest producers of a whole range of materials: gold, platinum, diamonds, chromium, manganese, titanium, vermiculite, and zirconium, and vanadium, uranium, copper, silver and asbestos. In addition, South Africa has immense reserves of coal which have supported its energy generation industries. Platinum group metals now equal and even surpass the contribution of gold to the economy. In 2000, total sales of gold amounted to some R25 billion, while sales for platinum group metals totalled R27 billion. Coal sales totalled some R20 billion, and base and ferrous minerals around R5 billion each. Mining also employs some 400 000 people on 750 mines. The industry indirectly supports many tens of thousands of other employees. A little under R25 billion in wages was paid out in this sector in 2000 (Butler, 2009:68-69).

Tourism has also become the fastest growing sector of the South African economy, contributing almost 5 per cent of GDP and employing around 7 per cent of the workforce. Because of the vast untapped potential that remains, it is expected that tourism will continue to grow rapidly and may become South Africa's major employer within the next two decades. Promotion of tourism has been most successful in the Western Cape, with the first eight of the country's top twenty tourist attractions lying in or around Cape Town. Other major attractions include the national game parks, and private game reserves and, increasingly, township tours which aim to give visitors some experience of typical peri-urban living conditions and lifestyles. The major challenge lies in the need to harness the energies of the industry to the wider projects of job creation, poverty alleviation, sustainable rural livelihoods and Black economic empowerment (Butler, 2009:72-73).

1.7 Outline of the study

Chapter One: Historical overview

This chapter provides a historical background to an Integrated Development Plan and Local Economic Development in South Africa. Thus, the legislative imperatives underpinning developmental local government are provided. The chapter also establishes the evolution of South Africa's modern economy and its underpinning origins, nature and significance.

Chapter Two: Research methodology

The chapter deals with important aspects underpinning the research methodology applicable for this study. The statement of the problem is discussed as well as the background to the research problem. In a nutshell, the chapter outlines the details of the research approach, research question, research methods and sampling.

Chapter Three: The overview of Public Administration and Public Policy

A broad overview on the interrelationship among public administration, public policy and policy implementation and the nature, origins and scope of public administration is presented as well. The chapter explores the concept of developmental local government with reference to the Republic of South Africa. Local economic development policy forms an integral part of developmental local government. At the same time, the developmental outcomes of local government with regard to the implementation of the local economic development policy are outlined.

Chapter Four: The overview of the trajectory of economic development policies in South Africa

The chapter provides an overview of the trajectory of economic development policies in South Africa between 1994 and the present and, thus, the Reconstruction and Development Programme (RDP), the Growth, Employment and Redistribution Policy (GEAR), the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) and the New Growth Path economic policy are comprehensively discussed and critically examined. The interrelationship among national development policies and local economic development policy is presented in this chapter.

Chapter Five: Analysis of the case study and findings

The chapter provides an analysis of the case pertaining to the study, and the research findings are presented. The chapter links the research findings to the research question underpinning the study.

Chapter Six: Conclusions and recommendations

The final chapter provides the overall conclusions of the study and the recommendations based on research findings and further research.

1.8 Conclusion

The historical background to the Integrated Development Plan and Local Economic Development in South Africa clearly shows that the legislative and policy development process that took place after the 1994 democratic epoch gave impetus to the operationalisation of economic and social development, poverty alleviation and job creation imperatives. Thus, integrated development planning is mandatory in terms of the *Municipal Systems Act* of 2000 as amended, while local economic development is conceived of as one of the objects of local government in terms of the *Constitution of the Republic of South Africa* of 1996. Chapter One has also discussed the notion and features of a developmental state. South Africa is defined and regarded as a developmental state, implying that both Integrated Development Plans and Local Economic Development are but important instruments at the disposal of the state to realise its strategic social and economic development imperatives. It is also apparent that the impetus that informs the drive for a South African developmental state that can promote growth and development hinges on the capacity of the top bureaucrats to effectively discharge their responsibilities. The need for strong, well capacitated and result-orientated senior officials is critical for the effectiveness of the South African developmental state. The interventionist approach of the South African developmental state is not solely confined to the economic sector and thus include directed intervention in areas related to public sector infrastructure and integrated service delivery planning and implementation with a view to achieve broader economic and social development imperatives for ensuring high growth rates, poverty alleviation and employment creation. The formulation and adoption of the New Growth Path in 2009 underscores the above-mentioned assertion.

The chapter commences with an exposition of the historical foundations of South African local government. It is pertinent to state that the system of local government has the long established and rich history in South Africa dating back from the aftermath of the Anglo-Boer War and the subsequent creation of the Union of South Africa in 1910. The foundations of local government were also inextricably intertwined with both the political and economic systems prevalent at that time. Thus the existence of the system of local government had an impact on the spatial, commercial, economic and political setting in South Africa. Spatially the settlement of inhabitants within urban areas was tied to their proximity to and distance from their place of work, coupled with commercial, industrial and economic activities. Increased urbanisation as a result of the discovery of gold mining areas also had an impact on the introduction of the migrant system which later shaped the system of local government.

Therefore, the history of local government in South Africa cannot be insulated from the economic and political ideologies and imperatives of the apartheid government. Flowing from this background it is also important to note that the political struggles that took place in the urban areas had to a greater extent contributed to the collapse of apartheid government. The debate on the future of local government gained prominence with the formation of the Local Government Negotiation Forum that negotiated for the three-pronged phases of transitional local government, namely, the pre-interim phase (*local government Transitional Act*), the interim phase (the first democratic local government elections in 1996) and the final phase that resulted with the new constitutional model of local government in 1997.

These historical developments marked a significant shift both politically and constitutionally in terms of the form and content that underpinned the current system of local government. Therefore, new pieces of legislation were promulgated, aimed at reconstructing, democratising and transforming local

government holistically, taking into account their constitutional status, mandate, structures and systems governing this sphere of government. It is within this context that the concept of developmental local government was born. Developmental local government should neatly link both market-and government-driven economic development efforts and strategies. The involvement of local government and non-state actors in the formulation of local economic development strategies is key to the realisation of developmental local government imperatives.

South Africa is a middle income country and, more importantly, is endowed with mineral resources such as gold, platinum and coal. South Africa exhibits a diversified economy manifested by the contribution of various industries to the Gross Domestic Product notably mining, financial services, government and community services, trade, agriculture, manufacturing, construction, transport and telecommunications sectors. A critical examination of South Africa's economy clearly reveals that growth measured in terms of Gross Domestic Product (GDP) has been stagnant particularly from the mid-1970's and in the later part of 1980's. The new democratic government that assumed political power in 1994 inherited a weakened national economy as a result of an array of factors including the global economic crisis, global competition especially in the manufacturing sector, disinvestment and job loss largely affecting unskilled labour owing to the use of capital intensive technologies.

CHAPTER 2

RESEARCH METHODOLOGY

2.1 Introduction

This chapter provides a broad perspective on research methodology and, in particular, clarifies the conceptual frameworks underpinning qualitative and quantitative research paradigms. An understanding of research methodology in the discipline of Public Administration is imperative for numerous reasons, namely, it helps to clarify biases and assumptions held by researchers; it also helps to make interconnections between the research findings and research questions; and lastly the choice of research methods is informed by paradigmatic explanations among qualitative and quantitative and the context specific for a particular study. Thus this chapter elucidates on the nature and operations of qualitative research in relation to the discipline of Public Administration and the quality of qualitative research in order to locate the study within the parameters of scientific principles and practices. The statement of the problem and the objectives of study are also discussed.

The next section discusses the research approach underpinning this study. The distinction between qualitative and quantitative research is therefore described. The rationale behind the adoption of the qualitative approach for the purpose of this study is elaborated upon.

2.2. Research approach

According to Mouton (2007:438), research methodology refers to the ‘how’ dimension of research: How evidence is gathered, analysed and presented. The distinction among qualitative, quantitative and participatory approaches is essentially a methodological distinction. Data may be gathered either more quantitatively or more qualitatively or more participatory.

What exactly is qualitative research? In her book *Qualitative Researching*, Jennifer Mason defines qualitative research as grounded in a philosophical position which is broadly interpretivist in the sense that it is concerned with how the social world is interpreted, understood, experienced and produced; based on methods of data generation which are flexible and sensitive to the social context in which data is produced; and based on methods of analysis and explanation building which involve an understanding of the complexity, detail and context. Qualitative research aims to produce a rounded understanding on the basis of rich, contextual and detailed data (Mason, 1996:4). Qualitative methods often serve as an umbrella term for a variety of methods and techniques that could for various reasons not be quantified. Examples of these reasons are an inability to formulate unclear concepts, the small number of observations, the study of unique events, and losing essence in coding the situation. Qualitative methods are often used to indicate three related concepts (1) qualitative research epistemologies that are non positivistic; (2) qualitative research strategies that aim more toward interpreting and revealing meanings than generalizing causal relationships and (3) qualitative research techniques that are not operationalized with numbers (Gabrielian, Yang & Spice, 2008:142).

The researcher working within the qualitative paradigm usually wants to know:

- I. what kind of things people are doing, and why they are doing them.
- II. what kind of processes are at work, and why they are active.
- III. what kind of meanings are constructed, and what they mean.
- IV. what kind of purposes and goals inform the participants’ acts.

- V. what kind of problems, constraints, and contingencies people see in the worlds they occupy (Guy et al. 1987:256).

In this thesis the qualitative paradigm helps to provide a perspective on what kind of things people are doing, and why they are doing them; what kind of processes are at work and why they are active and what kind of problems, constraints, and contingencies people see in the worlds they occupy.

The qualitative approach often helps develop new theories as the research is not bounded by old theories but guided by what the researcher observes. This is very different from the quantitative approach that stresses hypothesis testing based on theoretical deduction. Many qualitative researchers view the positivist approaches as an exclusive enterprise that aim more at proving existing dogmas than solving actual problems and introducing new theories (Gabrielian et al. 2008:142-143). The most important facet of qualitative research is the researcher himself or herself. As Lincoln and Guba (1985) argue, human beings possess unique qualities as instruments of research and they have the capacity to respond to a wide range of hints, to make often unpredictable mental associations and references, to see phenomena from a holistic perspective while detecting atypical features, to process data on the spot, and to test new knowledge immediately. Many qualitative researchers speak of theoretical sensitivity which is defined by Strauss and Corbin (1990) as the attribute of having insight, the ability to give meaning to data, the capacity to understand, and capability to separate the pertinent from that which is not. Theoretical sensitivity can result from mastery of the literature and from professional and personal experience (Gabrielian et al. 2008:143).

Qualitative research often implies multiple methodologies. This relates to triangulation, which implies the act of bringing more than one data source or more than one perspective to bear on a single point. Triangulation is not only for qualitative researchers. It has been used in quantitative studies as well. Many

researchers distinguish between research techniques and methods. Research method is qualitative if its intent and focus is on interpretation and understanding rather than explanation and prediction. Understanding is seen as more contextual and specific, whereas explaining is seen more like laying down law-like patterns of phenomena under investigation that will apply in the future and in similar situations as well. In essence, qualitative research is defined as a paradigm of research with certain assumptions about ontology (reality), epistemology (knowledge), and methodology (tools) (Gabrielian et al. 2008:143).

At the same time, qualitative field research refers to a particular type of study which is essentially qualitative and naturalistic in nature. The essential idea is that the researcher goes into the field to observe the phenomenon in its natural state (Trochim, 2002). A major reason for doing field research is to obtain an insider's view of reality under study. In contrast to most quantitative research designs such as surveys, field research designs attempt to capture the social world from the perspective of the social actors themselves. The field researcher therefore typically takes extensive field notes and gathers vast amounts of qualitative data which are subsequently coded and analysed (Auriacombe & Mouton, 2007:441).

Field research studies are flexible and open-ended in nature. This is informed by the fact that the researchers attempt to study the social world from within with as little intervention as possible. Rather than attempting to control for factors that might affect the outcome of the study, the field researcher chooses to study events and processes as they unfold. This characteristic makes field research the best approach for studies of dynamic and rapidly changing situations (Auriacombe & Mouton, 2007). For instance, assume that a researcher is interested in how people cope with the aftermath of a natural disaster. People's responses are likely to depend on the severity of the disaster and the length of time since the disaster occurred. To study the effects of such events on the lives of those affected, and how people have experienced such a disaster, a researcher would have to act

quickly and get to the site to make his or her observations to avoid missing an opportunity (Singleton & Straits, 2004).

Lofland and Lofland (1995:101-113) have provided a list of social life elements that are appropriate to field research:

Meanings include linguistic devices such as culture, norms and world views.

Practices refer to various kinds of behaviour such as talking and reading a book.

Episodes involve studying a variety of events such as demonstrations, riots and political party congresses.

Encounters involve two or more people meeting and interacting in immediate proximity with one another.

Roles analyse the positions people occupy and the behaviour associated with those positions, for example, the presidency, parliamentarians, mayors and councillors.

Relationships involve examination of kinds of behaviour appropriate to sets of roles, for example, the relationship between the executive, and the legislative and judicial branches of government; between provincial and national governments; or between traditional leaders and elected local government councillors.

Groups involve studying small groups including traditional leaders, work groups and athletic teams.

Organisations involve studying formal organisations such as government units, organised local government associations, corporations, schools and churches.

Settlements involve studying smaller scale societies, for example, villages, townships and neighbourhoods. For the purpose of this thesis, groups involving municipal and provincial officials as well as ward committee members dealing with the implementation of LED would be and has been part of the unit of analysis.

In all these social settings, field research can reveal phenomena that would not otherwise be apparent with other research methods (Auriacombe & Mouton, 2007). One main advantage of field research is that it is able to achieve methodological empathy, which enables the researcher to obtain an inside view of reality. There is no necessity to have statistical and stringently formulated research hypotheses to do field research. It is sufficient to have general expectations, ideas and loose

conjectures that would guide the study so that the researcher can be susceptible to new insights and discoveries generated by the data. The limitation in using field research is that it can be costly. If the research setting is a nearby location, field research could be the least expensive method. However, if the researcher must travel far to conduct the research, it can be very expensive. It is also labour intensive and takes time. Field researchers have been known for spending years in the field collecting evidence (Singleton & Straits, 2004). Ethical constraints associated with more quantitative designs may also make field research the most appropriate method available to the researcher. For example, in public programmes and policy, a researcher cannot deny service to a group of citizens so that the group can serve as a control group. Furthermore, a researcher cannot stage a demonstration so that he or she may observe how people would behave and what would happen (Auriacombe & Mouton, 2007).

(a) Qualitative research paradigm

Guba and Lincoln (2005) define a paradigm as a set of basic beliefs that deal with first principles. It represents a worldview that defines, for its holder, the nature of the world, the individual's place in it, and the range of possible relationships to that world and its parts. Mouton outlines four components necessary for a proper paradigm, namely, (1) commitment to a specific theory; (2) acceptance of a particular methodology and specific research techniques; (3) commitment to specific quasi-metaphysical assumptions and presuppositions; and (4) certain assumptions made by the scientists as scientists (Mouton, 1993: 55-56). For the purpose of this study, a paradigm can be viewed as a commonly acceptable framework within which researchers often work in order to arrive at scientifically validated arguments and conclusions.

Guba and Lincoln (1994) offer a comparison of four alternative inquiry paradigms. The positivistic perspective assumes that, given similar structures and incentives, people behave similarly; that there is a clear separation between the researcher

and the research participants, because the researcher does not influence the participant's behaviour; that the researcher can observe the participant's behaviour; that by having a control group the researcher can correctly test the hypothesis concerning the benefits of a programme; and that the application of the research findings to the society at large will solve the problem the programme is addressing. The postpositivistic perspective, as Guba and Lincoln (1994) use the term, requires similar designs to those of the positivistic perspective. The only difference would be that the former has greater tolerance for error, that is, the findings would be probable, rather than established and verified laws; they would be considered true until falsified. Qualitative research may be employed to augment what is essentially a positivistic design. For example, some aspects of participant behaviour that cannot be quantified easily will be given to independent experts, who based on unstructured interviews, will grade them according to certain scales, which will later be statistically analysed. Thus, the process of interpretation is explicitly incorporated into the research design (Guba & Lincoln, 1994).

The critical perspective dismisses the premise that there is no link between the researcher and the participants. By virtue of the fact that the participants know that they are participating, their behaviours are affected and become less authentic. Therefore, the critical perspective is not value-free, but explicit about the values and actively advocating an emancipatory empowerment ethic. Critical qualitative researchers do not aim to assess whether certain incentives influence types of behaviour, but to understand what causes the behaviour and thus to determine the existing structures that shape undesirable behaviour and to correct the structures. The correction can be achieved through a dialogue between the investigator and the participants, which educates and emancipates the participants and transforms unjust structures. For example, the positivistic approach studies the impact of welfare benefits on teen pregnancy by manipulating welfare benefits (e.g., changing benefits, duration, and eligibility) and then observing the behavioural differences. The critical approach, however,

requires the researcher to work, for example, with teenage girls to understand and transform their awareness of their potential and their prospects as well as improving the conditions that induce undesirable behaviour such as poverty and education. This emancipatory action stimulus is part of the criteria by which the qualitative research is evaluated. Critical research may be better used with a local focus rather than global ambitions (Guba & Lincoln, 1994 in Gabrielian et al. 2008:144).

The constructivist approach asserts that there are multiple realities that are constructed by actors in each particular environment. For example, in examining success in higher education, a constructivist may argue that one cannot compare the experiences of minority students in an urban state university and students from preparatory schools and Ivy League colleges. Education, grades and other variables may have different meanings for both groups of students. As a result, although a positivist researcher may ask whether the characteristics of a professor (age, gender, number of publications, tenure, etc.) have an impact on the grades achieved by students, a constructivist does not assume any variable beforehand but expects the answers will emerge during the investigation through dialectical interaction between and among the investigator and respondents (Guba & Lincoln, 1994).

This four-paradigm classification postulated above is neither exhaustive nor final. Overall, it is clear that qualitative research methods are increasingly more interpretivist, relativist and constructivist. The term qualitative research increasingly means attitude and substantive focus rather than specific and non quantitative techniques (Gabrielian et al., 2008:145).

(b) Qualitative versus quantitative research

It is important to note that the qualitative-quantitative dichotomy in research is not very accurate. First, what is not quantitative is not necessarily qualitative and vice versa. Secondly, the qualitative and quantitative approaches cannot be separated absolutely. For example, Kritzer (1996) identifies three levels at which interpretive processes operate in quantitative research, while Collier (2005) talks about statistical rationale for qualitative research. There is longstanding debate regarding the quantitative and qualitative relationship. Many people take a purist position, asserting that because qualitative research is in the domain of non-positivistic paradigms, it would not be tenable to mix it with positivist quantification. For instance, what is the purpose of generalising the social experience of people suffering from a rare disease in the Amish community in Pennsylvania to the population of the United States? (Gabrielian et al., 2008). Qualitative research studies are answering different questions by employing different logic. Qualitative research produces complete and practical knowledge by itself; although its results can be used later in quantitative studies, there is absolutely no for qualitative researchers to engage in both types of research for the same programme (Morse, 1996).

Qualitative researchers in Public Administration often take the above perspectives and differentiate between quantitative and qualitative research regarding ontology, epistemology, axiology, rhetorical style and methodology. Table 2.1, based on a review of the recent public administration literature (Brower, Abolafia & Carr, 2000; McNabb, 2002; Rubin & Rubin, 2005), summarises the typical differences proposed with qualitative research being more interpretivist and constructivist. A strict differentiation between qualitative and quantitative research is rather simplistic.

Most applied researchers would agree that qualitative and quantitative methods are both compatible and answering different questions. The task of the researcher should be the open-minded consideration of all research alternatives suitable for the particular problem on hand. During the process of analysis the researcher should constantly question his or her personal bias and the ontology and epistemology of research inquiry as well as examining the data and testing theory. Qualitative research tends to be explicitly interpretive and more suited for certain tasks such as establishing meanings, clarifying concepts, and proposing hypotheses. The demarcation lines between qualitative and quantitative domains of research are not very clear and neither of them have inherent prominence over the other (Gabrielian et al. 2008:148).

Table 2.1:

Purist Position on Differences between Qualitative and Quantitative Research by Some Researchers

Dimensions	Qualitative	Quantitative
Ontology	Multiple realities subjectively derived from participants' local, every day and emergent experiences	A single, objective reality
Epistemology	Researchers interact with participants or studies phenomena	Researchers are detached and independent of the variables under study
Axiology (value bases)	Researchers and participants are value-laden	Researchers and participants are value free and unbiased
Rhetorical style	Personal voice often in present tense	Impersonal voice and past tense
Analytical process	Largely inductive	Largely deductive
Basis for conclusions	Evidence from naturally occurring	Relationships derived from replicable and numerical data
Causality explanations	Idiographic, emergent, unfolding interconnected actions	Nomethetic, relations among static variables
Research design	Emergent, improvisational and openness	Meanings closed before study
Types of research	Ambiguous phenomena and open-ended questions	Specifiable, measurable variables
Goal of sampling	Explanatory power; variation and richness	Generalisability and representativeness

Sources: Based on McNabb, D.E. in *Research Methods in Public Administration and Nonprofit Management: Quantitative and Qualitative Approaches*, M.E. Sharpe, Armonk, New York, 2002; Rubin, H.J, and Rubin, I.S., *Qualitative Interviewing*, Sage, Thousand Oaks, California, 2005; Brower, R.S., Abolafia, M.Y., and Carr, J.B., *Admin. Soc.* 32, 363, 2000.

(c) The quality of qualitative research

Gabrielian, Yang and Spice (2008, 158) contend that there are no universally accepted criteria for judging the soundness and goodness of qualitative research. All discussions on the matter draw from the criteria for mainstream research, namely, quantitative research that includes internal and external validity, reliability, and objectivity. Albeit, positions on the matter, are different. Others assert that the existing criteria should be amended and modified for qualitative research. While others argue the criteria should be abandoned and new criteria be developed. Huberman and Miles (1994) propose that a good qualitative manuscript should report the following contents: (1) sampling decisions made, both within and across cases; (2) instrumentation and data collection operations; (3) database summary and size, as well as the method by which it was produced; (4) software used, if any; (5) overview of analytic strategies followed; and (6) inclusion of key data-displays supporting main conclusions. Strauss and Corbin (1990) argue that judgments of research quality should centre on three issues: (1) validity, reliability, and credibility of the data; (2) adequacy of the research process; and (3) empirical grounding of research findings. They offer a set of criteria by which a grounded theory study can be judged in terms of the theory-generation aspects of the research: (i) Are concepts generated? (ii) Are concepts systematically related? (iii) Are there many conceptual linkages and are the categories well developed? (iv) Is much variation built into the theory?

Lincoln and Guba (Lincoln & Guba, 1985; & 2005) offer two sets of criteria for qualitative research: trustworthiness (credibility, transferability, dependability, and conformability) and authenticity (fairness, enrichment, education, stimulation to action, and empowerment). Trustworthiness parallels the criteria in the positivistic-quantitative paradigm and while credibility is the counterpart of internal validity, which can be achieved by clearly identifying the setting of the research, a population, and the underlying theoretical framework, transferability parallels external validity and denotes the applicability of one set of findings to

another context. This is usually problematic in qualitative research, but it can be improved by two strategies: explicitly stating the theoretical parameters of the research so that other researcher can decide upon generalising the approach to its settings and triangulation of the research methodologies. Dependability is similar to reliability and is concerned with the consistency of the research, that is, how the researcher accounts for changing conditions observed in the phenomena and changes in design. However, dependability is different from the positivist understanding of replicability, because the social world is always constructed and thus replicability is a problem in qualitative research. Finally, conformability relates to the objectivity of the research. The criterion is “Do the data help to confirm the general findings and lead to the implications” (Marshall & Rossman, 1995:145). The researcher can never eliminate his or her bias, but should adopt strategies to provide a balance for bias in interpretation.

King, Keohane, and Verba (1994) argue that both quantitative and qualitative research have the same underlying logic of inference. While valuing the role of interpretation in clarifying and defining the generation of concepts as well as idea(s) and hypothesis, they insist that for evaluation of an hypothesis the logic of scientific inference applies. Therefore, qualitative research studies should also ask questions such as: How many observations are enough for valid inferences? How do you measure and improve data when you have already established the concepts? How valid is the generalization? And, How do you build an empirically sound theory on the basis of small number of often unique observations? King, Keohane and Verba (1994) insist on situating every research inquiry in the framework of a broader theory to test for generalisability, that is, to bring the issues of internal and external validity to qualitative research. A single case study, for example, can contribute to theory greatly if it disproves a predominant theory.

Therefore, it can be deduced that qualitative research in the discipline of Public Administration operates within the confines of long standing and scientifically

tested and documented principles, methods and practices that shape new theory testing, evidence gathering, analysis, presentation and acceptance. Thus, Marshall and Rossman (1995:146-148) present a practical checklist of 20 questions to help judge the quality, that is, the authenticity of qualitative research. The checklist is not necessarily applicable to all research situation; however, these guidelines provide a sound understanding of the criteria employed to judge qualitative research and they are as follows:

1. Method is explicated in detail so that a judgment can be made about the method's adequacy.
2. Assumptions and biases are expressed.
3. Research guides against value judgments in data collection and analysis.
4. There is evidence from raw data demonstrating the connection between the findings and the real world; and it is done in an accessible and readable manner.
5. Research questions are stated and answered, and answers generate new questions.
6. Relationship with previous research is explicit, and the phenomena are defined clearly.
7. Study is accessible to other researchers, practitioners, and policy makers.
8. Evidence is presented that the researcher was tolerant to ambiguity and strove to balance his or her biases.
9. Report recognises limitations of generalizability and helps the readers to find transferability.
10. It should be a study of exploration and not reasserting theories from literature.
11. Observations are made of a full range of activities over a full cycle of activities.
12. Data is preserved and available for re-analysis.
13. Methods are devised for checking data quality (for example, informants' knowledge, and ulterior motives) and for guarding against ethnocentric explanations.

14. In-field work analysis is documented.
15. Meaning is elicited from a cross-cultural perspective.
16. Ethical standards are followed.
17. People in the research setting benefit in some way.
18. Data collection strategies are the most adequate and efficient available.
19. The researcher looks holistically at the setting to understand the linkages among systems.
20. Researcher traces the historical context to understand how institutions and roles have evolved (adapted from Marshall & Rossman, 1995:146-148).

For the purpose of this study the research approach adopted is qualitative in nature. Thus, a combination of research techniques have been used, notably, focal-group discussions and interviews conducted with relevant LED policy implementers with a view to soliciting meaningful information on the research questions. In addition, there are a number of research techniques, which have been utilised for the purpose of gathering data within the context of this study, namely, analysis of focal group interviews and primary data sources, notably, official policy documents, reports and existing literature pertinent to the study.

Focal group interviews were one of the data gathering methods used in the study. These interviews were conducted with respective policy stakeholders and officials involved in local government developmental agendas and activities. This primarily included the municipal officials responsible for the implementation of local economic development attached to the Emakhazeni local municipality, formerly Belfast in the Mpumalanga province. The Mpumalanga province is one of the nine provinces designated in terms of the *Constitution of the Republic of South Africa* and is situated in the eastern part of the country. The total number of officials working in the local economic development department is 10 including officials in the office of Municipal Executive Mayor and Municipal Manager at the Emakhazeni local municipality and, thus, the sample size selected was 10. The purpose of

these focal group interviews was used to help elicit views and ideas held by the practitioners with respect to LED policy related issues. These focal groups were structured in nature and contained pre-determined questions related to the implementation of LED policy. At the same time, this technique helped this study to draw a comparative analysis between the officials and members of the Ward Committees and the Community Development Forum in relation to the implementation of local economic development policy within this municipality. A limited pilot study among colleagues was conducted in order to test the comprehensibility of the questionnaire and for possible additions. The responses gathered through the interviews helped this study to collate comparative information in line with the research objectives outlined in the study. The anonymity or disclosure of names of sources of information was taken into account by soliciting the agreement of the participants.

The next section describes the research problem, research question, the importance of the study and objectives and sampling underpinning this study.

2.3 Background to the problem

There are enormous challenges facing South Africa in general and local government in particular, regarding the attainment of both growth and development objectives and targets. Some of the challenges and bottlenecks stem from poverty, unemployment, shortage of skills required to propel growth and development, lack of administrative capacity and ineffective implementation of economic development policies. Essentially, the perennial problems that continue to stifle the implementation of the local economic development policy in South Africa appear to be the following: the need for greater synchronisation of local economic development policy frameworks between the national, provincial and local government spheres; the fragmented and silorised planning approach pertaining to integrated development plans and local economic development priorities in municipalities; inadequate skills required for the implementation of local

economic development policy within municipalities; inadequate data collection in respect to local economies for LED planning and the limited resourcing of LED units, structures and agencies. These problems chiefly affect the realisation of fundamental objectives of developmental local government in terms of the need for maximization of social and economic development, and integration and coordination of local economic development activities and efforts within the sphere of local government.

In a 2006 survey, it was found that almost half of the South African population continues to live under a poverty datum line of R322 per capita per month (Aldelzadeh, 2006). There have been estimates that just over twenty-two million people in South Africa live in poverty (DBSA, 2005a). Poverty and inequality in South Africa have racial, gender, spatial and age dimensions. Therefore, as already intimated, the concentration of poverty lies predominantly with Black Africans, particularly women, rural dwellers and Black youngsters (Trieggardt, 2006:4).

There are 15.8 million people in the former self-governing territories and independent states that operated during the apartheid system and which were dismantled before the transition to the democratic epoch in 1994 and 9.2 million in the urban townships making a total of 25 million, of which 14.8 million are in the working age group of 15-65 years (Turok, 2006). Of these 2.1 million are unemployed in the former self-governing territories, and 2.3 are unemployed in the townships (Trieggardt, 2006:5). The highest rate of unemployment is found to be in KwaZulu-Natal, the Eastern Cape, the Free State, Mpumalanga and the Limpopo provinces, with the lowest rate in the Western Cape province (StatsSA, 2005: xiv).

In 1998, an estimated 18 million persons out of a population of approximately 42 million were found to live in absolute poverty. Levels of poverty were and are

generally higher in rural areas (71%) than in urban areas and such levels are also found to be much higher among Blacks (61%) than other racial groups (Poverty and Inequality Report, 1998). In retrospect, this plainly indicates that poverty levels among the rural and urban poor have grown exponentially over the recent past. The current population size of South Africa is 51.7 million people (Census Results, 2011). A shortage of suitably skilled labour is identified as one of the constraints mitigating against achieving desired growth rates and development in South Africa (AsgiSA, 2007). The Report (2009) on the State of Local Government in South Africa commissioned by the Department of Cooperative Governance also poignantly highlights the shortage of appropriate competencies on the part of municipal executives and officials as a hindrance to the fulfilment of constitutional duties by local government. These include project management, programme management, development planning and management competencies. The *Fifteen Year Review Report on Government* published in 2008, notes that the challenges of state capacity are less to do with a shortage of financial and other resources than with skills and institutional arrangements. These are required to efficiently and effectively deploy resources. Local government in fact faces a twin challenge of resources, and skills and systems, a challenge that is invariably met by filling posts with people who do not have suitable skills.

The government's efforts and policies to halve poverty and unemployment rates require a resourced administrative component in the municipalities. The *Report on the State of Local Government in South Africa* published in 2009 by the Department of Cooperative Governance and Traditional Affairs makes disturbing observations in relation to varying capacities of municipalities and thus notes that some municipal administrations are relatively stable and well resourced whilst others are not. This has also manifested itself through the massive service delivery protests experienced by various municipalities throughout the country. The number of appointed administrators who were appointed in terms of Section 139 of the Constitution, 1996 in municipalities has notably increased as a result of THE capacity deficiencies in the municipalities.

Many municipalities still remain unclear about the meaning of LED and how to implement it (Meyer-Stairer, 2002 in Rogerson, 2006). The issue of non-clarification of roles among national government, provinces, municipalities, civil society and the private sector result in different players having different levels of understanding and interpretations of the LED policy (LED, 2002:40). Furthermore a widely observed phenomenon is that LED is unevenly developed and operationalised within the country. In particular, major divides are glaring in terms of policy development, institutionalisation of LED, and applied practice between the largest, most well resourced and capacitated municipalities, on the one hand, and smaller urban centres, on the other (Rogerson 2006; Xuza 2007). It is conceded that the devolution of significant power to implement LED is impeded when many local municipalities lack skills and adequate funds and other resources to run LED offices, pay for training, or to finance projects (Nel & Goldman, 2006).

2.4 Statement of the Problem

As already intimated, the problem is rooted in historical and socio-economic factors. The growth and development imperatives of the South African government are hindered by high poverty levels, high unemployment levels, low economic growth rates, shortage of skills and institutional capacity deficiencies required to propel growth and development, and the ineffective implementation of economic development policies. The perennial problems that continue to hinder the implementation of local economic development policy in South Africa appear to be the following: the need for greater synchronization of local economic development policy frameworks between the national, provincial and local government spheres; and the fragmented and silorised planning approach regarding the integrated development plans and local economic development priorities in municipalities. This thesis seeks to investigate ways in which these multifaceted problems can be addressed in order to facilitate the implementation of the local economic development policy in South Africa.

2.5 Research Question

Research question refers to the focal question a research project is intended to answer. It is not a question developed for a survey or an interview protocol. Questions are part of the primary means of dealing with the unknown and of obtaining new information. A question frames the literature review (Yeager, 2008:45). Social scientists are in the business of describing and understanding the world around them and defining what it is, how things work, and also how to improve on the way things work or do not work. In order to find research questions, they need to interact with that world. Suffice it to state that there are various ways and means of obtaining research questions, notably through interacting with practitioners in the field of public administration, through a review of relevant literature, through suggestions for further research, and through re-examining a classic work in the field. There are three general types of research questions and they focus on description, normative issues, and relationships. Descriptive questions simply describe something. The researcher answers questions involving such issues as who, what, how many, and how much. Normative questions address the relationship between variables and may be phrased in terms of association or covariance or cause and effect or impacts or outcomes and may predict future impacts. A single study might involve one single type of question or it could involve multiple, that is, all three types of questions (Johnson, 2002; Trochim, 2005).

The research question underlying this study is:

To what extent is the LED policy effectively implemented in the sphere of local government? This study attempts to examine the interrelationships that exist within the growth and development policies of the national, provincial and local spheres of government. The bottlenecks that stifle the implementation of the local

economic development policy within the sphere of local government are also examined.

2.6 Importance of the study

This research will add significant value to the growing body of knowledge in the field of local government in particular and public administration in general. Equally, the research will help shape the academic discourse on developmental local government with reference to the implementation of the LED policy within the South African context and internationally and thus influence policy decisions on the part of practitioners and policy makers. The findings of the research will also be disseminated to the relevant and wider audience involving researchers, practitioners and policy makers operating in the local government sector. More importantly, the research will contribute to the development of academic, teaching and training programmes pertinent to developmental local government issues within the South African universities, universities of technology, the Local Government Sector Education and Training Authority and other role-players.

2.7 The objectives of the study

The objective of the study is to critically examine the synergy that exists among the policy frameworks of the national, provincial and local government spheres aimed at promoting local economic development objectives. Therefore, a case is made between the National Spatial Development Perspective developed in the national sphere, and the Provincial Growth and Development Strategy and local economic development policy developed at provincial and local spheres of government respectively. The Policy Guidelines for Local Economic Development developed by the Department of Cooperative Governance is used as a major policy

framework in order to examine the synergy that exists both at the conceptual and practical levels.

The other important objective of the study is to examine the bottlenecks facing the achievement of local economic development objectives in South Africa with specific reference to the Emakhazeni local municipality in Mpumalanga province. This province is one of the nine provinces in the Republic of South Africa and is located in the eastern part of the country, established and designated in terms of the *Interim Constitution of the Republic of South Africa* of 1993 and the *Constitution of the Republic of South Africa* adopted in 1996. An analysis of the province should help to provide for and highlight the efficacy of the implementation of LED both at provincial and local spheres of government. Salient case studies of municipalities and a review of the varying and glaring socio-economic problems prevalent in the province are examined. An integrated and inclusive policy model geared towards the achievement of local economic development objectives are proposed as one of the key objectives of the study. The proposed model seeks to guide policy implementation within the context of local economic development. More significantly, the study seeks to contribute to the dearth of academic publications related to the body of knowledge on developmental local government with a specific focus on the local economic development policy.

2.8 Sampling

Qualitative field research involves non-probability sampling methods which are often referred to as theoretical and judgmental sampling. Initially, a small number of non-random settings and subjects, for example, encounters, social relationships, organisations and communities are selected. There are several reasons as to why sampling in qualitative research is by its inherent nature non-random. These reasons have been elucidated by Singleton and Straits (2004:312): smaller

interactive units can seldom be enumerated before they occur, while studies of larger units, such as a community, an area in the city, or an organisation are restricted to the one case under investigation. The delicate operation of entering the field, which entails locating suitable observation sites and making fruitful contacts, also necessitates non-random selection; convenience and accessibility determine where the researcher can begin to make his or her observations; and the time required to conduct field observations tends to restrict the possible sample size to a very small number of cases.

According to Lutabingwa and Gray (1997), sampling in qualitative field research is designed to enhance the informational value of one's observations by maximising variations, and not for statistical generalisation. The sampling plan emerges during the course of conducting the research. This is accomplished through serial selection of sample units, which is similar to the snowball sampling method. In this respect, each unit is selected and analysed at a time, and other units are selected to extend, fill in gaps, and test the information obtained this far (Singleton & Straits, 2004). In qualitative field research, sampling stops when there is no more new information that can help in the maximisation of information (Auriacombe & Mouton, 2007). Qualitative field researchers also employ theoretical sampling. Theoretical sampling means selecting groups and categories to study, on the basis of their relevance to the particular research questions and theoretical position. Theoretical sampling is concerned with constructing a sample which is meaningful theoretically, because it builds in certain characteristics which help to develop and test the researcher's theory and explanation (Mason, 1996). There are three features of theoretical sampling:

- I. Choosing cases in terms of the researcher's theory, within a defined universe, thereby making some sampling choices more sensible and meaningful than others;
- II. Choosing deviant and non-standard cases instead of selecting cases that support the researcher's argument. It makes sense to seek out negative instances as defined by the theory within which the researcher is working;

- III. Changing the size of the sample during the research. This allows for greater theoretically informed flexibility especially when new factors emerge and when the researcher intends to focus on a small part of his or her sample in the early stages and a wider sample in the later stages (Mason, 1996).

Babbie (2001:178-180) states that some academic researchers have already been experimenting with a form of sampling based on Probability Theory. This technique involves the selection of:

- (i) Random Sampling: A random sample forms a list containing the names of everyone in the population being sampled. Probability sampling methods used in 1948 were far more accurate than quota sampling techniques.
- (ii) Purposive Sampling: Sometimes it is appropriate to select a sample on the basis of knowledge of a population and the purpose of the study, and this type of sampling is called purposive sampling. In this context, a researcher could study a small subset of a larger population in which many members of the subset are easily identified, but the enumeration of all of them would be nearly impossible. However, the data of the subset to be collected could still be sufficient for the study.
- (iii) Quota Sampling: Quota sampling addresses the issue of representativeness by beginning with the matrix or table describing the relevant characteristics of the target population.
- (iv) Snowball Sampling: This method is appropriate when the members of a special population are difficult to locate such as homeless individuals, migrant workers or undocumented immigrants. In Snowball sampling, the researcher collects data on the few members of the target population who are available, and could assist in providing information on those members whom they happen to know but who cannot be traced; hence the word Snowball which refers to the process of accumulation as each located subject suggests other subjects. Given the fact that this procedure results in samples with questionable representativeness, it is primarily and exclusively used for exploratory research.

The sampling method that is employed in this study is purposive sampling and thus constitutes non-probability sampling technique as well and the unit of analysis involves individuals dealing with LED policy implementation drawn from a specific municipality. The creation of LED structures and units is relatively new and unfolding within the broader local government sector. As a result, these structures are staffed by a few individuals. Given the limited number of the target group, which is 10, through purposive sampling the study will generate rich and insightful data pertinent to the research topic.

2.9 Conclusion

This chapter commences with the conceptualisation of research methodology in the context of the discipline of Public Administration. For the purpose of this thesis, research methodology implies the systematic and meticulous process undertaken by a researcher aimed at examining phenomena through selected data gathering methods which may yield qualitative and quantitative data for the purpose of analysis and presentation.

A distinction between qualitative and quantitative research paradigms is highlighted with a view to providing a proper understanding for this study. It is plausible to deduce that both quantitative and qualitative research paradigms complement each other in as far as data collection, analysis and presentation are concerned. There is a thin line of demarcation between the two approaches and thus absolute and exclusive separation in practice of the two is improbable within the context of research methodology. The quality of qualitative research is based on various elements which are elucidated in the chapter notably, credibility, transferability, authenticity and trustworthiness which all resonate with scientific principles underlying research methodology within quantitative and qualitative research spectrums. The checklist of 20 questions designed by Marshall and Rossman (1995) that help to judge the quality of qualitative research underpin the

methodological approach of this thesis in terms of data collection, analysis and presentation.

This chapter has introduced the background to the problem and the statement of the problem. In a nutshell, the variables that are key for the purpose of this thesis may be surmised as follows: ineffective intergovernmental coordination and communication throughout the national, provincial and local spheres of government stifle the implementation of LED policy; inadequate skills and capacity on the part of LED policy implementers affect the potential of municipalities in order to propel local economic development and inadequate resourcing of LED units further affect the realisation of developmental local government objectives. It is therefore plausible to assert that the local sphere of government remains an important player in ensuring sound and solid economic growth, effective poverty alleviation and job creation within the context of developmental local government agenda. Essentially, the developmental role accorded to local government should be accompanied by provision of adequate institutional and administrative support systems, financial resourcing and workable legislative frameworks. The drive to build viable, efficient and effective local government should also be informed by local economic development imperatives underpinned by job creation, local economic growth and poverty alleviation efforts within South African municipalities.

CHAPTER 3

OVERVIEW OF PUBLIC ADMINISTRATION AND PUBLIC POLICY

PART I

3.1 Introduction

This chapter provides a background of the study of Public Administration. The chapter also reflects on the theoretical framework underpinning the concept of implementation within the realm of public policy. Therefore, leading scholars on the subject of implementation notably Pressman and Wildavsky (1973), Mazmanian (1983), Sabatier (1986) are cited extensively with a view to providing a comprehensive literature review and epistemological underpinnings of the subject. It is within this context that an array of definitions of concepts of policy, public policy and implementation are broadly discussed in this chapter. The nature, origins, and scope of Public Administration are discussed. This chapter seeks to provide a broader understanding of the historical developments of Public Administration as a discipline and practice as well. Thus, the interrelationship between policy and Public Administration is succinctly discussed.

The chapter also pays attention to the long-standing practice of LED in South Africa, largely initiated by the big cities, coupled with the current practices and the challenges facing implementation of LED. More importantly, local economic development practice is also examined from the Sub-Saharan African region perspective through the research previously undertaken by both the World Bank and the Netherlands Programme for evaluating and disseminating LED experiences within the region in 2005. Local economic development strategies that can help municipalities to stimulate and maximise their economic growth are also discussed. In a nutshell, the chapter raises pertinent issues encompassing policy, institutional capacity, resources, and stakeholders regarding LED.

3.2 The nature, origins and scope of Public Administration

There is an essential unity in the process of administration, whether it is observed in a city, state or a central government that precludes the stratified classification of the subject. To consider it in terms of municipal administration, state administration or national administration is to imply a distinction that in reality does not exist. The fundamental problems such as the development of personal initiative, the assurance of individual competence and integrity, responsibility, coordination, fiscal supervision, leadership and morale are in fact the same in all spheres. Therefore, it seems important to insist that the administrative process is a unit, and to conceive of it not as municipal administration, or state administration but as a process common to all levels of government. However, a difference is seen mainly when it comes to the practice of financial management (White, 1991).

Public Administration is the management of men and materials in the accomplishment of the purposes of the state. This definition emphasises the managerial phase of administration and minimises its legalistic and formal aspect. It relates to the conduct of the affairs of any other social organisation, commercial, religious or educational, in all of which good management is recognised as an element of success. The objective of Public Administration is the most efficient utilisation of the resources at the disposal of officials and employees and more importantly service delivery. These resources include not only current appropriations and material equipment in the form of public buildings, machinery, highways and canals, but also the human resources bound up in the hundreds of thousands of men and women who work for the state. In totality, good administration seeks the elimination of waste, the conservation of material and energy, and achievement of public purposes consistent with the economy and the general welfare of the population (White, 1991).

Public Administration is, then, the execution of the public business; the goal of administrative activity the most expeditious, economical and complete achievement of public programmes. This is not necessarily the sole objective of the state as an organised unit; the protection of private rights, the development of civic capacity and sense of civic responsibility, the due recognition of the manifold phases of public opinion, the maintenance of order, and the provision of a national minimum level of welfare; all are essential responsibilities of the state (White, 1991). According to Thornhill (2006:795), since 1855 Lorenz Von Stein, a professor in Vienna, has been considered the founder of the science of Public Administration in Europe. During this period, the science of Public Administration was conceived to be a form of administrative law. It is also clear that during this period Public Administration was linked to the actions of the state. Von Stein's views were three-fold:

- I. He considered the science of Public Administration a melting pot of several disciplines.
- II. According to Von Stein (1855), the science of Public Administration was an interaction between theory and practice.
- III. Von Stein also believed that the science of Public Administration should strive to adopt a scientific method.

In the United States, Woodrow Wilson (1887) was the first to consider the science of Public Administration as a domain of study. Thornhill (2006:795) asserts that Wilson was more influential to the science of Public Administration than Von Stein, essentially owing to an article he wrote in the *Political Science Quarterly* in 1887 in which he argued in favour of four concepts:

- I. a separation between politics and the Public Administration;
- II. consideration of the government from a commercial perspective;
- III. comparative analysis between political and private organisations and political schemes; and
- IV. reaching effective management by training civil servants and assessing their quality (Thornhill, 2006:795).

Woodrow Wilson's article entitled 'The Study of Administration' which was published in June 1887 is generally considered as the origin of the study of modern Public Administration. This source is one of the most quoted sources in articles, dissertations and theses on the discipline. Wilson (1887) argues that the field of administration is a field of business. It is removed from the hurry and strife of politics. He also clearly argues that the study of administration should be distinct from the study of politics. The discussion about the separation between politics and Public Administration, as argued by Wilson, has continued to inspire scholars in this discipline. In 1945, Luther Gullick and Lyndall Urwick integrated the ideas of earlier theorists such as Henri Fayol into a comprehensive theory of administration. Gullick and Urwick believe that the thoughts of Fayol through his 14 management principles offer a systematic treatment of management, which was unique at the time. They note that this could be applied to the management of companies and to administrative sciences related to the public sector. The academic field of Public Administration is thus considered to have evolved in the United States. In Europe, notably England and Germany under the influence of Max Weber, it started as a separate scholarly field in the 1890's; however, it was first taught in Continental universities in the 1720's according to the *Wikipedia Encyclopedia*. The reason why the American origin is more widely known than the European roots is because the study of the pure form of Public Administration in Europe was effaced in favour of the study of Administrative Law. The latter has a much wider application in European countries than is the case in the Anglo-Saxon countries (Thornhill, 2006:797).

According to Du Toit and Van der Waldt (2006:27), Public Administration is the enabling activity of government institutions. It constitutes all processes (organisational, and individuals) that are associated with carrying out laws and other policy measures adopted by the legislature and executives and interpreted by the courts (Gordon & Milakovich, 1995:6). Public Administration provides a framework and infrastructure in terms of which government institutions can operate. It affords public managers and other officials the necessary tools to

enable them to achieve their objectives. It is through Public Administration that institutions are created in which people work to achieve the stated objectives; money is made available to do the work; human resources are acquired; work procedures are provide; measures are created for controlling the activities of the institution; and the way in which funds are disbursed is monitored (Du Toit & Van der Waldt, 2006:46).

Botes (1994:6) points out that administration ensures that the organisation combines all the necessary processes associated with policies, finances, personnel, procedures and control to achieve its goals. Public administration consists of a system of structures and processes operating within a particular environment with the objective of facilitating the formulation and efficient execution of government policy. This definition emphasises the importance of the environmental context, politics, policy formulation, policy execution and management (Botes, 1994:13).

Public Administration may be viewed as a particular type of administration that is concerned with the execution of the rules, laws and regulations of the government of a country, that is, the execution of public services geared towards meeting the needs of the citizens. What a government accomplishes for a society depends on the policies it formulates and adopts, as well as the effectiveness with which these are translated into practice (Bayat & Meyer, 1994:5). Public Administration is concerned, amongst other aspects, with executive issues of government departments. It tends to emphasise the *what* and the *how* of the public service, thus making it a practice orientated science (Bayat & Meyer, 1994:117). Thus, Public Administration as an activity entails the work done by officials within the total spectrum of government institutions to enable different departments within those institutions to achieve their objectives in the three spheres of government (Du Toit & Van der Waldt, 2006:9).

Public Administration is a comprehensive and peculiar field of activity consisting of various activities executed by public officials working in public institutions aimed at providing goods and rendering services to the community (Hanekom & Thornhill, 1993:57). Caiden (1971:6) identifies the following peculiarities of Public Administration making it different from the related activities carried out in the private sector: First, it is unavoidable in that one cannot escape communal authority. One has to come terms with it.

Secondly, communal activities carried out by public officials in administrative posts must have priority over lesser issues. Unless these activities are performed with some efficacy, other activities could be jeopardised. For example, strikes by police personnel, fire brigade and garbage collectors are accompanied by arson, theft, riots, disease and filth.

Thirdly, Public Administration provides every citizen with a range of public services. Public Administration embraces a number of single multi-purpose organisations.

Fourthly, Public Administration is directly responsible to political leaders, since its top management is naturally political. It is governed by political principles, promises, and expediencies, rather by academic theories, scientific principles, or business economics.

Then, the political nature of public administration and the kind of communal activities involved, make judgment of performance extraordinarily difficult.

Finally, the community expects more of public administration than from other kinds of administration. The community wants public officials to be paragons of virtue - honest, trustworthy, hard working, loyal, competent and compassionate (Caiden, 1971:6).

Pierre (1995) conceives of Public Administration as the critical output linkage of the state towards society. However, the interface between Public Administration and civil society is a two-way street, including public policy implementation as well as policy demands from private actors towards policy makers. Public Administration may be interpreted as a social system existing and functioning in

accordance with its own order but, it also depends on environmental conditions in a complex and changing society (König, 1996:5). Coetzee (1991:42) has distinguished between Public Administration as an academic pursuit and public administration as a profession. Public Administration (with capital letters), he argues, refers to the discipline or branch of instruction regarding public administration (with lower case letters); the latter is the process of function specifically assigned to the public administrator, civil servant or public official. One, thus, teaches Public Administration but one performs or carries out public administration. None the less, as the focus of this thesis is, at once, theoretical and practical, capital letters serve to define Public Administration as a concept.

According to Botes and Roux (Botes et al. 1997:257), Public Administration is concerned with the study of all the scientific disciplines that have a bearing on the contemporary administrative and managerial practices in the public sector. Administrative and managerial practices that are presently to be found in public institutions comprise a comprehensive series of activities that require knowledge of virtually all sciences. The subject in which the interdependence of the state institutions are studied exclusively is called Public Administration. According to Fox and Meyer (1995:105) quoting Nicolas Henry, Public Administration has three cornerstones: organisational behaviour and the behaviour of people in organisations; the technology of management; and the public interest concerning individual ethical choices and public affairs. Therefore, Public Administration is basically a series of actions carried out by people in public institutions on behalf of other people. It is essentially an activity inspired by the need to apply the policies and deliver the services and output of those policies as determined by the executive body and approved by the legislature or as directed by the supreme authority of the state. In the South African context, the supreme authority is the Constitution of the Republic of South Africa (Kent-Brown & Roux, 2003:69).

Therefore, it can be deduced that Public Administration is confined to the administrative affairs of the state in relation to service delivery aimed at catering for the needs and aspirations of the citizens and for this function to be fulfilled it is imperative that public policies, financial management systems and control be developed, and personnel and resources be allocated and managed in the most effective and efficient manner. This implies that Public Administration is geared towards ensuring that public policies formulated by the legislators are translated into action for the benefit of the citizens. Public Administration is an important administrative instrument of the government machinery aimed at serving the needs and aspirations of the society at large.

3.3 Public Policy

Policy is defined as a mechanism employed to realise societal goals and to allocate resources (Baker et al. 1975:12-15). Pressman and Wildavsky (1973: xii-xv) in their seminal book on the subject assert that policies imply theories. Policies become programmes when, by authoritative action, the initial conditions are created. Implementation, then, is the ability to forge subsequent links in the casual chain so as to obtain the desired result. Political activities generally centre on particular government institutions. Public policy is authoritatively determined, implemented, and enforced by governmental institutions. The relationship between public policy and governmental institutions is close. This implies that governmental institutions are established in terms of public policies and also that these policies are initiated and implemented by governmental institutions. Strictly speaking, a policy does not become a public policy until it is adopted, implemented, and enforced by some governmental institution. Government lends legitimacy to policies and official signature. Government policies involve universality and ultimately it is government that monopolises coercion in society (Dye, 1981:20-21).

Public policy exhibits particular characteristics that may serve to distinguish it from being a mere collection of goals and administrative actions. Thus, public policies are said to be authoritative, enforceable, flexible and adaptable, feasible, clear and public. In order for a policy to be authoritative, an authorised government official such as a head of department must determine and authorise it. Speculations and opinions are not regarded as being policies, which means that a policy must be defined explicitly and all interested parties must be informed about it in writing (Kent-Brown & Roux, 2003:69).

Goel (1994), however, asserts that public policies may be written or unwritten, explicit or implicit. Important policies of the government are generally clearly expressed in a written form. There are, however, public policies embodied only in a set of practices, conventions and precedents. According to Koontz and O'Donnell (1976:204), written policy is preferable, as it builds on proven decisions of the past, conserving executive energy for new decisions; it creates an atmosphere in which individual actions may be taken with confidence; it speeds administration by reducing repetition to routine; it supports consistency of endeavour throughout a large group through the years; it stabilises the enterprise; it frees the top management so that more creative considerations can be given to the problem of today and the new programme of tomorrow. The second characteristic of public policy is that it is enforceable if need be. This implies that those responsible for implementing such public policy would need to be made specifically aware of their responsibility by means of a clear policy directive. Failure to comply could then result in possible charges of misconduct, the implication being that the implementers of the relevant policy, and not the clients or service recipients, should be subject to penalties in the event of non-implementation (Kent-Brown & Roux, 2003:76).

The third characteristic of public policy is that it is flexible and adaptable, because it is considered to be malleable like in nature. Public policies of the present day are very different from those of the past. However, it should be noted that the aim must be regarded as fixed, while the policy (the guide adopted to achieve the aim) must still allow for change as circumstances vary. The rigid and inexorable implementation of an unsuitable and obsolete policy is worse than applying no policy at all. The characteristic of adaptability is what makes policy analysis possible, because this characteristic implies the need to be able to consider alternative policy options when required. The fourth characteristic of public policy is that it should be feasible. Simply put, this means that public policy must be capable of being applied, effected or accomplished (Hanks, 1971:584, Kent-Brown & Roux, 2003:76). The fifth characteristic of public policy is that it should be clear in terms of understanding and interpretation. If the syntax and semantics of policy directives, instructions, rules, regulations and legislation are unclear or ambiguous, then the policy itself will be unclear. As a result, the policy concerned may also lack feasibility and enforceability.

Finally, public policy is public. The term public can be ambiguous in the context of public policy if there is no certainty as to whether it refers to the publication (making it known to the public) of policy, public society (whom the policy is intended to affect) or the public sector (the public or governmental domain as opposed to the private sector, in which the policy is formulated). In this regard, one agrees with Thomas Dye's (1981) view, as stated earlier, that a government lends legitimacy to policies and that government policies involve universality (Dye, 1981:20-21).

Policies may be thought of as the main system which provides the framework for the accomplishment of intended objectives. The formulation of policies involves making explicit the various assumptions which are made regarding the basic premises and the priorities of needs, and allocation of the finances accordingly. Policies are intended to spell out the parameters in the context of which organisational decisions are to be made. Policy is critical in administration, for it

gives a concrete shape to the political, economic and social objectives which the government lays down in the form of laws, rules, and regulations (Goel, 1994:126).

Davis quoted by Goel (1994:126) states that a policy is basically a statement either expressed or implied of those principles and rules that are set up by executive leadership as guides and constraints for the organisation's thought and action. Its principal purpose is to enable executive leadership to relate the organisation's work to its objectives properly. Fox and Meyer (1995:107) define policy as authoritative statements made by legitimate public institutions about the way in which they propose to deal with policy problems, while Anderson (1997:9) defines policy as a proposed course of action of a person, group or government within a given environment providing obstacles and opportunities which the policy was proposed to utilize and overcome in an effort to reach a goal.

Policy is also defined as a statement of intent. Policy specifies the basic principles to be pursued in attaining specific goals. Policy interprets the values of society and is usually embodied in the management of relevant projects and programmes (De Coning, 2000a, and 2006b). Public policy is whatever governments choose to do or not to do (Dye, 1995:4). Roux (2002: 73) defines public policy as a proposed course of action of government or guidelines to follow to reach goals and objectives and is continuously subject to the effects of environmental change and influence. Public policy is also an authoritative statement on what government chooses to do or not to do and incorporates, and implies the authoritative allocation of values for the whole society.

By and large, it can be deduced, therefore, that a public policy is initiated by policy makers in response to a societal problem and changing circumstances the population is faced with at any given time. The policy will contain the important goals to be pursued and the course of action needed to achieve the goals. A public

policy becomes implementable provided the elected policy makers have authorised and legitimised it through a formalised policy development process.

3.4 Policy implementation

A broader definition of policy implementation is succinctly expressed by both Mazmanian and Sabatier (1983:20-21): Implementation is the carrying out of a basic policy decision, usually incorporated in a statute but which can also take the form of important executive orders or court decisions. Ideally, that decision identifies the problem(s) to be addressed, stipulates the objective(s) to be pursued, and, in a variety of ways, structures the implementation process. The process normally runs through a number of stages beginning with the passing of the basic statute, followed by the policy output (decisions) of the implementation agencies, the compliance of target groups with those decisions, the actual impacts of agency decisions and, finally, important revisions (or attempted revisions) to the basic structure.

After the formulation and thorough analysis of public policy, the process of implementation should commence. However, it appears as if this phase in the policy process tends to be the most problematic one in terms of practical policy execution. Sound policies are formulated and analysed annually in government's quest to restructure and develop the best policy options available. Unfortunately, such options do not always include a well designed programme on the practice of implementation. This appears to be symptomatic of policy failures elsewhere in the world (Hogwood & Gunn, 1986:197; Roux & Van Rooyen, 2002:221), which underscores the fact that the task of the policy implementer does not end after the policy formulation process has been finalised.

According to Quade (1989:348), the programme for implementation should be simple and should put little reliance on bureaucratic processes. An implementation programme should also take into consideration the following requirements: the financial requirements brought about by new policies or changes in existing policy and organisational and administrative requirements. In other words, the administrative and organisational capacity of the department responsible should be realigned or changed if necessary in order to cope with new policy challenges and human resource requirements. Implementing the policy implies not only the availability of trained staff, but also their commitment to pursue goals and objectives in a professional manner. This implies that in order for any implementation programme to be effective, adequate financial, human resources and organisational resources should be allocated aimed at realising broader policy objectives.

Policy implementation refers to the setting in motion of policy directives as authorised by the decision-makers and according to their prescriptions. It implies the practical manifestation of well researched policy issues and should be conducted in a properly planned and programmed manner (Hogwood & Gunn, 1986:197). According to Howlett and Ramesh (2003:185), policy implementation constitutes an integral stage of the policy cycle, where policy decisions are translated into action. It is defined as the process whereby programmes or policies are carried out and the translation of plans is put into practice. While some decisions may have been made on the general shape of a policy, still others are required for it to be set into motion, notably, funding must be allocated, personnel assigned, and rules of procedure developed, amongst other matters. From the foregoing, it can be deduced that the implementation process flows from policy decision(s) aimed at addressing a specific problem or need that requires implementers to successfully carry it out in a more practical manner within the broader realm of the policy cycle.

Pressman and Wildavsky (1991) both view implementation as to carry out, accomplish, fulfil, produce, and complete (Pressman & Wildavsky, 1991: 407). A distinction between a policy and its implementation is also critical. Thus, using Pressman and Wildavsky's (1991) hypothesis of a policy as containing initial conditions and predicted consequences, that is, If X is done as t^1 then Y will result as t^2 . If the federal government, through the Economic Development Administration, provides 23 million dollars in loans and grants to enterprises in Oakland, and if these enterprises agree to hire minorities after spending the money, then facilities will be built leading to the creation of jobs that will go to minorities. Implementation would here constitute the ability to achieve the predicted consequences after the initial conditions have been met (Pressman & Wildavsky, 1991:407-409).

Implementation does not refer to creating the initial conditions. Legislation has to be passed and funds committed before implementation takes place to secure the predicted outcome. Equally, agreements with the local enterprises would have to be reached before attempts are made to carry these agreements out. Lack of implementation should not refer to failure to get going but to an inability to follow through. Policies imply theories. Whether stated explicitly or not, policies point to a chain of causation between initial conditions and future consequences. If X, then Y. Policies become programmes when, by authoritative action, the initial conditions are created; X now exists. Programmes make the theories operational by forging the link in the causal chain connecting actions to objectives. Given X, we act to obtain Y. Implementation, then, is the ability to forge links in the causal chain so as to obtain the desired results. Once the funds are committed and the local agreements have been reached, the task is to build facilities to create new jobs so that minorities will be hired (Pressman & Wildavsky, 1991: 408). The study of implementation requires understanding that apparently simple sequences of events depend on complex chains of reciprocal interaction. Therefore, each part of the chain must be built with the others in view (Pressman & Wildavsky, 1991: 409).

The separation of policy design from implementation is artificial. Howlett and Ramesh (2003:185) assert that after a public problem has made its way to the policy agenda, various options have been proposed to resolve it, and a government has made some choice among those options; what remains is putting the decision into practice. At the same time, different bureaucratic agencies at different levels or spheres (national, provincial or local) are involved in implementing policy, each with its own interests, ambitions and traditions that affect the implementation process and shape its outcomes (Bardach, 1977, Elmore, 1978 in Howlett & Ramesh, 2003).

Implementation by public agencies is often an expensive, multi-year effort, implying that continued funding for programmes and projects is usually neither permanent nor guaranteed but rather requires continual negotiation and discussions between the political and administrative arms of the state. While politicians are important actors in decisions affecting the implementation process, most of the day-to-day activities of routine administration fall within the domain of salaried public servants (Howlett & Ramesh, 2003). While authoritative decision-makers (both political and administrative) remain a significant force in the implementation stage of the policy process, they are joined at this stage by additional members of the relevant policy subsystems, as the number and type of policy actors comes more and more to resemble that found at the formulation stage (Bennett & McPhail, 1992).

Target groups, that is, groups whose behaviour is intended and expected to be altered by government action, play a major direct and indirect role in the implementation process. This implies that public policies cannot be formulated and adopted without the involvement of the target groups in the policy development process, because their exclusion may result into sabotage of the policies during implementation phase. The political and economic resources of target groups have a major effect on the implementation of policies (Montgomery,

2000). Changing levels of public support for a policy can also affect implementation. Numerous policies face a decline in support after a policy decision has been made, giving greater opportunity to administrators to vary the original intent of a decision (Hood, 1983).

In both top-down and bottom-up case studies, gaps between legislative or political intent and administrative practice have been frequently highlighted as a major reason for policy failure (Kerr, 1976; Mulford, 1978; Ingram & Mann, 1980). In the principal-agent theory that was subsequently developed to explain this phenomenon, these gaps were viewed as the inevitable results of the structure of politico-administrative institutions in modern states, in which decision-makers must delegate responsibility for implementation to officials they indirectly control. The existence of structural discretion on the part of the administrative agents of political principals introduce the potential for inefficient or ineffective translation of government intent into reality (Howlett & Ramesh, 2003:192). The principal-agent problem in policy implementation is seen to emanate from the common practice in most countries whereby general laws passed by the political branches of government are put into effect through detailed regulations developed by administrative agencies charged with implementing the law. Thus, the administrators have their own understanding, ambitions and fiscal and knowledge resources that may affect policies being implemented as originally conceived by decision-makers (Howlett and Ramesh, 2003:192).

There are other dynamics that come into play as well. It is often the case that implementation involves not one but a number of government agencies. This implies that implementation increasingly takes place in complex inter-organisational contexts in which issues of “coordinating” implementation efforts are not trivial but require the creation of another layer of specialised administrative agencies designed specifically for that purpose such as inter-departmental or inter-governmental committees (Campbell & Szablowski, 1979).

The nature of the implementation problems, the circumstances surrounding them, or the organisation of the administrative machinery in charge of the programme are additional complexities that should be taken into account. The nature of the problems themselves affects the implementation of programmes designed to address them in many respects. Policy decisions involve varying degrees of technical difficulties during implementation, some of which are more intractable than others. Implementing some programmes can be expected to be less problematic, than, for instance closing down an illegal casino or opening a new school in a community area, because these are specific single decisions, the translation into practice is routine. The same is not true for programmes designed to address long-term ill-defined problems such as improving pupils' educational standards or problems that have multiple causes or origins. Dealing with such problems enhances administrative discretion inasmuch as the more complex and difficult the problem, the greater the range of discretion administrators will have in dealing with it (Howlett & Ramesh, 2003: 192).

The nature of the affected target group is also an important factor. The size of the target group, for example, is a factor affecting administrative discretion insofar as the larger and more diverse the group, the more difficult it is to affect its behaviour in a desired manner (Howlett & Ramesh, 2003). Thus, policy designed to improve safety features of automobiles is easier to implement than a policy designed to make thousands of careless drivers observe traffic safety rules (Hood, 1986). A policy of eradicating sexism or religious intolerance is more difficult to implement because of the deep roots of these attitudes in societies cultural belief systems. By contrast, increasing the electricity supply requires almost no change in behaviour on the part of consumers (Schneider & Ingram, 1990). Administrative discretion in the implementation process is also affected by its social, economic, technological and political contexts (Hutter & Manning, 1990).

According to Howlett and Ramesh (2003: 192), changes in social conditions may affect the interpretation of the problem and thus the manner in which ongoing programmes are implemented. Changes in economic conditions can have a similar impact on policy implementation. For instance, a programme targeting the poor and unemployed can be expected to undergo changes after an economic upturn or downturn. The availability of new technology can also be expected to cause changes in policy implementation. Policies towards pollution control, for example, often change in the course of implementation after a cheaper or more effective technology has been discovered. Variations in political circumstances are also important considerations. A change of government may lead to changes in the way policies are implemented (Mazmanian & Sabatier, 1983:31). While many government decisions continue to be taken without attention to the difficulties of implementation, there is a broad recognition now of the need to take these concerns into account at earlier stages of the policy process, such as during policy formulation (Spence, 1999). It is easier and more effective for policy makers to take limitations into account and to devise appropriate responses *ex ante* rather than *ex post* (Linder and Peters, 1984).

The institutional settings for implementation can vary greatly. One important distinction is between implementation that can be achieved by one organisation (Torenvlied, 1996), on the one hand, and implementation that requires the cooperation and coordination of multiple organisations, or parts of organisations (Hjern & Porter, 1981), on the other. Interorganisational relations can be crucial for policy implementation. Two or more ministries of a single government may be tasked with handling a common programme or the use of vertical or horizontal intergovernmental programmes involving national and subnational authorities. Systematic studies of policy implementation are among the most significant kinds of evidence. In Europe, social scientists have shown that locally situated managers facing practical challenges such as stimulating the growth of jobs and small business activity confront an interorganisational terrain (Hull & Hjern, 1986).

Thus, recognising the significance of different interorganisational patterns is one step toward effective implementation. Skilful implementation managers need to find ways of getting organisations to work together toward policy success and thus ensuring that there is availability of adequate resources (material, financial and human) and these resources are managed efficiently and effectively. Inducing implementation success through interorganisational links chiefly requires a combination of generating and tapping common interest and/or utilising exchanges to link units in productive ways for purposes of policy. If organisations A and B each care about a policy objective, and if the participation of each is essential for success, their shared interest in the result may be sufficient to generate interorganisational efforts toward implementation (O'Toole, 2003).

Fourie (2004:15) believes that the success of this stage of the policy cycle is dependent upon array of variables: the correct definition of the original problem, the accurate identification of causal links, and just determination of realistic objectives, all of these having an impact on whether or not deviations might occur during this implementation stage. According to Van der Waldt (2001:97), such deviations may occur due to a shift in the programme during the implementation stage, geographic fragmentation (especially among national government and the provincial and local spheres of government), programme fragmentation (when different government agencies are responsible for different sections of policy implementation, and a break-down occurs), administrative and management deficiencies, conflict among multiple goals, and vague legislative prescriptions. Earlier, Hogwood and Gunn (1997:217) cautioned that circumstances external to the implementing agency, absence of adequate resources, inaccurate theories of causes and effect, non-agreement on objectives, unspecified division of labour, faulty communication and coordination between policy implementers, as well as imperfect compliance from constituencies may further abrade effective and full implementation. Wildavsky (1975) states that since policy is made, based on the present knowledge of an uncertain future, it is bound to fall short in some aspects depending on the accuracy of existing knowledge and estimated predictions.

More often than not policies that set out to achieve ambitious targets may ultimately fall short of their desired outcomes. The lack of reliable data usually hampers policy makers' ability to devise clear policy goals with well defined implementation plans and evaluation mechanisms. Another problem of policy implementation could be political will and commitment from officials. Leadership and political commitment are critical for the success of policy (McCourt, 2001). Another recurring criticism of policy implementation is the orientation towards centralisation. This implies that policies and plans are developed in the national sphere with little consultation with the final policy implementers. Therefore, policy often fails to capture the subtleties of initiatives at "grassroots level", and also appears to be inimical to the managers and policy implementers. The distance of policy makers from practice not only causes problems for the managers of the policy, but also creates a lack of harmony among the different elements of the same policy, and among the different units of machinery of government (Sajid, 2006:7).

The obstacles to effective policy implementation are manifold and could include the following: resistance - some- officials resist implementation because they feel it is not in their interest; imperfect convergence of interest- some officials create delays or threaten to delay in order to expand their benefits; disorganised interests - some - officials create obstacles simply because they are unclear where the interest lies (Levin, 1986:313). According to Levin (1986:313), the following aspects could be considered as broad criteria for effective implementation. First, the programme is able to restrict delays to a reasonable level. Secondly, a programme should be able to hold financial costs to a reasonable level. Thirdly, it should be able to meet its original objectives without significant alteration or underachievement of these objectives. The roles of different implementers are also important for effective implementation. There is normally someone who be regarded as a fixer if obstacles are experienced. As fixers, they are invariably repairing and adjusting the machinery used for the execution of a programme. The

introduction of incentives is also critical in order to obtain the buy-in or interest of the parties involved (Levin, 1986:317).

In his seminal study of workers in schools, courts and welfare agencies, Michael Lipsky (1980) defines street-level bureaucrats as public service workers who interact directly with citizens in the course of their jobs and who have substantial discretion in the execution of their work (Lipsky, 1980:3). By virtue of their position at the interface between citizens and the state, street-level bureaucrats have significant opportunities to influence the delivery of public policies. Front-line workers are responsible for many of the central activities of public agencies, from determining programme eligibility to allocating benefits, judging compliance, imposing sanctions and exempting individuals and businesses from penalties. These front-line practices constitute the technical core of many organisations (Meyers & Vorsanger, 2003).

Given their position at the interface of the state and the citizen, and their opportunities to exercise discretion, front-line workers exert influence well beyond their formal authority. They operate, in Michael Lipsky's (1980) term, as bureaucrats who not only deliver but also actively shape policy outcomes by interpreting rules and allocating scarce resources. Through their day-to-day routines and the decisions they make, these workers in effect produce public policy as citizens experience it. In terms of governance, street-level bureaucrats may have the potential to undermine the goals of elected officials. Because street-level bureaucrats are neither elected nor appointed by elected officials, they are largely immune to electoral accountability. Thus, elected officials cannot fully control their day-to-day decisions and actions. Policy goals may be displaced or distorted when front-line workers focus their energies on managing workloads, coping with job demands, or pursuing their own ideological policy or political interests (Lipsky, 1980).

In line with the principal-agent theory, while some street-level bureaucrats may work to achieve policy makers' goals, others may shirk by pursuing other objectives or sabotage policy by deliberately undermining the directives of their superiors (Brehn and Gates, 1997). At the same time, the ability of street-level workers to tailor policies to the realities of local communities and citizens may improve both the responsiveness and effectiveness of public policies. When the technology for achievement of policy goals is unknown or uncertain, front-line workers may also contribute to policy accomplishment through programme experimentation, learning and adaptation (Pressman & Wildavsky, 1973). Until the early 1970s, implementation was often regarded as unproblematic in a policy sense. Although a large, century-old literature existed in fields such as public administration, organisational behaviour and management concerned with effective execution of government decisions (Wilson, 1887, Goodnow, 1900), many public policy scholars have ignored and downplayed the problematic aspects of this stage of the policy cycle, assuming that once a policy decision has been made, the administrative arm of government will simply carry it out (Hargrove, 1975). Thus early studies came to be known as the *top-down* approach. This approach assumes that we can usefully view the policy process as a series of chains of command where political leaders articulate a clear policy preference which is then carried out at increasing levels of specificity as it goes through the administrative machinery that serves the government (Clarke, 1992:222).

The top-down approach was, nevertheless, quite useful in setting out a variety of managerial and organisational design principles or maxims of administration, which were expected to generate an optimal match between political intent and administrative action. These principles principally allowed administrators to find and execute the one-best way to implement policies (Howlett & Ramesh, 2003:189). In the 1950's and 1960's, however, the scientific nature of these principles was criticised as critics such as Herbert Simon (1946) pointed out their contradictory and proverbial rather than scientific nature. It was also noted that this approach assumes that decision-makers provide implementers with clear goals

and direction when, in reality, government intentions can emerge from bargaining processes and thus result in often vague, unclear, or even contradictory goals and direction. The most critical shortcoming of this approach, however, was its focus on senior politicians and officials, who often played and still play only a minimal role in day-to-day implementation compared to lower-level officials and members of the public (Howlett & Ramesh, 2003:189-190).

Thus, this criticism of the top-down approach's neglect of lower-level officials led in the 1980's to the development of the so-called *bottom-up* or street-level approach to the study of public policy implementation. This empirically inclined approach to the subject urged analysts to begin with all the public and private actors involved in implementing programmes and systematically examine through interviews and survey research their personal and organisational goals, their implementation strategies, and the network of contacts they build. Studies conducted in a bottom-up manner have shown that the success or failure of many programmes often depends on the commitment and skills of the actors directly involved in implementing them (Lipsky, 1980).

At the same time, to some observers these two approaches were not contradictory but complementary (Sabatier, 1993). This means that the top-down approach starts with the decisions of the government, examines the extent to which administrators carry out or fail to carry out these decisions, and seeks to find the reasons underlying the extent of the implementation. The bottom-up approach, however, begins at the other end of the implementation chain of command and urges that the activities of so-called street-level implementers be fully taken into account. Taken together, the top-down and bottom-up approaches provide better insights into policy implementation than either does on its own (Sabatier, 1986; Fox, 1990).

The next section discusses the notion of developmental local government with reference to appropriate legislative and policy frameworks and the developmental outcomes of local government in South Africa.

3.5 The evolution of developmental local government in South Africa

The *Constitution of the Republic of South Africa, 1996*, requires local government to be developmental. This simple assertion has far-reaching implications for the organisation and operation of local government structures throughout the country. Understanding and grappling with the concept of developmental local government is not easy. Different individuals and groups in support of several different objectives have used the phrase in different ways. Developmental local government is a vision for the future form of local government in South Africa. It points to a system of democratic local government in which the needs of all, but especially those of poor and vulnerable communities, are met by efficient and effective municipalities (DBSA Development Report, 2000b:3).

The *White Paper on Local Government* (1998:17) defines developmental local government as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and eventually improve the quality of their lives. Bagchi (2000:398) refines the notion of developmental local government stating that it is one that places economic development as the top priority and is able to design effective instruments to promote such an objective. The instruments identified include, *inter alia*, forging new formal institutions, the weaving of formal and informal networks of collaboration between citizens and officials, and the utilisation of new opportunities for trade and profitable production. Developmental local government is not constrained by ideology, but is rather able to switch gears effortlessly from market-to-government-directed growth, or vice

versa depending on the contingent circumstances. Often, it combines both market and state direction in a synergistic manner when opportunity beckons (Bagchi, 2000; Mogale, 2003).

The *White Paper on Local Government* (1998:38-42) elucidates that a developmental local government is characterised by four critical development imperatives:

- I. Maximisation of social and economic growth;
- II. Integration and coordinating;
- III. Democratisation of development; and
- IV. Leadership and learning.

Maximising social development and economic growth

Social development is concerned with the provision of basic services such as water and electricity to ensure that the members of the local communities maintain at a minimum standard of living. Municipalities can also promote social development through arts and culture, the provision of recreational and community facilities, and the delivery of social services. To achieve economic growth, municipalities should play an active role in guiding local economic development by mobilising the available resources and direct them towards the realisation of the local government development goals. This could be achieved through local economic development (LED) strategies to support small, medium and micro-enterprise development and business retention, expansion and attraction (International Republican Institute and National Business Initiative, 1998:07). Local economic development fosters economic growth, encourages economic empowerment and brings about economic transformation. It is about equity, distribution of wealth, the harnessing of resources and the capacity to produce commodities and services (Ekurhuleni Metropolitan Municipality, 2003).

It should also be noted that it is not the direct responsibility of local government to ensure job creation. Job creation falls mainly within the ambit of the national sphere of government. However, municipalities are responsible for ensuring local economic and social conditions that are conducive to the creation of employment opportunities. In this regard it is generally accepted that the provision of basic household infrastructure forms the central basis for ensuring social and economic development (White Paper on Local Government, 1998:39).

Integrating and coordinating development

The developmental local government imperative of integration is concerned with the importance of providing leadership in engaging different sectors with a critical role to play in the attainment of local development goals. Coordination is about aligning the activities of different sectoral organisations and gears them towards achieving the local development activities (Maserumule, 2008). The importance of coordination and integration in government is underscored in Section 41(i) (h) of the *Constitution*, 1996, which provides that all spheres of government and organs of state within which each sphere must cooperate with one another in mutual trust and good faith by fostering friendly relations, assisting and supporting one another, informing one another of, and consulting one another on, matters of common interest, and coordinating their actions and legislation with one another.

To give effect to these constitutional provisions, the *Intergovernmental Relations Framework Act*, 2005 (Act 13 of 2005) was promulgated, which establishes a framework for cooperation. It promotes and facilitates intergovernmental relations. Poor coordination could severely undermine the new development effort. In this regard, it is important for all municipalities to actively develop mechanisms to ensure resources and investment initiatives from both public and private sectors in order to meet their development targets. An important method of ensuring better coordination and commitment is through the process of Integrated Development Planning (Bekink, 2006:71).

Democratising development

Democratising development is concerned with the involvement of local communities in matters of local government. It is about community participation. Section 152 (i) (e) of the *Constitution*, 1996, requires that municipalities should encourage the involvement of communities and community organisations in matters of local government. To give effect to the foregoing constitutional provisions, the *Municipal Structures Act*, 1998, and the *Municipal Systems Act*, 2000, were promulgated. The *Municipal Structures Act*, 1998, institutionalises citizen participation in local government. It makes provision for the establishment of ward committees to ensure active participation by communities in matters of local government. The *Municipal Systems Act*, 2000, states that a municipality must promote community participation. This involves receipt, processing and consideration of petitions and complaints lodged by members of the community; notification and public comment procedures; public meetings and hearings by the council; consultative sessions with community organisations and report-back sessions. The *Municipal Systems Act*, 2000, also prescribes that the local communities should be encouraged to participate in matters that pertain to the preparations of the municipality's performance, preparation, implementation and review of Integrated Development Plans.

Leading and learning

Nel and Binns (2003) observe that, as a result of the phenomenon of globalisation, municipalities are becoming central to economic development; they are increasingly taking the role of focal points of economic growth and are amenable to a myriad of influences that emanate from the global environment. This necessitates that the leadership of a developmental municipality should be dynamic, learn from the best international practices on matters of local government; and think globally, but act locally (Maserumule, 2008). Most local communities the world over are facing the challenges of sustaining their economies in order to uplift their societies, to protect their environments, to eradicate

poverty and to provide personal safety and security. Municipal communities are increasingly forced to find within themselves new ways to secure sustainable development and the continuous provision of services. Therefore, municipalities must take a leading role within their jurisdictions and should learn from the failures and successes of other local authorities (White Paper on Local Government, 1998).

Municipalities must become visionary and strategic in the way they operate; and they have a crucial role to play as policy makers, planners, innovators and providers of basic human necessities. There are many ways in which local authorities can provide for favourable development conditions, notably, through building the kind of political leadership that is able to bring together coalitions and networks of local interests that cooperate to realise a shared vision; responsive problem solving and a commitment to working in open partnerships with business, trade unions and community-based organisations; ensuring the knowledge and information are acquired and managed in a way that promotes continuous learning that anyone can access easily and quickly and investing in youth development as a key resource for the future and building on their creativity and motivation through involvement in civic and development programmes (White Paper on Local Government, 1998:42).

3.6 Developmental outcomes of local government

The *White Paper on Local Government* of 1998 has identified certain key outcomes that are relevant to all municipalities within the realm of developmental local government imperatives and goals.

- (a) The provision of sustainable household infrastructure and services

In principle, all local governments are responsible for the provision of household infrastructure and basic services. These services and infrastructures form the

foundation of social and economic development. Basic services usually include the provision of water, sanitation, local roads, electricity, drainage and refuse collection. Apart from being a constitutional right, the provision of basic services is essential to enable people to support their families and to develop their skills and to support job creation. The starting point for positive development must therefore be to prioritise the delivery of at least basic level and minimum standard of services to all members of local communities.

(b) Creating integrated local areas

Integrating the spatial disparities of urban and rural settlements in South Africa is of critical importance for the overall acceptance, success and prosperity of South African communities. Spatial parity will enhance economic growth to great extent and should facilitate greater sustainability in the provision of services and a reduction in commuting the costs of many households. All these aspects are beneficial in terms of overall social development. It is also of important that the challenges facing urban areas and rural areas, although generally similar, are sometimes different. Most of the challenges facing urban areas are those of integration of towns and townships. In metropolitan areas particular emphasis should be placed on future needs and infrastructure in response to the rapidly growing population figures in those areas. Rural areas are often concerned with building liveable environments and service delivery. These areas are often densely populated, with an inadequate or no sustainable economic base. Many rural residents commute for many kilometres from their homes to work and back on a daily basis. Such commuting costs involve high transport costs and expenditure. Innovative strategies and programmes are needed to address these issues successfully (White Paper on Local Government, 1998).

According to Mhone (2003:48), spatial patterns arising from apartheid zoning regulations have increased transaction costs for many rural and township residents, while militating against clustering and exploitation of economies of agglomeration

among the historically disadvantaged. The increased transaction costs act as a major constraint on economic participation. The spatial legacies in South Africa are biased against rural development in former homelands and are in favour of concentrating economic activities in the major centres that have already developed. An inclusive growth path would demand dispersion of growth points, such that smaller and medium sized agglomerations begin to create a basis for the development of small enterprises and rural non-farming activities.

(c) Enhancing local economic development and providing special services

Local governments should focus much of their developmental initiative on investing in basic services. Through the provision of good quality, cost-effective services and by making a local area a pleasant place to live and work in, significant boosting of the local economy can be achieved. Municipalities should also strive to improve and simplify many of their procedures and rules in order to achieve effective and speedy decision-making. Many local authorities must also review their policies and by-laws in order to ensure compliance with the new constitutional obligations. More importantly, the establishment of user-friendly, one-stop service centres should significantly increase efficiency and local support. Innovative marketing and investment initiatives as well as small business support services should be provided for as part of promoting social and economic development. Continuous research and technology upgrading together with quality training programmes are also important mechanisms to ensure competitiveness and positive developmental progress. Without proper knowledge and administrative support, continuous economic growth and development will be unnecessarily restricted (White Paper on Local Government, 1998: 46).

The next section provides the definitional framework underlying local economic development. The rationale behind local economic development is succinctly discussed.

3.7 Local economic development

An important feature of developmental local government is the local economic development (LED) policy based on the concept of mobilisation of resources and communities to build convergence of interest in the competitive advantage of localities, thus creating the capacity of or empowering communities and individuals including the poor to access these opportunities (Hindson, 2003:145). LED is defined as a process in which partnerships among local governments, community and civic groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined area. It emphasises local control, using the potentials of human, institutional and physical area natural resources. LED initiatives mobilise actors, organisations and resources, develop new institutions and local systems through dialogue and strategic actions (Helmsing, 2003:69).

According to Bennet (1988), local economic development is a subnational action that occurs within the context of a local labour market. It is aimed at increasing and accelerating economic growth and employment, and achieving a more equitable distribution of development. The policies and strategies followed by local authorities are considered additional and complementary to national economic growth and development goals. The assumption is that the intervention by the local authority, and its community and private sector partners can assist in creating an environment conducive to investment, and can provide seed funding. In this case, intervention is seen as a better option than leaving the development of the local economy purely to market forces. The key areas of intervention that local authorities select are often based in part on the perceived existence of market failures and the need to militate against them. Bennet (1988:50) identifies some of the market failures of concern as follows: physical site externalities (including environment, appearance, security, and desirability); physical infrastructure that covers utilities, transport and communications; and supportive economic and social environment and human capital.

In this context, Bovaird (1988:53) provides some theoretical justifications or economic rationale for intervention to be any of the followings: redistribution of benefits between areas (e.g. spatial mismatch between areas of high poverty and unemployment and local economic growth nodes); redistribution of benefits within areas (e.g. addressing inequitable access to economic and social infrastructure between former white and black areas); addressing market failures specific to a local area (e.g. lack of private sector participation in housing provision due to non-payment of bonds); market failure at regional or national level which is inadequately corrected at those levels (e.g. subsidy policies that prejudice the potential of a province or area to attract investments); and the stabilisation of local, regional and national disequilibrium (e.g. plant or factory closures due to tariff or other changes in the structure of the national or regional economy).

According to the World Bank, local economic development is not a new innovative concept. Since 1960, local economic development passed through developmental stages. The period in history records three stages between 1960-1980 (agricultural investments, local and international), 1980-1990 (multi-sectoral investment attraction), and 1990-to-date (shift from individual to collective conducive business). The phases show that we are in the third phase where partnerships in service delivery are imperative for socio-economic development. This demands the local governments to develop strategies aimed at providing a conducive, competitive and attractive local business environment; supporting and encouraging networks and collaborations; encouraging the development of business and investment clusters; encouraging workforce development and education and supporting quality of life improvements. It becomes clear that the success of communities depends largely on their ability to adapt to changing and increasingly competitive environment locally, nationally and internationally (LED-World Bank Group, 2005).

Rabie (2011:209) provides three reasons why local governments embark on the process of formulating a local economic development strategy. The first reason relates to development of the formal economy and local markets. This is more prevalent in northern, developed nations as well as bigger centres in South Africa and is characterised by formal, structured LED strategies (Nel & Rogerson, 2005:1). LED strategies have their origins in the high-income and developed countries. They have emerged in the last thirty to forty years as a response to the social and economic problems they were faced with (Nel, 2001:1004) The disappointing results of traditional top-down, supply-side sectoral development strategies in combating the resulting rise in unemployment and regional inequality drove the search for alternative development strategies that would offer opportunities for growth to all areas (Roberts, 1993).

The second reason arises from a need to develop the local community in order to address poverty and improve local people's chances of access to employment and business opportunities. This is more glaring in southern, developing nations where LED is often initiated through community efforts and an empowered local government (Nel and Rogerson, 2005:1). The third reason for embarking on LED initiatives is to fulfil legislative and development mandates of local government and therefore South Africa is a case in point.

According to the World Bank, local economic development has passed through stages of development. As already indicated, it is now in the third stage of maturity. The following table summarises the elements of the three stages:

Table 3.1: THREE STAGES FOR LED (as discussed above: World Bank)

STAGE	FOCUS	TOOLS
<i>FIRST</i> 1960s- early 1980s	INVESTMENT Mobile manufacturing attracting	Massive grants; Subsidised loans for inward investment of

	foreign investment; Making hard infrastructure	manufacturers; Tax breaks; Subsidised hard infrastructure; Expensive low road industrial recruitment techniques
<i>SECOND</i> 1980s-mid 1990s	INDIVIDUAL BUSINESS Retention and growing of existing businesses Emphasis still on inward investment but targeted to specific sectors or geographical areas	Direct payments to individual businesses; Business incubators; Advice and training for small and medium sized firms; Technical support; Business start-up support; Hard and soft infrastructure investment
<i>THIRD</i> Late 1990s onwards	ENTIRE BUSINESS ENVIRONMENT Soft infrastructure Private/public partnerships Inward investment of local areas	Holistic strategies aimed at growing local firms; Providing a competitive local business environment; Supporting and encouraging networks and collaboration; Encouraging workforce development and education; Inward investment to support cluster growth; Developing an attractive business environment; and Supporting quality of life improvements

(www.worldbank.org/urban/led)

Mokale and Scheepers (2006:134) note that local economic development (LED) means more than economic development in poverty alleviation as it connotes a process of improving the economic dimensions of lives of communities in a municipal area. The purpose of local economic development is to build up the

economic capacity of a local area to improve its economic future. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. Local economic development offers a municipality, the private sector, the not-for-profit sectors and the local community the opportunity to work together, and aims to enhance competitiveness and thus encourage sustainable growth that is inclusive (Malefane, 2009:160).

A central concern of LED is developing the local economic base of an area. The local economic base refers to activities that involve exporting their products and services outside the area. The destination of these exports can be in other parts of the same country or abroad. The local economic base may consist of one or several agricultural or manufacturing products or service activities, such as trading or tourism. Other local economic activity mainly supplies the local market, so demand depends on growth of the local economic base, which normally includes one or more geographical concentration (clusters) of local producers. Firms and clusters may grow and specialise in their activity. This specialisation itself is an important growth mechanism. Manufacturing clusters in Africa are comparatively under-developed (McCormick, 1999).

The importance of local economic development (LED) for the reduction of poverty and inequality is captured in the following principles provided by the former Department of Provincial and Local Government (DPLG) (2001) now renamed Department of Cooperative governance and Traditional Affairs: LED strategies must prioritise job creation and poverty alleviation; LED must target previously disadvantaged people, marginalised communities and geographical regions to allow them to participate fully in the economic life of the country; LED must involve local, national and international partnerships among communities, business and government to create joint ventures and build up local areas; and LED must be developed as an approach that is best suited to a local context involving the

integration of diverse economic initiatives in a comprehensive approach to local development (Department of Provincial and Local Government, 2001).

Although, the terminology of local economic development is new, there is a long history of local authority initiatives for local economic development, stretching back to the 19th century in the case of the United States and Europe. In parallel with the experience of Western Europe and the United States, many South African local authorities were engaged in fledgling initiatives of municipal “boosterism”. These began during the 1920’s and 1930’s and continued into the post-World War II period. The examples include the placing of marketing advertisements by local authorities, in particular those of Johannesburg, Germiston, Benoni, Port Elizabeth and East London, seeking to promote new industrial inward investment. During the 1950’s, this first wave started to wane, overtaken by new central government initiatives for regional planning. These industrial decentralisation strategies were linked to apartheid spatial and social engineering. For most of the apartheid period, local economic development initiatives were of only minor importance in contrast to the heavy hand of central planning (DBSA Development Report, 2000:103).

Towards the end of the apartheid period, many local governments introduced local economic development planning as part of policy development for urban reconstruction. This move was pioneered by the country’s largest cities, namely, Johannesburg, Cape Town and Durban but included many secondary cities and an increasing number of small towns. Currently, many local authorities are engaged in local economic development initiatives, particularly in the context of programmes developed by the national government to promote developmental local government. During the transitional phase of municipalities, local economic development initiatives in rural areas were generally limited, as these areas lacked local capacity for local economic development activities and had to rely on external support. Such support has been provided by community-based non-

governmental organisations and religious organisations, which have initiated several rural local economic development projects. The thrust of these initiatives has been to meet basic community needs (DBSA Development Report, 2000:103).

Rabie (2011: 209) argues that the objectives of the LED strategy will invariably vary depending on the rationale driving the formulation of the strategy. Comparative international research has shown that, while LED strategies in different international regions have some similarity, different emphases exist particularly concerning the application of pro-business or market-led approaches on the one hand, and of pro-poor or market-critical variants, on the other (Nel & Rogerson in Rogerson 2004:2). Where business or market development is the main driver for LED, the objectives of the strategy are to ensure business survival, attracting investment and increasing local profits. The ultimate goal of a market development strategy is to stimulate additional economic growth in the locality. In market development strategies, the private sector often takes a leading role in drafting and implementing the LED strategy. Various goals are pursued, including cost minimising strategies and addressing failures in the local market (Rabie, 2011:210).

The cost minimising strategies aim to attract new business to the area by reducing business costs (Blair & Carroll, 2009:144). However, smaller localities may face a problem in competing with the cost structures of bigger centres or developing countries may offer significantly reduced cost to actively attract business to the area (Blair & Carroll, 2009:144). The strategies directed at addressing market failures acknowledge that implementing a free market system will not necessarily deliver the best economic system. Hindson and Vicente (2005:9) point out that market failure is generally understood as a situation in which free markets fail to deliver the most efficient allocation of resources. This may be a result of productive or allocative inefficiencies. It may be also be caused by a number of factors including externalities, imperfect information, the public or quasi-public

nature of goods, market power inequalities, factor immobility and inequitable outcomes.

There are numerous examples of market failure such as:

- I. The unavailability of trustworthy business advice and information to improve business productivity;
- II. A lack of Research and Development investment, as the benefits of a breakthrough are lost somewhat to copycat firms;
- III. Insufficient availability of venture capital as lender policy prevents funding potential high return, but high risk ventures;
- IV. Low property values that deprive potential borrowers from meeting collateral requirements;
- V. Lack of qualified and experienced people necessary for visionary planning and realising entrepreneurship opportunities;
- VI. Insufficient training of employees for fear of losing them to other companies;
- VII. The unavailability of suitable land for development due to zoning restrictions or private owners asking inflated prices; and
- VIII. Low exchange of information between local stakeholders as a result of high unemployment and poorly functioning social networks (Bartik, 2003:13, OECD, 2005:43:179).

Where market failure occurs, the chances that the situation will improve or correct itself without direct intervention by government are very slim. Correcting market failure, which may be caused by government failure, requires the creation of regulations that create excessive transaction costs and risks (OECD, 2005:236). Therefore, market manipulation and government intervention in the free market should be appropriately considered and should be justified with results that

indicate improvement to the baseline situation, to prevent the creation of further problems and skewed markets (Rabie, 2011:212).

The other important dimension of LED is community-based development and poverty reduction. Where this focus is the main motivator behind the LED strategy, the strategy will focus on creating job opportunities; improving the employability of the community through education; and improving access to resources. Blakely (1997) regards the stimulation of local employment opportunities in sectors that improve the community through the use of existing resources as the primary goal of LED (Nel, 2001:1005). This focus often dominates the approach of developing countries to LED, where the core focus of LED planning covers issues relating to community-based development, small enterprise development and locality development (Nel & Rogerson; in Rogerson, 2004:3).

In Sub-Saharan Africa, LED has often become identified with self-reliance, survival, and poverty alleviation rather than participation in the global economy, competitiveness, and finding market riches (Binns & Nel, 1999:390). LED thus becomes assimilated in Sub-Saharan Africa with what is more appropriately referred to as community or local development. These pro-poor LED strategies are basically about achieving social rather than economic goals. They address important problems, but tend to concentrate on short-term survival issues and on remedial action for the alleviation of social problems, leaving many of the economic issues that lie at the basis of underdevelopment virtually untouched (Rodriguez-Pose & Tijnstra, 2005:5).

In South Africa, for instance, these so-called pro-poor LED strategies are relatively widespread. In most instances, local governments do not even involve the local business community in the process of developing these strategies, and instead initiate much more limited pro-poor initiatives, such as sewing schemes or craft

production. As these strategies are generally presented as LED, their success is often measured both in terms of social and economic indicators. Therefore, the results of these efforts in the areas of job creation and economic growth are often judged as disappointing (Hindson, 2003).

LED strategies essentially aimed at increasing economic growth, however, also share the goals of poverty alleviation and of a greater inclusion of previously excluded groups in social and economic life. Some studies, for example, the United Nations Development Programme (UNDP) Human Development Index report of 2007 show that welfare indicators, such as life expectancy at birth, and literacy and mortality rates are strongly correlated with income levels, especially in low and middle-income countries. This suggests that economic growth may indeed have a trickle-down effect that leads to the achievement of other social goals (Anand and Ravallion, 1993). The inclusive character of the LED process encourages the creation of strategies that seek to strike a balance between the interests of local firms and highly skilled, easily-employable individuals and other stakeholders such as informal enterprises, the poor, women, and traditionally marginalised groups (Rodriguez-Pose & Tijmstra, 2005:5).

This type of LED approach, which is customary in the developing world and across Latin America and Asia has been almost absent in Sub-Saharan Africa. Examples of LED strategies that properly combine a pro-growth with a pro-poor dimension in Sub-Saharan Africa are rare, and are often confined to countries (such as South Africa) that already have a significantly more developed and diversified, globally linked and urbanised economy than the rest of the Continent, making greater progress in LED not particularly surprising (Rodriguez-Pose & Tijmstra, 2005:5-6).

The next section outlines the important dimensions of local economic development conceptualised by Rodriguez-Pose and Tijmstra which may be applicable in the Sub-Saharan African region including South Africa.

3.8 Important dimensions of LED strategies

Rodriguez-Pose and Tijmstra (2005:6) provide a balanced perspective on four dimensions of LED strategies and also evaluate their potential in the Sub-Saharan Africa. This perspective provides the basis within which the efficacy of LED strategies could be examined and thus improved.

The territorial dimension

LED strategies differ fundamentally from most traditional development strategies in that they approach development as a local rather than a sectoral problem. This focus on the territorial aspect of development is a response to the increased localisation of the economy as globalisation forces in combination with advances in transportation and communication technologies now allow firms to take greater advantage of urbanisation and localisation economies. As a consequence, economic activity has tended to become more concentrated than hitherto. As a result, it can be argued that sub-national regions rather than countries are now competing with one another for investment, economic activity, and labour. The enhanced competition among localities, coupled with the trend to decentralise authorities and resources to lower levels of government, create an opportunity for LED policies.

The trend away from traditional development models towards a more custom-made, locally-based approach has two main consequences. First, the LED approach leads to a wider variety of development strategies. Best practices are still used, but the focus on local stakeholder involvement means that they are thoroughly adapted to local conditions before being implemented. A second effect of the shift to territorial policies is that development policies now emphasise the efficiency

rather than the equity side of development. Whereas traditional and top-down sectoral policies were conceived with an implicit balance between economic efficiency and territorial equity in mind, the LED approach focuses more on efficiency (Cheshire & Gordon, 1998; Brenner, 2003).

As decision-making is shifted to smaller territorial levels, the impact of development strategies is measured in narrower borders. These locally-defined goals may lead to increases in territorial inequity as stronger and more prosperous regions are likely to be both more actively involved in and more successful at competing for economic activity than their less-prosperous counterparts (Cheshire & Gordon, 1998). This is in part due to the fact that the relatively favourable local conditions in more prosperous cities and regions puts them in a better position to generate economic activity and employment opportunities. Government officials in these areas may also be better able to develop and implement LED strategies. Therefore, it is important to bear in mind that although local policy makers take more and more responsibility for the efficient spending of public funding at the local level, national governments still need to assume responsibility for coordinating policies and ensuring a degree of spatial equity support that prevents the economic, social and political problems that any territorial disparities can cause (Rodriguez-Pose & Tijmstra, 2005:7).

The territorial focus of LED can be very attractive since it allows for a more efficient use of public funding. It can generate economic efficiency gains in two main ways. First of all, increased competition and autonomy can encourage governments to find more efficient and cost-effective ways of producing goods and services, thus increasing producer or x-efficiency (Lever & Turok, 1999:791). Secondly, it can be argued that policies that are formulated by local governments tend to be more responsive to local needs and preferences in the allocation of resources, leading to consumer or allocative efficiency gains (Lever & Turok, 1999:791). The need to compete with other localities forces governments to

analyse the local situation more thoroughly and engage more with local stakeholders in a bid to tailor public services to local needs (Tiebout, 1956).

Local governments are in general better suited to the task of tailoring policies to local needs, since they have better access to local information and can more easily identify and liaise with representatives of other local stakeholders (Musgrave, 1959). As economic activity has become much more mobile, competitive localities, which efficiently produce locally-tailored public goods and services, can be of great importance to the national welfare, not only because they increase the competitiveness of national firms, but also because they can help to attract and retain activities that would otherwise have been located outside of the national territory. However, caution is needed in applying the approach, as evidence from developing and developed countries shows that, although the LED approach can offer a real opportunity for stimulating local economic growth and employment opportunities, its contribution to such development goals is far from certain (Rodriguez-Pose & Tijmstra, 2005:7).

The governance dimension

There has been a growing awareness that the quality of governance has an important impact on the ability of governments to design and implement successful development strategies. Good governance in this context involves both the provision of adequate voice and exit options and the capability to successfully manage the social and economic development challenges within the territory (Huther & Shah, 1998). In the context of globalisation and localisation, these issues are no longer purely national. The importance of the locality in development and the resulting increasing reliance on LED strategies has augmented the need for good governance at all governmental spheres. Where traditional development strategies relied mostly on national systems and on the capabilities of central government officials, the success of LED strategies depends to a large degree on the existence of appropriate local and regional institutional systems and on the

availability of the necessary frameworks and skill levels at all government spheres. This reliance on good governance in all spheres can be advantageous in that it can stimulate the involvement of local interests, enhance interaction among different stakeholders, empower local civic groups and the population in general and facilitate spill-overs into other policy areas. However, the level of cooperation and coordination needed can be difficult to achieve and costly to maintain especially in the context of low and middle-level income countries (Rodriguez-Pose & Tijmstra, 2005:8).

Locally, horizontal cooperation between a wide range of stakeholders is essential. High quality and inclusive institutions are important to the success of the LED approach, as it relies heavily on the participation of a wide variety of stakeholders to identify local opportunities and threats and formulate strategies to address them. This participation can take several forms, from voting in regional or local elections to participating in strategy-formulation meetings and knowledge sharing exercises. The introduction of local or regional elections reduces the distance between politicians and their electorates, which may, in turn increase political accountability, transparency, and participation (Putnam, 1993). It can be argued that, since local and regional governments are closer to their electorate and deal with less complex agendas than central governments, citizens are better able to understand the policy issues on hand and monitor the behaviour of politicians and hold them accountable for their actions (Blair, 2000:22).

The potential success of the LED process is also highly dependent on the horizontal cooperation between the local government and other local stakeholders. The ability of local governments to stimulate the participation of a variety of stakeholders in the formulation and implementation of public policies, as well the pre-existence of formal and informal organisations of key local stakeholders with which local governments can liaise, are therefore likely to have an impact on the success of LED strategies (Klugman, 1994).

In the Sub-Saharan African context, ensuring such a wide participation may be particularly difficult to achieve. For instance, a UN-Habitat study found that in many African cities the widespread insecurities in terms of tenure, livelihood, and personal safety have made many residents reluctant to invest time and resources into institutionalising a sense of place (Simone, 2002:18). At the same time, the African Governance Report (Economic Commission for Africa, 2005) finds that, in general terms, the private sector is often not involved in policy making on development issues. This report, also found that, contrary to expectations, private sector involvement has been increasing in 14 of the 28 African countries examined. Good examples, such as Mauritius, where 71% of respondents said that the private sector was usually involved in policy making, provide hope for the potential success of LED strategies in Sub-Saharan Africa (Economic Commission for Africa, 2005).

The number of civil organisations has been found to be rapidly increasing in most Sub-Saharan African countries over the past years. These new organisations potentially provide local governments with credible partners in the LED process, both during the strategy formation and the implementation phase albeit that, many of these organisations may still suffer from weak capacity, poor transparency and lack of accountability, particularly where their work becomes influenced by the agenda of their funders (The Commission for Africa, 2005:145). Thus, efforts will need to be exerted in order to develop both the human resources and the institutional capacity of existing organisations and stimulate the creation of organisations of currently underrepresented groups to allow them to successfully fulfil their potential role in the LED process (Rodriguez-Pose & Tijnstra, 2005:10).

LED strategies are also dependent upon horizontal and vertical coordination among local, regional, national and supranational or international institutions (Rodriguez-Pose, 2002). Although economies are progressively becoming more localised and moves towards further decentralisation are noticeable around the world, many of

the factors that determine the economic potential of a locality are still outside the control of local or regional governments. In order to achieve their development goals, local governments will therefore have to work together with the national government, donors, and international organisations (Rodriguez-Pose & Tijmstra, 2005:11).

Vertical coordination requires a great deal of organisational capacity at different spheres of government, which many not always be available. In the Sub-Saharan African context, in particular, this dependence on organisational capacity may hinder the formation and implementation of successful LED strategies. In part, the capacity-lag can be linked to the skill level of public officials, but can also be attributed to the lack of basic equipment that is needed for cooperation, such as computers and functioning telephone systems (The Economic Commission for Africa, 2005:140).

The integrated dimension

Top-down national development policies are designed to fit the needs of the entire country and therefore run the risk of not being able to respond to the needs and priorities of individual localities well, especially in larger and more heterogeneous countries (Tiebout, 1956). If growth generated in one locality or region will eventually trickle down to benefit all regions in the country, this incapacity to cater for differentiated geographical needs may not be a problem. However, empirical evidence suggests that it may not be the case, since geographical trickle-down effects rarely occur and are often outweighed by backlash effects (Hanson & Harrison, 1998). In a globalised world, the concentration of economic activity indeed seems more frequent than its dispersal. The LED approach addresses this problem by catering for the specific needs and preferences of the local population (Rodriguez-Pose & Tijmstra, 2005:12).

While traditional top-down policies have tended to rely principally on financial support, incentive packages, and subsidies in order to attract economic activity, the inclusive nature of the LED process creates the necessary conditions for more integrated policies. Based on an analysis of the local strengths and weaknesses, local government officials, together with local stakeholders and outside experts, aim to devise a strategy that improves the basic conditions for the development of indigenous economic development and the attraction of inward economic activity (Rodriguez-Pose & Tijmstra, 2005:12). The aim of LED is to create comprehensive and balanced local development strategies. Such strategies are usually centred on four main axes: the improvement of the competitiveness of local firms, the attraction of inward investment, the upgrading of human capital and labour skills, and the upgrading of local infrastructure (Rodriguez-Pose, 2002:9). Through a meticulous analysis of the economic potential of the area, development bottlenecks in the local structure can be identified and addressed in order to allow the locality to take advantage of opportunities for growth and employment (Rodriguez-Pose & Tijmstra, 2005:12).

Equally, the intervention in any of the four axes should be matched by sufficient capability in the other three. If for example, steps are taken in order to attract inward investment, the effect of such measures on economic growth and employment will depend to some extent on the strength of the local economic fabric, the local infrastructure, and the human resources available. Putting too much emphasis on attracting inward investment, while local firms are uncompetitive and skilled labour is scarce, is likely to create low-skilled, low-paid employment and foster a greater dependency on external economic actors. If skill levels are adequate and local firms are capable of producing quality input for external producers, a strategy aimed at attracting inward investment is likely to produce higher quality employment and additional opportunities for local firms. Similarly, any improvements along the other three axes will need to be balanced with efforts to boost the remaining factors to a level that will allow the local economy to take full advantage of these improvements. If this is not the case, a

strong emphasis on local firm development will only lead to the subsidizing of non-competitive firms, while focusing solely on labour skills development without creating suitable jobs within the locality can cause migration and brain drain. Finally, large infrastructure investments, particularly if they aim to connect a relatively remote to a more advanced area, may only provide competitors with easy access to the local market (Rodriguez-Pose, 2002:9-11).

The risks of relying on one policy instrument are significant. In order to be able to develop a balanced strategy, local governments need to have the capacity to correctly identify the locality's main strengths and weaknesses, as well as the opportunities and threats it faces. In the Sub-Saharan African context this may not always be the case. As Simone (2002:19) argues, municipal authorities and department staff often lack important data regarding demographic profiles, land registration, enterprises, and population related investments that could help inform policy and programme development. Equally, even when the necessary data are available, local government officials may not have the skills to analyse the information and translate it into viable policy options. Weak government capacity is a problem in most Sub-Saharan African countries, but the situation differs from one country to another. Overall, local government capacity in Sub-Saharan African countries is no worse than the lower-middle and low-income average. In fact, low-income countries in Sub-Saharan Africa, such as Ghana, Mali and Tanzania, and to a lesser extent Mozambique, Madagascar, Uganda, Burkina Faso, and Cameroon, rank well above what might be expected considering their income levels. Despite these encouraging signs, lack of government capacity is likely to remain an obstacle for the success of LED in many countries within the region (Rodriguez-Pose & Tijmstra, 2005:14).

At the same time, even where local governments have the capacity to properly analyse and assess the local environment, they choose to devise development strategies that are overly reliant on one or two of the key development axes. This

is because political cycles tend to be relatively short and public opinion often fluctuates with the short-term effect of policies. LED strategies like any other development policy are, in contrast, likely to yield results only in the medium-term. This mismatch between political and development cycles creates incentives for decision-makers everywhere to seek and implement simple, highly visible policies, more capable of producing results in the short-term. This need for fast and visible returns is one of the factors behind the tendency of local, regional, national and international policy makers alike to develop strategies too reliant on infrastructure investment and the attraction of inward investment, often to the detriment of medium and long-term more balanced and tailor-made strategies (Rodriguez-Pose & Tijmstra, 2005:15).

The sustainability dimension

LED strategies are particularly well placed to address sustainability issues for several reasons. First, the processes of economic globalisation have not only increased the localisation of economic activity, but also the spatial concentration of social and environmental problems. Especially in developing countries, the trend towards further urbanisation has resulted in localised problems of poverty, social exclusion and environmental degradation within urban areas (Rodriguez-Pose & Tijmstra, 2005:15).

Secondly, the multi-dimensional character of the sustainability concept presents a range of difficult trade-offs. In this context, an LED approach offers an opportunity for residents and other local stakeholders to voice their opinion and devise a strategy that fits the particular needs of their locality. This may be particularly important for those developing countries, the economic and social problems of which tend to be more severe and where environmental degradation often has a greater and more immediate effect on health and general well-being (Duraippah, 2004:10). Finally, the participatory character of the LED can help create a more socially sustainable system, by encouraging the inclusion of previously excluded

groups in the policy making process and making government more transparent and accountable. The local environment, in economic, social, and environmental terms, affects a broad spectrum of interests. By encouraging direct and indirect participation of different stakeholders, the LED approach can promote the formulation of more inclusive development strategies that take due account of the current situation within the locality and the social and environmental consequences of different policy options (Rodriguez-Pose & Tijmstra, 2005:16).

The differences between LED and traditional top-down approaches are succinctly described by Rodriguez-Pose (2001) in five important domains:

First, whereas in traditional top-down approaches the decision on where to implement development strategies is taken by national government planners and developers, with little or no involvement of local actors, LED practices favour the promotion of development in all territories by using the economic potential and the competitive advantage of every space. The initiative to launch the development strategy is taken locally or with strong local support.

Second, as a result of where and how the decisions are taken, traditional policies have been generally designed, managed and implemented by ministries or national government agencies. The involvement of local actors in LED strategies implies, in contrast, a much greater degree of vertical and horizontal coordination of all the actors involved. Vertical coordination entails the synchronisation of local, provincial or regional and supranational or international institutions. Horizontal coordination comprises local public and private actors concerned with development issues.

Third is the approach to development. Traditional policies have tended to adopt a sectoral approach. The promotion of specific industrial sectors that contribute to generate economic dynamism has been one of the main objectives of these policies. By contrast, LED uses a territorial approach as a means of achieving economic development. The diagnosis of the economic, social and institutional

conditions of every territory and the identification of the local economic potential are the foundations upon which a local development strategy is constructed.

Fourth, closely related to the sectoral approach of most traditional development policies are the development of large industrial projects that were expected to promote additional economic activity and generate the networks and value chains needed in order to achieve sustainable development.

Fifth, both approaches are set apart by their way of attracting economic activity. While traditional approaches rely often on national government supported financial support, incentive packages and subsidies in order to attract and main economic activity, LED tends often to shun such activities and concentrates on the improvement of the basic conditions in the locality for the development and attraction of further economic activity (Rodriguez-Pose, 2001).

The importance of the enabling environment

Rodriguez-Pose and Tijmstra (2005:16) posit that LED can produce noticeable efficiency improvement in public spending, but it can only do so under certain conditions. The national, regional and local conditions and potential of the territory where the LED strategy is designed and implemented will a crucial role in the likelihood of success. The local environment clearly impacts upon the likelihood of success. It can be argued that fairly large and prosperous regions, with leverage with the national governments, developed civic, public and private institutions, and relatively good initial factor endowments stand to gain most from the approach.

In contrast, LED is less likely to be successful within smaller and less well endowed localities that cannot draw on strong pre-existing institutions and an informed involved civil society. However, even though LED is a locally owned and implemented programme, the national and regional environment within which a locality is embedded will impact greatly on its ability to create economic growth

and employment. The national environment will tend to be more favourable in countries which already possess a relatively large stock of economic hardware, software and orgware (Rodriguez-Pose & Tijmstra, 2005:17).

The availability of economic hardware such as transport and communication networks as well as infrastructure for the development of human capital, such as education, health and cultural facilities greatly facilitate the success of LED for a number of reasons. First, basic transport and communication infrastructures facilitate the working of agglomeration economies. In the Sub-Saharan African context, physical infrastructure is often generally poor and unevenly spread over different regions within a country. Although this may not be an insurmountable problem, it can affect the potential gains of the LED approach and the spatial distribution of such gains. Secondly, strong local stakeholder capacity is needed to analyse the situation, formulate viable strategies and coordinate interventions. Human capital infrastructure plays a key role in creating such capacity. Many Sub-Saharan African territories suffer from poor human capital structures (Rodriguez-Pose & Tijmstra, 2005:17).

Related to the provision of human capital infrastructure is the idea that economic software enabling features, namely, the availability of the necessary ingredients to diagnose local comparative advantages and resource bottlenecks and develop LED strategies enhance the chances of success. Lack of data and information and capacity at all levels can hinder the creation of viable and appropriate development strategies. Although the Sub-Saharan African region performs better in many indicators than would be expected given its average income level, the presence of capacity problems clearly poses a threat to LED effectiveness and efficiency. Although it can be argued that capacity does not necessarily need to precede decentralisation of policy responsibilities (Litvack et al., 1998).

Finally, the availability of organisational capacity which fosters the involvement of local stakeholders, develops networks and partnerships and coordinate actions at different spheres of government is of importance too. The LED approach itself and the trend towards increasing decentralisation of government favour the creation of regional and local institutions which may facilitate the success of LED in the future. The influence of the presence of hardware, software and organisational capacity factors has on the likelihood of success of development strategies implies that LED may be a more fruitful approach in some areas and localities than in others. To a lesser or greater extent, in middle-income countries, the initial level of endowments and the presence of relatively developed and well-functioning civil societies creates a fertile ground for LED. In this context, larger and more prosperous regions may stand to gain more, but a great number of localities are likely to have the initial conditions that facilitate LED. In low-income countries, in general, and low-income Sub-Saharan African countries, in particular, this may be more problematic. In this regard, only the most prosperous, accessible, and well connected urban regions are likely to have many of the elements for the successful bottom-up generation and implementation of a LED strategy in place. Their poorer endowments, smaller sizes and less developed civil societies and institutions are likely to require that the governance-based part of the approach be complemented with alternative top-down policies aimed at addressing some of the shortcomings that would prevent LED strategies from working properly (Rodriguez-Pose & Tijmstra, 2005: 18-19).

Hasan (1998:11) also argues that though suitable social and political conditions facilitate the process for successful LED, there are other factors that determine the capacity of a particular region in carrying out successful LED. Together, these factors determine the endogenous strength of a locality. Resource endowment of a particular locality is certainly one such factor. These include human, capital, and natural resources and sound institutions. Human resources determine the potential of a locality to turn opportunities into realities. In this regard a skilled labour force is an asset for a locality. Other important factors accompanying the skill level are

the work habits and the attitudes determined largely by historical traditions and adaptability of the work force. A flexible workforce able to adapt to changing environment is conducive for development (Blair, 1995:142). Related to these factors, is the existence or lack of entrepreneurship. Entrepreneurship may be defined as the capacity to identify and implement initiatives. Entrepreneurial culture varies from one region to another. The importance of risk-taking and creativity and the presence of role models and family backgrounds and opportunity structure are among the cited factors (Blair, 1995:140).

The next section discusses the role of local government in promoting local economic development within the context of South Africa.

3.9 Role of local government in promoting local economic development

Nel (2001:1018) confirms that policy tends to assume that local government, rightly or wrongly, should be the key change-agent in localities and policy is developing along those lines, regardless of the very difficulties which many local governments face in addressing their current responsibilities, let alone in taking additional responsibilities. In addition to capacity challenges within a local government, LED efforts are always shaped within a global context and are not limited to a geographically defined jurisdictional area. It is therefore important that national and provincial government take joint responsibility, as LED cannot be implemented by local government alone. Although LED should, in principle, be locally driven and led, there are numerous examples around the world where limited top-down support, direction and advice can unlock local-level potential and initiative (Nel, 2001:1019).

Policy makers should realise that LED cannot always be locally initiated without external support, but that sustainability should be promoted to prevent an overdependence on external support (Nel, 1997:291). Shared responsibility is also essential and thus the DPLG LED Guidelines acknowledge this role shared by various spheres of government. Local governments have always, knowingly or unknowingly, contributed to local economic development. They have, for example, invariably supplied jobs to local inhabitants, purchased goods and services from the local area, developed infrastructures and regulated the development of land (Department of Provincial and Local Government, 2000 (c):1.). It should also be borne in mind that there are various opportunities and constraints in each local area that could also influence the realisation of local economic development goals and the roles that local governments play in this respect. Opportunities could, for example, be determined by the physical nature of a specific local government area (Department of Provincial and Local Government, 2000 (a):1.) Coastal or forestry areas, access to airports or industries, the size of the local government and its population and even the role of management could have a significant impact on the role that local governments adopt in terms of local economic development. Constraints such as limited expertise, weak economies of local governments, infrastructural backlogs, limited financial resources and the organisational capacity of local governments could have an impact on the level of training offered to local officials and councillors or could determine to what extent small businesses are supported (Odendaal, 2000: 224). Thus, Odendaal (2000:224) identifies the following roles that can be assumed by local governments aimed at promoting local economic development:

3.9.1 Facilitating role of local government

Facilitation implies assisting, promoting and helping local governments with the local economic development process (Sykes, 1982:346). Local governments can, through their facilitating role, contribute towards the development of networks and linkages amongst various stakeholders. Networks and linkages are the relationships and partnerships established amongst different institutions to

promote local economic development. The facilitating role of local governments in this respect is to create consensus around local economic development vision through an integrated development plan and by facilitating the formulation of a set of activities for the relationships of the various role players (Department of Provincial and Local Government, 2000 (b): 22, 32.).

The Indlovu Regional Council is an example of a local council which, through its facilitating role in the Midlands Meander (a tourist route through the Midlands of KwaZulu-Natal), markets and promotes local economic development in the area. Through the initiative of the Indlovu Regional Council, the Midlands Meander Association acts as an advisory body to the Executive Committee of the Regional Council. The Regional Council has also established important linkages between the various spheres of government to enable all stakeholders in the area to share and exchange information critical for the promotion of local economic development (Department of Provincial and Local Government, 2000 (b):25.).

3.9.2 Coordinating role of local government

The multi-dimensional and multi-sectoral nature of local economic development suggests that local governments also have an important coordinating role to fulfil. The coordination role of local governments is a requirement to ensure that all the various stakeholders, local economic development tools and institutional arrangements are pulled together to ensure that local economic development and the promotion of job creation are achieved (Odendaal, 2000:225). Integrated development plans (IDPs) are important tools through which local governments can pull all their development objectives, priorities, strategies and programmes together. Integrated development plans can assist local governments to coordinate their local economic development initiatives with their other municipal programmes and to ensure that it is linked to national and provincial initiatives (Department of Provincial and Local Government, 2000 (b):2.) The integrated development plan is one of the key tools for municipalities to cope with their

developmental role. In contrast to the role which planning has played in the past, the integrated development plan is currently seen as a function of municipal management and part of an integrated system of planning and delivery. The Integrated development plan has a legal status and supersedes all other plans for local development and is meant to arrive at decisions on issues such as municipal budgets, land management, economic development and institutional transformation in a consultative, systematic and strategic manner (Khuzwayo, 1999:56; Malefane & Mashakoe, 2008:475).

The Integrated development plan identifies local economic development as a cross-cutting and interdisciplinary part of municipal operational planning (Malefane, 2005:131). Local economic development is an integral part of the broader strategic plan (IDP) in a municipality. Owing to local economic development's cross-cutting nature of operation, it has a great deal of influence on the role and orientation of all sector departments and therefore represents the major part of the integrated development plan. This simply implies that although the integrated development plan is incorporative of local economic development, IDP is not LED, and LED is not the IDP. Furthermore, an IDP which does not reflect, or incorporate or make meaningful reference to future economic activities would be incomplete and a recipe for the failure of development (Malefane & Mashakoe, 2008:477).

The coordinating roles of local governments in terms of local economic development seem fairly simple and straightforward. In reality, however, local governments, especially smaller ones, have a challenging task to execute their coordination roles and to formulate and implement integrated development plans when they are faced with constraints such as limited expertise, weak economies, limited financial resources and limited organisational capacity (Odendaal, 2000:226). It is in such cases that the importance of interaction and consultation

with and support of other stakeholders become important prerequisites for the successful coordination of local economic development (Odendaal, 2000: 226).

3.9.3 Stimulating role of local government

Local governments have an important stimulating role to play in terms of local economic development in their regions. One way to approach this role is to actively support small, medium and micro enterprises by contributing towards expansion and creation of business through the provision of low rent premises to small, medium and micro enterprises. Place marketing is also becoming a powerful mechanism to stimulate local economic development initiatives (Odendaal, 2000:226).

Rogerson (1999:33) refers to place marketing as the selling of places in the form of an image of a particular geographically defined place, so as to make it attractive to economic enterprise. Local government should ensure a conducive socio-economic environment; plug the leaks in the local economy; develop human and social capital; enhance community economic development and small, medium and micro enterprises development; identify and support clusters and business opportunities; facilitate community participation in created opportunities; organise necessary local actors into functional networks and business associations; establish necessary links with other government spheres; maintain a database of available support mechanisms and grants for LED; market the area and provide marketing assistance to businesses; promote local business expansion and retention strategies; encourage the formation of appropriate partnership and, coalition structures; and through preferential procurement policies, promote broad-based Black economic empowerment (DPLG, 2005:31).

3.9.4 Developing role of local government

The developing role of local authorities is determined by the institutional arrangements which they choose to undertake in the process of local economic development. Local governments have various options in this regard which could vary from taking full responsibility for the operation of a business enterprise to establishing a joint venture partnership with the private sector or a non-governmental organisation (Department of Provincial and Local Government, 2000 (a):2.). These options will also be influenced by the needs and circumstances of a particular local government; its perception of the role of local government in local economic development and other constraints. The decision to take full responsibility for the operation of a business enterprise would for example usually occur in a larger or well resourced local government, where financial resources are more available and the institutional capacity is well developed (Department of Provincial and Local Government, 2000 (a):7). The options available to local governments in terms of institutional arrangements for local economic development are the following: municipal LED units; community development trusts; Section 21 companies; and partnerships with other stakeholders (Odendaal, 2000:228).

Local governments may choose to establish municipal LED units or departments to develop and promote local economic development. These local governments are characterised by the comprehensive nature of their organisation, highly skilled staff, and also the financial and personnel capacity to run these units. There are according to the Applied Fiscal Research Centre usually three areas in a local government's organisation where these units can be established. The first option is to establish it at the centre of the municipal administration which is usually the office of the municipal manager giving such a unit the opportunity to play a highly strategic role and influencing policy in support of local economic development. The second option is to place it within a line department giving it operational rather than a strategic role. The third option is to place the unit in a planning and development department where the focus is on the development of a policy

agenda through such department's integrated development planning functions (Applied Fiscal Research Centre, nd:5).

When a local municipality does not have the resources or required staff to operate such a unit, they may explore other options. These include the appointment of an LED coordinator who would report to the municipal manager on matters pertaining to local economic development and to co-ordinate local economic development programmes across the municipal departments. Local governments could also decide to appoint an LED consultant, establish an LED management team or request members of the community to serve on community-based committees dealing with local economic development (Applied Fiscal Research Centre, nd:5).

In terms of the municipal structure, LED implementation is delegated by the Municipal manager to a specific senior manager in the LED department whose responsibility is to account for all local economic development activities in a municipality. Malefane (2009) contends that the current structuring of LED implementation within municipalities is ineffective; it is not flexible, it is too specialised, control-based and therefore fails to achieve integration of municipal programmes. The current municipal structure is ineffective because it fails to identify LED as a cross-cutting municipal development intervention. This inability has led municipalities to fail to offer municipal communities a representative outlook on, or diversity of economic development opportunities. In this way, local economic development is then simply reduced to those economic development opportunities that are sourced from a single municipal department. This system of implementation has resulted in fashionable economic development patterns (for example tuck shops, carwashes in townships and small community farming projects in rural areas), for which the impact is small. In terms of local business development, business opportunities are concentrated on major and dominant sectors of the local economy, and there is no mix.

The system has had no influence in linking big business with small and developing local entrepreneurs. To be effective, local economic development implementation has to be considered as a municipal-wide intervention. This is because local economic development, by its rightful nature, is a cross-cutting intervention and intends to respond to social, economic, natural, and physical and many other needs in a municipal area of jurisdiction. The rightful way in which all municipal departments can be held accountable for the implementation of LED is to inscribe a key performance area in the performance contracts of all senior municipal executives and their performance should also be evaluated from time to time (Malefane, 2009:116).

A community development trust is a further institutional option that could be explored for local economic development. A community development trust in local economic development acts as a channel of funds for the purpose of implementing and developing local economic development initiatives. Such a trust is established when a founder or donor relinquishes the control of funds to another party who then administers the fund for the purpose of local economic development (Department of Provincial and Local Government, 2000 (a):10).

An option that a local government may consider is the establishment of a Section 21 company. Such a company is a non-profitable institution to promote a cultural, social or group interest in terms of local economic development. A typical Section 21 company will therefore consist of three or four representatives each from local government, business and community organisations. The company is also equipped to execute a wide range of local economic development activities for example securing funding from a range of sources and also interact with many stakeholders to develop local economic development initiatives (Department of Provincial and Local Government, 2000 (a):15).

3.9.5 Enabling, training, integration and democratising role

Sykes (1982:316) argues that to enable means to empower, authorise or to make possible. In terms of local economic development, the enabling role of local governments would therefore require an environment conducive to the promotion of local economic development. There are other plausible strategies that can be considered for the promotion of local economic development. The first step is to create a democratic environment for the LED process. This has already been achieved through the formalised legislative structures established by the national government for the process of local economic development. One strategy includes the consideration of legal constraints (by-laws) that inhibit the ability of local governments to democratise the LED process. An investigation launched in 1983 by the City Engineering Department of the Durban City Council determined, for instance, that informal trading was restricted through the existing by-laws and the informal trading was regarded as an illegal activity. One of the conclusions of that investigation was that the Council should recognise the importance of street trading and that its status as an illegal activity should be reconsidered. In an attempt to democratise informal trading, the Council introduced a vending licence system which was a much simpler way through which informal traders could become legal traders (Odendaal, 2000:230).

The second step is to empower local governments through training but also to develop the skills of local communities through training in the process of local economic development. Training should also be an integral component of the integrated development plan of a local government. One of the key components of the integrated development plan should be a skills development plan. The multi-dimensional and multi-sectoral nature of local economic development requires local governments to act as integrators of local economic activities. The integration of local economic activities should therefore be considered the third step towards the creation of a conducive environment for the promotion of local economic development (Odendaal, 200:231). To integrate means to combine into a whole (Sykes, 1982:521). Integrated development plans are useful tools to combine

all activities related to local economic development together into a whole. Integrated development plans are powerful tools to pull all the strategies of all stakeholders together to ensure an integrated, coordinated and streamlined local economic development process (Odendaal, 2000:231).

The success of local economies depends heavily upon their capacity to establish and maintain effective linkages with dynamic centres of the global economy (Hindson & Vicente, 2005:14). Bartik (2003:39-40) describes the advantages of LED in collaboration with the private sector as the availability of additional funding and more strategy choices. However, he warns that if the local government is contributing to the LED effort financially, the advantages of the development must justify the public expenditure. This requires a delicate balancing act between public and private interests in the public-private partnership. As a role-player in LED, the private sector brings critical elements to the table. As most of the productive resources in the area are controlled by the private sector, their buy-in and support of the LED strategy will, for example, ensure that these resources will be managed in a manner that promotes the objectives of local economic development; the private sector often has access to more financial resources and more freedom in how to apply these resources. Attaining access to these resources will provide the necessary viability to physical and human development projects. Businesses will generally support those strategies and interventions that provide them with direct opportunities for greater profit. It may prove a significant challenge to convince business to invest in strategies that will improve the general economic environment and provide only indirect return on investment. An associated challenge is the short time frames within which the private sector operates as opposed to the longer time frames associated with development. For a business, LED is only attractive if it leads to visible improvements within a short period of time (Meyer-Stamer, 2003(b):11).

The private sector brings in business sense and experience to LED projects, skills often lacking in the other sectors in the process. However, Meyer-Stamer warns that business associations and chambers in developing countries often are little more than clubs of business people, with little in terms of professional capabilities and services for member companies (Meyer-Stamer, 2003(a):12-13). The critical expertise needed for LED may therefore not always be found in the local business chamber, but needs to be actively sourced from the greater business community (Rabie, 2011:224). Some institutions in the private sector play a more direct support role in the development of the local market and environment. These include institutions involved in training; market research; economic or agricultural sector research; export and import broker agencies; technology development and extension. These support institutions may play a very direct role in LED and should be involved in the effort. In this context, the government may co-fund the services rendered by these institutions to increase the affordability of such services to the local business community (Rabie, 2011:225).

3.10 Partnerships

Partnerships are defined as collaboration among municipalities, the private sector and civil society to commit to work together on a project or programme to pursue common goals and in which the different partners bring complementary resources, contribute to the design of the programme and share risks and benefits (Stibbe, 2008:4). Partnerships are the vehicle for expanding the involvement and role of the private sector in LED. Currently, the promotion of partnerships is acknowledged to be a key facet of LED and recognised as such by several donor agencies including the International Labour Organisation (Christensen & Van der Ree, 2008).

Marais (2008, 1) partnerships are often regarded as a *sine qua non* for local economic development and there are cogent reasons to structure LED projects around partnerships, especially where the underlying rationale is to develop the second economy. The new shift in LED offers tremendous opportunities for

partnerships revealing an intrinsic overlapping interest between business and the public sector (Stibbe, 2008:3). In theory, partnerships promise benefits arising from economies of scale, and the sharing of resources and commitment and enthusiasm (Marais, 2008:2). Through building of partnerships the advantages of the private sector are dynamism, access to finance, knowledge and technologies, managerial efficiencies, and the entrepreneurial spirit are together combined with the social responsibility, environmental awareness, local knowledge and job generation concerns of the public sector (Bennet et al., 1999:25).

The benefits of partnerships are, *inter alia*:

- I. that they can lever innovative approaches to LED; easy to establish and equally can be used closed down with little administrative cost or expense;
- II. they harness the power of different sectors to provide the opportunity to do local economic development better;
- III. they offer a mechanism to enable each partner to share its own specific competences and capacities to achieve common and complimentary goals more effectively; provide access to more resources from technical knowhow, human resources, social capital as well as financial resources;
- IV. they offer a platform for increasing and improving the participation of civil society and business in local affairs;
- V. they improve transparency and accountability between partners;
- VI. all partners to gain a better understanding of each other in terms of building bridges between each other; and offer possibilities for greater long-term sustainable economic development (Stibbe, 2008).

The record of partnerships in South Africa is uneven with both positive and negative experiences. One negative experience of partnerships is recorded in the

European Union supported LED Gijima projects in KwaZulu-Natal (Marais, 2008). The Gijima partnerships constituted an input requirement with which Gijima projects had to comply if they were to be provided with grant finance. It observed that public-sector beneficiaries generally created partnerships with organised business, mainly local Chambers of Commerce and non-governmental organisations. The findings of Marais (2008:6) suggest that the partnerships were ad hoc and that there was little evidence to suggest that these partnerships, which were initiated on a project by project approach, were further developed into any long-term arrangement for promoting LED in KwaZulu-Natal.

In terms of successful LED, examples of Cross-Sector Partnerships relate to the development of tourism routes. The case of the Midlands Meander, as already discussed, is the flagship South African case of how the private sector conceptualised and developed tourism as a once marginal economic sector and transformed it into the lead sector for LED. Leadership for development of this route tourism initiative has been provided by the Midlands Meander Association. The successes of the Meander are based on a combination of factors such as the ability of having clearly identified unique selling point to establish the route, namely Cottage industries in the country. The area has evolved a wide range of complementary products that add value to the generic product. The Midlands Meander Association successfully overcame fragmentation, developed capacity and mobilised a range of diverse stakeholders including local government, to collaborate for development of the local economy (Lourens, 2007). In this context, the local municipality played a critical facilitative role in support of the Midlands Meander in terms of forging linkages between various spheres of government relating to particular tourism development issues such as road signage (Rogerson, 2009).

There are other difficulties associated with the forging of partnerships. Essentially, the public sector believes that business is anti-poor and business believes that

government is welfarist and anti-profit in its outlook; both groups speak different languages, and mistrust is premised upon divergent ideological beliefs and different priorities (Hadingham, 2008). Private sector apathy towards local government-led LED initiatives has been augmented by its experience of local government bureaucracy, red tape and unproductive meetings where much is promised but little of benefit to the private sector is actually produced (Lawrence & Hadingham, 2008:44).

Local governments tend to concentrate overly upon aligning local planning processes with provincial and national guidelines resulting in a tendency to overlook the potential quick wins that might arise from reforming the demand side of the local business environment (Christianson, 2008). 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 area are and which of them can be ameliorated at a local level and then work out a reform programme (Christianson, 2008).

PART II

3.11 World Bank Local Economic Development Model

According to the World Bank (2005), ideally, the development of Local Economic Development strategy should be an integral part of the broader strategic planning process for a subnational region, city, town or rural area, as already intimated. Sound local economic development strategic planning ensures that priority issues are addressed and scarce resources are well targeted. The five-stage approach incorporates: organising; conducting the local economic assessment, developing the Local Economic Development strategy; implementing the Local Economic Development strategy and reviewing the Local Economic Development strategy.

The funding of the Local Economic Development strategy is also a key consideration. The five-stage local economic development strategic planning process should be tailored to correspond with other local planning processes (World Bank, 2005). The World Bank local economic development model is considered one of the crucial benchmarks against which the assessment of local economic development strategies can be undertaken with a view to examining their efficacies within local governments. A discussion of the five-stage approach follows:

Stage One: Organising

A community begins the local economic development strategy process by identifying the people, public institutions, businesses, community organisations and other groups with interests in the local economy. This is often led by the local government, usually the mayor or chief executive. The skills and resources that each of these stakeholders bring to the strategy process provide a critical foundation for success. The identification of these individuals and organisations assumes some basic knowledge of the workings of the city economy. A resource audit is a necessary input to the strategy, and should include the identification of financial, human and other capital resources that contribute to the local economic development strategy. Working groups and steering committees can be established to ensure that both formal and informal structures are in place to support strategy development and implementation.

Stage Two: Conducting the Local Economy Assessment

Each community has a unique set of local attributes that can advance or hinder local economic development. These include its economic structure, its human resource capacity to carry out economic development, and how conducive the local government investment climate is to economic and business activity. The aim of the local economy assessment is to identify the community's strengths and weaknesses including its human resource capacity, local government's friendliness to all types of business activities from corporate to informal, and the opportunities

and threats facing the local economy. The goal of the assessment is to create an economic profile of the community that highlights the basis of its comparative and competitive advantage in relation to neighbouring communities and other regional, national and international competitors.

Stage Three: Developing the Local Economic Development Strategy

As part of the local economic development strategy, a shared vision for the community and local economic development goals, objectives, programmes, projects and action plans will be developed. This process ensures that all major stakeholder groups are given the opportunity to define what is to be achieved, how is to be achieved, who will be responsible and the timeframes associated with the implementation of the local economic development strategy. Most importantly, the local economic development strategy and action plans must be finely assessed against the staff resource capacity to carry them out, as well as the budgetary constraints. Ultimately, the strategy's action plans should be incorporated into the work and budgetary programme of the local authority, and appropriate elements taken on by other stakeholder groups. The aim is to leverage strengths, overcome weaknesses, exploit opportunities and deal with threats.

Stage Four: Implementing the Local Economic Development Strategy

Strategy implementation is driven by the local economic development action plans. Ongoing monitoring is provided through the formal structures identified and created in step one, and evaluation of specific project outcomes ensures that the strategy continues to lead to the achievement of the local economic development vision, goals and objectives. In undertaking strategy implementation, it is important to identify and establish the appropriate institutions to carry out the plans.

Stage Five: Reviewing the Local Economic Development Strategy

Good monitoring and evaluation techniques help to quantify outcomes, justify expenditure, determine enhancements and adjustments, and develop good practices. This information also feeds into the review of the complete local

economic development strategy. The strategy should be reviewed at least annually to ensure that it remains relevant. It may be that conditions have changed or that the initial assessment was incorrect to the local conditions. The local economic development strategy should evolve continuously to respond to the ever changing competitive environment.

The next section provides a broad overview of local economic development policy development in South Africa. Thus, the form and content underpinning local economic development policy frameworks are discussed.

3.12 Overview of LED policy development

The South African LED approaches towards thinking about and planning LED have traditionally been strongly influenced by the experiences of Britain and the United States of America (USA) and followed the World Bank LED model, where a substantial body of literature on the subject had appeared, and by Austria, where the response to declining small towns had close parallels in South Africa (Harrison & Naidoo, 1999). The historical evolution of LED policy in South Africa has been marked by the formulation of several significant policy documents in the early 1990s (Nel, 2000). In 1994 the private sector think tank, the Urban Foundation, now the Centre for Development Enterprise, prepared a policy document which strongly reflected and advocated the adoption of Western European and North American LED experience. By contrast, in 1995 the South African National Civics Organisation published their own strategy document which advocated community-based dimensions of LED (Nel, 1995). During 1996 the National Business Initiative, in collaboration with the RDP-Ministry, published an LED manual which straddles both community-oriented strategies and neo-liberal principles of independent policy action (Nel, 2000).

Since 1995 policy leadership in developing a national framework for LED has been assumed by the Department of Cooperative Governance and Traditional Affairs (formerly the Department of Provincial and Local Government) which has produced a series of policy statements. The legislative and policy context for LED has been shaped by several key pieces of legislation. First, the 1996 *Constitution* recognises the significance of local government in the statement that: A municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community. Secondly, the 1998 *White Paper on Local Government* conceptualises the notion of developmental local government which is defined as Local government committed to working with citizens and groups within the community to find sustainable ways and means to meet their social, economic and material needs, and improve the quality of their lives. Thirdly, the *Local Government Municipal Systems Act* of 2000 made the pursuit of Integrated Development Planning (IDP) a compulsory activity for local government and legislated a number of key LED functions and responsibilities (Van der Heijden, 2008).

The basic aim of the *Municipal Systems Act, 2000*, is to provide for the core principles, mechanisms, and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities. One important aspect of this Act is that it enables municipalities to establish service utilities to contract out services under certain circumstances. This enablement has laid the foundation for the development of a customised model of Special Purpose Vehicle to drive LED at the local government sphere in accordance with international best practice and supported by institutions such as the Industrial Development Corporation (IDC, 2009).

The period 2000-2005 is notable for the first attempt made by the Department of Cooperative Governance and Traditional Affairs (formerly Department of Provincial and Local Government) to prepare a LED framework document. Two significant

milestones were the 2001 LED Policy paper titled *Refocussing Development on the poor* and the 2002 Draft LED Policy Document. It was argued in the 2002 draft LED policy document that LED activities should be anchored most firmly upon the developmental and pro-poor responsibilities that have been given to municipalities (Bond, 2002). The document rejected orthodox LED approaches which it viewed as both reflecting corporate-dominated power relations, but in part also reflects the failure of some municipal officials to give more attention to sustainable development (Bond, 2002:6). Thus, it was argued that the document offered a bottom-up approach to LED which was viewed as both challenging the World Bank economic development paradigm and directing a community-based approach associated with a new and more sustainable paradigm. At the core of this sustainable paradigm the importance of working with low-income communities and their organisations was stressed. Patterson (2008:7) considers that the Draft LED policy emphasised a more community-oriented approach to LED. In clear terms, the proposed LED approach explicitly aims to link profitable growth and redistributive development (Bond, 2002:5).

The pro-poor focus of the policy paper with its anchor upon infrastructure-provision in poor communities marked a significant departure from the international policy mainstream. This pro-poor LED policy document challenged the directions of conventional LED programming, advocating a holistic and people-centred approach to LED. The second LED policy guideline entitled *Policy Guidelines for Implementing Local Economic Development in South Africa* and issued at the end of 2005 addressed poverty and economic development from almost the opposite perspective. It rejects the concept of community economic development and places enterprise development with broad-based Black economic empowerment as the main focus of the LED policy. It advocates a shift away from an isolated project-based approach to LED to rather support productive networks of enterprises linked to broader initiatives and markets (DPLG, 2005a). The central focus of LED must be creating an ideal environment for private sector investment through appropriate public sector investment (DPLG, 2005:5).

LED interventions are to be based on real needs and competitive advantages of the locality and promote enterprises that are job creating, promote environmental and ecological sustainability, promote social development and support broad-based black economic empowerment (DLPG, 2005:4-5). In addition, it advocates a government-wide approach to development and supporting robust and inclusive local economies by aligning national and provincial spatial plans with local Integrated Development Plans (DPLG, 2005:5). The 2005 Guidelines focus specifically on integrating the first and second economy and emphasises territoriality and competitiveness in creating a local competitive advantage (Hindson & Vicente, 2005:5-6). The document also attempts to explain that, while LED is not listed as a function of the municipality in the Constitution, municipalities play a facilitative role in connecting and synergising local resources in the locality to promote LED (DPLG, 2005:9).

The strongest critique against the 2005 Guidelines is that it placed the central government, and to a lesser extent provincial government, at the centre-stage for driving local economic development through national initiatives and funding: It gives the national government the driving role in LED. It presupposes that the central state is in the best position to analyse, quantify, package and communicate opportunities to all other actors. This is in stark contrast to the rationale for LED, which is that local players are best positioned to assess local needs and opportunities (Hindson & Vincente, 2005:32).

This above-mentioned approach runs counter to some important international trends, in which LED promotion is closely associated with political decentralisation, in which local actors and local resources are given centre-stage (Hindson & Vicente, 2005:32). A second point of critique is that the role players in the LED process, namely, business and business associations, communities, community-based organisations and non-governmental organisations and specialist

service providers were not clearly specified in the guideline (Hindson & Vicente, 2005:36).

The period 2005-2007 marked a new and significant watershed in the history of LED policy frameworks in South Africa (Rogerson, 1999:17). After almost 10 years of LED being a statutory requirement for local municipalities, the DPLG released an official statement of common understanding and goals for LED which provides local government with a definitive set of guidelines for its activities (DPLG, 2006). The release of the 2006 framework document, entitled *Stimulating and Developing Sustainable Local Economies*, confirmed what Nel and Goldman (2006) identified as a new policy maturity surrounding LED policy frameworks in South Africa. The document offers a vision for promoting robust and inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives (DPLG, 2006).

The core guiding principles are defined as follows: government has a decisive and unapologetic role to play in shaping the economic destiny of our country; government should create conducive economic and social environment to facilitate the creation of employment opportunities; locally-owned, appropriate and sustainable solutions and strategies must be developed in support of national frameworks; localities are connected to a global world and must manage risks and exploit opportunities; and private companies, as the core of the economy, have a crucial role to play as partners in stimulating robust and inclusive local economies (DPLG, 2007:7).

The framework identifies the primary focus of municipalities in promoting the local economy as providing infrastructure and quality services; managing spatial policies; efficient and effective land-use regulation and development applications;

managing service tariff policies; managing a progressive property tax system; and marketing the territory (DPLG, 2007:19). It explains that municipal functions such as infrastructure development, service delivery, municipal financial viability and local economic development are interdependent and that municipalities should develop strategies and management practices that take on a holistic and integrated approach (DPLG, 2007:20).

The framework also identifies four interrelated key strategic interventions in attaining the vision of robust and inclusive local economies aimed at stimulating additional investment in local economies as a basis for sustainable growth. The first of the strategic interventions relates to the focus on improving good governance, service delivery, and public and market confidence in municipalities. Municipalities will focus on providing good local governance, reliable and effective services and sound administration (DPLG, 2007:23). The other interventions are very definite in actively managing and steering LED through specific effort and interventions. The second intervention specifies that spatial development analysis and planning should be undertaken to identify and allow for the exploitation of the comparative advantage and competitiveness of the specific locality. The aim should be to heighten growth in those areas growing above the national average and in sluggish areas, and to arrest the decline of the negative growth areas by putting in place the conditions for turnaround that would point to minimum critical infrastructure investment (DPLG, 2007:23, 24).

Thirdly, municipalities should intensify enterprise support and business infrastructure development in local areas. Business development should be a part of the customised sector programmes and monitored. Business development interventions are linked to productivity, skills development, and technology choices. Finally, municipalities should introduce sustainable developmental community investment programming to enable moving beyond project-based

community economic development to a more empowering approach that systematically build community competence and capacity (DPLG, 2007:23, 29).

Rabie (2011:240) argues that following the 2009 national elections and the resultant change in ministries and government structure, the functions of the former Department of Provincial and Local Government were conferred on the Department: Cooperative Governance and Traditional Affairs (CogTA). The new department issued the CogTA Turnaround Strategy (2009) to overcome service delivery problems at local government sphere. With regard to LED, it gives local government the responsibility of developing an LED support programme that works with Ward Committees in facilitating ward-based economic planning and delivering at least one economic product per ward (CogTA, 2009:38). Rabie (2011:241) notes that the various LED policies differ dramatically in terms of what LED entails and what the focus of LED efforts should be, ranging from a facilitative governance approach, where everything the municipality do has an economic impact, to a specialised LED approach where municipalities should develop specific strategies and interventions that provide specialised support to the private sector and local communities to ensure that the competitive advantage of the area is fully exploited in an inclusive, sustainable and robust manner. The LED approach of the policies transcends from community-driven development as prevalent in developing countries to business or market-driven development glaring in developed countries.

The other problematic area evident in the various LED policies relates to delineation of roles and responsibilities among the different spheres of government and agencies. Rabie (2011:242) states that, at times, local government is seen as the main driver, with national and provincial government providing support and aligning to Integrated Development Plans. At other times, local government is not in the driving seat, but is seen as an implementing extension of national government priorities at local level. This glaring confusion within the policy

framework places local governments in a predicament as they are expected to turn around current service delivery and governance problems and simultaneously embark on complex and sophisticated economic planning that will enhance their locality in the context of provincial and national spatial and economic development strategies. This is presented in the absence of dedicated financial resources for LED at the discretion of the municipality (Rabie, 2011:242). The conclusion from this analysis is that the contradictions between and within documents will probably result in municipalities adopting LED strategies that may render little result, but provide reading material for the auditor general and possibly avoid audit qualifications (Rabie, 2011:242).

The 2006 Framework also provides the overarching context within which the roles and responsibilities of different LED stakeholders can be situated. In the 2005 Policy Guidelines issued by DPLG (2005) the role of national government is described as that of coordinator of public policies and of investment programmes. In the 2006 LED Framework it is explicitly stated that the function of national government is to assist and create the conditions for local action to emerge and grow (DPLG, 2006a). In relation to the practice of LED the activities of Cooperative Governance and Traditional Affairs department are at the core of national government programming. The Department has a Chief Directorate which is dedicated to LED as well as operating several programmes with strong LED links. The department's LED Chief Directorate affords support in the following activities: development and review of national policy, strategy and guidelines on LED; providing direct and hands on support to provincial and local government in selected cases; management and Technical Support to Nodal Economic Development Planning; facilitating coordinating and monitoring of donor programmes; and assisting on LED capacity building processes (Rogerson, 2009:20).

Historically, the role assumed by the department of Trade and Industry (dti) in LED programmes has been considered to be at odds with that of Department of

Cooperative governance and Traditional Affairs. Patterson (2008:4) points out that the approaches of both departments are based on conflicting paradigms and have been pulling in different directions; one towards a focus on poverty alleviation within poor communities, and the other towards engagement with global economic forces through means to enhance competitive advantage. The Department of Trade and Industry does not currently have a formal policy statement or position document on LED (Masotja, 2009 in Rogerson, 2009). It does, however, support the principles outlined in the draft Regional Industrial Development Strategy (RIDS) issued in 2006 by Department of Trade and Industry.

Masotja (2009) argues that the Department of Trade and Industry supports the implementation of the LED National Framework as a policy guide and the mandate of the department is that of policy support and development, capacity building amongst others in the area of LED planning, partnership building, facilitation of the implementation of LED interventions, and on-going LED support. The other aspects of the department's mandate which impact on LED include industrial development, sector development, customised sector support, investment and export promotion.

The Draft Regional Industrial Development Strategy states that in line with the Key Performance Areas of the five year local government agenda, the Department of Trade and Industry should focus on the following interventions for LED:

- I. Building systemic competitiveness in District municipalities and assist in the development of credible LED planning; building capacities in municipalities;
- II. Supporting the development of implementable LED plans that are aligned with Integrated Development Plans by building industrial and sectoral analysis capacity within poor District municipalities;
- III. Providing LED institutional support at the District municipal level through the development of regional growth coalitions;

- IV. Assisting municipalities in the development of effective regional industrial road maps (regionally based economic development strategies) and business plans through the Regional Growth Coalitions;
- V. Prioritising LED interventions in Provincial Growth and Development Strategies; development of 52 district and metropolitan municipal profiles; support to municipalities with respect to the identification of industrial potential and areas and sectors of economic decline; and
- VI. Aligning regionally based economic development strategies and economic profiles to spatial economic direction provided in the National Spatial Development Perspectives; and alignment of LED to regionally based economic development strategies to national strategies such as the National Industrial Policy Framework and the Industrial Policy Action (DTI, 2006:37).

The role of the Industrial Development Corporation (IDC) is also situated within the provisions of the *Municipal Systems Act* of 2000. The Corporation has taken on responsibility for supporting a network of Local Economic Development Agencies. It is stated that the Corporation in terms of its own development agenda has identified development agencies as a means of facilitating development in communities and, based on studies of international best practice, is prepared and committed to helping municipalities establish such agencies through the Agency Development and Support Unit, which is tasked with leveraging the development and job creation potential inherent in various geographical areas, particularly those falling outside the industrialised zones. The mission of the Unit is to provide funding and support to local government for the identification, facilitation, development and promotion of sustainable integrated local economic development opportunities and potential through the establishment of focussed municipal entities (IDC, 2009:2, Bartlett, 2009a).

The 2005 LED Policy Guidelines set forth key roles and responsibilities for the provinces and local government. The role of provincial government is seen as follows: to assume a coordination role taking responsibility for resources allocated from national to provincial government and ensuring that these are correlated with the priorities of the various Integrated Development Plans; provinces should establish LED fora to carry out the work of the National LED Forum and establish dedicated LED units in provincial governments; provinces should assume a role in building capacities of municipalities to undertake LED and in supporting them in its implementation; the role of the Provincial Growth and Development Strategy (PGDS) is considered vital for the coordinated development of the local economy in the province (DPLG, 2005:20).

Rabie (2011:257) asserts that a fundamental mind-set shift is required in the conceptualisation of intergovernmental relations away from a centrally driven strategy, to a locally driven, bottom-up formulated strategy supported by top-down responses. While this approach is in line with international best practice in LED, it necessitates a capacitated, motivated local government to take the driving seat for development, an aspect that cannot be taken for granted in many smaller local municipalities in South Africa where the ability to deal with assigned mandates is missing.

The former Department of Provincial and Local Government (DPLG) 2005 Guidelines for implementing local economic development states that municipalities are the appropriate territorial areas for developing the local economy as they contain sufficient critical mass of economic activity to enable the development of viable economies. The United Nations Millennium Declaration on Cities and other Human Settlements states that cities and towns hold the potential to maximise the benefits and to offset the negative consequences of globalisation. Well managed cities can provide an economic opportunity capable of generating

employment opportunities as well as offering a diversity of goods and services (Nel & Binns, 2003:168).

International best practice research indicates that local government, in collaboration with the local community, is in the best position to recognise local economic development potential and devise appropriate strategies to realise this potential. However, in communities and local municipalities where capacity and knowledge constraints exist, this assumption that local knows best becomes questionable. The scope of leadership by local government is also restricted by the legislative framework within which this role is undertaken. South Africa's Constitution stipulates the independent authority of each sphere of government, but cooperative governance at the same time bears similarity to a centrally-driven, unitary state (Rabie, 2011:258).

The former Department of Provincial and Local Government 2005 LED Guidelines instruct that local government should render operational the local socio-economic environment in order to stimulate and facilitate the creation and the development of local economic activities. Rogerson (in Nel & Rogerson, 2005:80) states that local government should promote access to municipal services, while Helmsing (2003:68) emphasises provision of appropriate and reliable basic infrastructure such as electricity. The economic growth of an area depends upon the quality of policies and management that affect the availability of electricity, water, sanitation, and transport and telecommunication infrastructure. Factors that affect labour productivity include housing, health and education services, skills availability, security, training opportunities and public transport (Bertlesmann Foundation & World Bank's Cities of Change Initiative, 2002:7). The hard and soft infrastructure provides the backbone to creating a successful economic environment and is increasingly as a result of decentralisation, becoming the authority and responsibility of local governments (Bertlesmann Foundation & World Bank Cities of Change Initiative, 2002:7).

There other fundamental roles that local government will need to fulfil in order to realise local economic development objectives include the following: regularly analyse the local environment. Enhancing the competitiveness of an area requires in-depth understanding of the strengths, weaknesses, opportunities and threats, as these form the basis for a local economic development strategy. The contribution of local governments lies within their ability to assess the needs of their local area, to devise a strategy that effectively meets those needs, and to demonstrate the management skills and professional expertise to administer the programme effectively (OECD, 2005:224). Local government should also promote the development of social capital through encouraging and developing the presence and capacity of all relevant collective stakeholders in the local economy, for example, Chambers of Commerce, organised communities, non-governmental organisations and others (Fray, 2006). It is also important that economic growth converts into poverty reduction. In this context, local government must develop a spatial plan that addresses past inequalities and integrates sustainable human settlements; expand employment opportunities to poorer groups; assist the informal economy and urban agriculture; promote labour-based public employment (Rogerson in Nel and Rogerson, 2005:80; Fray, 2006).

The 2005 LED Policy Guidelines provide a valuable check list of the responsibilities of municipalities in LED in terms of the following listed issues (DPLG, 2005:22-23): earning the hallmark of a capable municipality; emerging with innovative solutions to local challenges; improving financial viability; learning to effectively market the local area; dealing effectively with local level crisis and or structural economic changes; addressing localised socio-economic challenges and promote LED whilst contributing to broader national socio-economic objectives; mobilising local resources effectively; encouraging local initiative; building social capital; creating the conditions for local action to emerge; seizing development opportunities; tapping into networks, programmes and funds; inserting the locality into the global economy as a key centre of production, investment and innovation; plugging leaks in the economy; and developing local skills.

The Development Bank of Southern Africa (DBSA) is another key strategic partner in LED. The Bank's mandate is to accelerate socio-economic development through the financing of physical, social and economic infrastructure. Essentially, the Bank assumes multiple roles as financier, advisor, partner, implementer and integrator to mobilise finance and expertise for development projects (Patterson, 2008:13). In relation to LED, the Bank is assuming a crucial role in providing funds to support an integrative approach that deals with what are considered as critical capability gaps for the development of LED strategies (DBSA, 2008). During 2007 the Bank initiated a process to establish a Local Economic Development Fund with the objective of unlocking economic potential within identified localities to drive shared growth. This is to be achieved through six sets of activities (DBSA, 2008): developing the requisite strategic framework or LED strategies; leveraging economic infrastructure to stimulate economic activity and nurture social inclusion; closing funding gaps by initiating a funding vehicle that combines different sources and levels of risk and debt capital aimed at financing socio-economic development at cost levels that underpin financial viability of the recipient entity; collaboratively mobilising stakeholders to leverage private sector participation; promoting collaborative networks and building lasting social compacts; nurturing, building and managing relationships crucial to the achievement of national development goals; and building institutional capacity, through the offering of the Bank's Vulindlela training programmes and through building university partnerships (DBSA, 2008).

Although the national government has put in place various policies and guidelines underpinning the implementation of LED in South Africa, the implementation process continues to be fraught with difficulties and challenges. The *Report on the Strategic Review of Local Government in South Africa* presented before the Minister of Cooperative Governance and Traditional Affairs in 2009 offers numerous challenges related to LED policy implementation which pertains *inter alia* to:

The need for national government to provide clarity as to the meaning of LED, especially to guide small town and poorer municipalities

The important question that still requires clarity is should LED initiatives have a competitive or a welfare focus? It is evident that whilst both approaches, that is, the competitive approach versus welfare approach, pro-growth versus pro-poor; market-orientated versus market critical are required there has been insufficient clarity or policy leadership given by national government to local governments in order for them to determine which is the preferred approach (Nel & Rogerson, 2005; Nel & Goldman, 2006). Whilst there is also agreement on the desired outcomes of LED such as reduced poverty and more jobs, there are considerable differences in outlook between what the role of local government should be in achieving these outcomes. One issue dominating the debate is essentially between those who believe that local government should provide a direct solution through supporting projects for job creation or others who advocate for an indirect solution through creation of an enabling environment (Rhodes University et al., 2006; Rogerson, 2008).

The 2006 former Department of Provincial and Local Government policy framework and 2005 Policy Guidelines point to an important shift in how local governments should approach the achievement of economic growth and poverty eradication (Rogerson, 2009:51). In many respects the 2006 policy framework is an unhappy compromise which offers local government elements of both competitive and welfare focus towards LED. The 2005 Policy Guidelines refer specifically to the divide between first and second economies and make targeted support for the second economy a priority. Overall, in terms of guidance to local government on the balance between a competitive versus poverty focus, national government through the Department of Co-operative Governance still has not given clear leadership (Cohen, 2009).

Van der Heijden (2008:12) argues that the whilst current national government's approach makes clear that LED is not about *ad hoc* community economic development projects, the majority of the LED strategies contained in the 2008 Integrated Development Plans from smaller local municipalities are almost entirely project-focussed and in the amidst of conflicting signals and lack of clarity of direction from national government it is not always clear to many smaller local municipalities what their planning priorities should be (Van Heijden, 2008:12), and also of how they should go about promoting LED (Trah & Wegmann, 2009). In the absence of a clear message filtering from national to local spheres of government the consequence continues to be confusion at the street-level as to which policy approach should be given preference (Cohen, 2009).

The need for greater integration and cooperation between both LED stakeholders and sector departments involved in implementing LED

Beyond the sharper definition of roles and responsibilities, strategic and sectoral integration remains another essential challenge for moving forward with LED (DBSA, 2008: Lamshead, 2009). The lack of an integrated approach to the delivery of LED remains a systematic weakness (Lamshead, 2009). LED can be achieved only through the action of developing infrastructure, the establishment of market related skills, support for entrepreneurship and small, medium and micro enterprises as well as the creation of an enabling environment for private sector investors. For these to be delivered, an essential requirement is for national government to go beyond special projects for LED and instead consider LED at the local level as a significant goal and objectives of policies they pursue (Rogerson, 2009).

At the level of intergovernmental relations, the central issues relate to the ability of responsible departments to forge interorganisational relations in respect to implementation of local economic development. For instance, since 2007 the departments of Trade and Industry and Cooperative Governance and Traditional

Affairs have been involved in bilateral discussions and proposal on collaboration for partnership. There are other several departments implementing projects that have direct implications for LED, namely, the national department of Agriculture which has programmes with direct ramifications for LED and should be linked into Integrated Development Planning processes, and the department of Mineral and Energy has prescribed the production of Social and Labour Plans as a prerequisite for the grant of mining rights in terms of the *Minerals and Petroleum Act* of 2002. The Social and Labour Plan requires enterprises seeking mining and production rights to develop and implement comprehensive Human Resources Development Programmes including Employment Equity Plans, LED programmes and processes to save jobs and manage downscaling and closure (Chhagan, 2005; Rogerson, 2009).

Building upon this form of sector integration, the National Joint Programme of Action for LED was proposed in 2008 to involve the department of agriculture, mineral and energy as well as the trade and industry and cooperative governance and to form a potential basis for sectoral integration (DPLG, 2008a). However, a joint programme has not yet been put in place due to lack of capacity on the part of the department of co-operative governance and traditional affairs to develop institutional arrangements for this programme (Mitchell, 2009).

The appropriate scaling of LED

There is a lack of awareness and understanding of the most appropriate scale for doing LED (Rogerson, 2009:53). LED is about territorial economic development and the international experience points out to the fact that the defined territory for LED should be set at the scale of a functional economic area and one that facilitates the creation of trust, cooperation and innovation between all key actors (ILO, 2006). At the same time, DBSA (2007:4) emphasises that economic potential cross-cuts municipal or provincial boundaries which places a premium on the ability to capitalise on non-local relationships and understanding the role that

regional, national, continental and global processes play in shaping local economies (Rogerson, 2009:53).

It is also evident that there is little in current LED policies or guidelines that deal with the scale issue. It is observed that 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 the global economy (Van der Heijden, 2008:14). As a whole, this approach strengthens the tendency for the introduction of small project-based interventions rather than wider spatial interventions for LED (Rogerson, 2009:53).

It is apparent that many of the issues that make local LED planning limited in its successes could be addressed either by re-scaling LED or by forging more integrated and spatially relevant relationships between local, district and provincial governments in development planning (Van der Heijden, 2008). 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 province (Lamshead, 2009). To overcome this weakness, one key suggestion is that it would be more effective for LED practitioners to understand value chains, which are defined as a supply chain made up of a series of actors from input suppliers to producers and processors to exporters and buyers engaged in the full range of activities required to bring a product from its conception to its end-use (Kula et al., 2006:11). New research by the International Labour Organisation points to the imperative for combining LED with value chain development in order to strengthen local competitiveness and the integration of Small, Medium and Micro enterprises into markets (ILO, 2007). It is argued that LED practitioners should assess those value chains relevant for their own local areas, and on that basis identify potential opportunities for LED (Van der Heijden, 2008).

Revitalising the role of Provinces in LED

An important contribution can be made by the provinces in alignment and integration of 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 key tool for guidance, coordination and alignment is the Provincial Growth and Development Strategy (PGDS). It is stated that the cornerstone of an effective Provincial Growth and Development Strategy is a deep and thorough understanding of provincial endowments and assets, development potential, which should be spatially referenced (The Presidency & DPLG, 2005:2).

The Provincial Growth and Development Strategy represents the provincial perspective on where and what types of investment should be prioritised in different localities and as such should reflect national and sector strategies and their implications for geographical investment. The Provincial Growth and Development Strategy is a strategic document and whilst 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 alignment mechanism for LED (The Presidency & DPLG, 2005).

In terms of influencing LED, provinces have an important role to play in guiding local governments in the evolution of LED programmes through the Integrated Development Planning processes and more broadly in contextualising national imperatives and grounding them within the realities and specificities of each province. The Provincial Growth and Development Strategy furnishes an essential link between national and local development processes and can assume a pivotal role in influencing horizontal linkages within LED ensuring that development at the sub-provincial level takes place in an integrated manner. The Provincial Growth

and Development Strategy can ensure that development and infrastructure decisions are not limited to the perspective of a single district but instead are woven together to create a regional economic development perspective that reflects and addresses local concerns and yet neatly links with national economic planning (Lamshead, 2007). In 2007, the Minister for Cooperative Governance and Traditional Affairs drew attention to the need for greater work in the creation of credible growth and development strategies pointing out that only Limpopo, Western Cape and North West had strategies that could be defined as credible (Lamshead, 2007:2).

The challenge is therefore to reinvigorate the role of provinces in particular through making the Provincial Growth and Development Strategy a more influential tool in influencing LED strategies. Given the absence of a legislative requirement the Department of Cooperative Governance and Traditional Affairs could assume a strong influencing role in motivating provinces to produce strategies that contribute more comprehensive and credible guidance to local development processes. The Provincial Growth and Development Strategy should be an iterative process informed by credible Provincial Growth and Development Strategies providing inspiration to Local and District municipalities for LED planning and should also be informed by credible local municipality and district municipality LED planning (Lamshead, 2009).

Closing the gap in LED practice between that in large cities and in small towns and poorer municipalities

Large cities are adopting a different practice to LED as compared to that in smaller towns and areas. LED initiatives in smaller towns tend to be project-based, while those in large centres are increasingly focused on creating appropriate institutional market enabling frameworks (Van der Heijden, 2008:3). In larger cities the use of the terminology, LED, is often dismissed because of its negative connotations and instead the language of city development strategies is deployed. In large metropolitan areas the focus in LED in practice is on developing a more supportive

and competitive business environment, institutional support for competitive sectors or clusters, business retention, removal of red tape, and consideration of the introduction of local investment incentives. In addition, as larger cities and metropolitan municipalities have established effective LED networks with the private sector these have facilitated a more participatory approach towards strategy development and a focus on the different roles of LED for the private sector and local government (Rogerson, 2009:55).

In smaller centres LED is mainly concentrated on increased service delivery, extension of the social grant system, public works and small business development initiatives (Van der Heijden, 2008:3). The huge infrastructure backlogs, low tax base and capacity constraints in many areas result in weaker municipalities seeking to meet only immediate needs in terms of the provisioning of basic services (Patel, 2009). The 2006 LED survey in South African small towns revealed that despite nearly a decade of government encouragement only 48% of small towns had developed a defined LED policy, only 56% had established some form of LED unit and only 12% have a councillor with responsibilities for LED (Nel & Rogerson, 2007). In the absence of networks and little interaction between the local municipality and the private sector, the municipality interprets its role as participant, rather than a facilitator for LED (Van der Heijden, 2008).

By contrast, in larger cities LED departments are making remarkable efforts at outreach towards dialogue and constructing LED networks with the private sector. The differential practice of LED in large versus small towns is producing divergent economic growth performance. As the competitive approach of large cities towards implementation of more effective LED offers prospects for sustainable economic growth, the disjuncture between large centres and smaller towns is contributing further towards reinforcing existing spatial inequalities. Van der Heijden (2008:4) 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 view

their role as being on the side of the citizens as opposed to the side of formal business. In smaller centres there is a perception that the comparatively better economic performance of metropolitan areas is the result of structural and resource advantages rather than due to better LED practices and processes (Van der Heijden, 2008:13).

A central issue in closing the gap is to recognise the limitations of the one-size fits all approach (already intimated) and instead accept the need for a differentiated approach towards doing LED (Patel, 2009). The differentiated approach would acknowledge that not all municipalities will ever be in a position to undertake local development planning (Cohen, 2009). One vehicle for closing the gap between the practice of LED in large as opposed to smaller centres or less well-resourced areas can be through the establishment of Local Economic Development Agencies (Bartlett, 2009a). The agencies are targeted to operate in those areas which face huge challenges due to high levels of poverty and underdevelopment such as townships, rural areas, small towns and poorer provinces (IDC, 2008).

The record of local economic development agencies confirms 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:7). These agencies can be one part of a search for a more spatially differentiated approach to implementing LED and of narrowing the gap between the practice in LED in cities and the less well resourced areas of South Africa (Rogerson, 2009:57).

The need to disseminate good practice in LED

A number of shifts have occurred across the first decade of applied interventions and planning for LED (Nel & Rogerson, 2005). In many respects the shifts that have

been observed are a mirror of learning by doing and in some cases of learning from mistakes. In further narrowing the gap in practice between larger cities and less well-resourced and capacitated municipalities, there is a need to create awareness and disseminate more widely information about what does and does not work in the practice of LED in South Africa (Rogerson, 2009:58). One factor in the limited number of success stories of LED practice is the near complete absence of any monitoring and evaluation programmes to benchmark or gauge the performance of LED interventions (Rhodes University et al., 2006). Whilst there are isolated examples of successful LED in small towns or rural areas, the best illustrations of success are generally to be found in South Africa's largest cities, particularly concerning interventions for supporting small business development, including of improving the local business environment for the informal economy (Lund & Skinner, 2004). There other areas of noticeable LED success stories relates to the promotion of clusters and of support interventions for cluster development.

The documented experience of a number of clusters, most importantly of learning and cluster cooperation networks, such as the KwaZulu-Natal, Eastern Cape and Gauteng Auto Benchmarking Clubs, show positive advantages of firms cooperating horizontally to learn and upgrade their process manufacturing activities (Barnes & Morris, 1999). In particular the Durban Automotive Cluster represents a solid example of encouraging horizontal and vertical cooperation throughout the value chain (Morris & Barnes, 2004). The emphasis upon clusters engages directly for the first time with the significance of localised processes and networks in clusters for local and regional economic development (Rogerson, 2009:59).

The notion of clusters and LED support for clusters need not be confined only to manufacturing activities but also can be applied more widely to support other sectors. In tourism, for example, the planning of tourism routes is a direct parallel of cluster cooperation and involves cooperative planning arrangements and relationships between different localities in order for them to collectively compete

as tourism spaces (Lourens, 2007a). The competitive clustering of activities and attractions in less developed areas, stimulating cooperation and partnerships between communities in local and neighbouring regions with the objective of stimulating tourism-led LED is epitomised by the operations of the Midlands Meander in KwaZulu-Natal (Lourens, 2007a). Spatial networks here are constituted by packaging rural tourism products into inclusive and coherent routes through the use of themes and stories which will help to move the tourist around geographically dispersed attractions. Beyond tourism, the opportunities for using the principles of cluster development potentially can be applied to activities such as arts and crafts and creative industries as a whole (Rogerson, 2009:59).

The significance of improving the profile of LED and for greater professionalisation of LED

The limited success of LED projects with a welfare focus undermined the credibility and significance attached to LED by municipalities (Trah & Wegmann, 2009). As a result of the limited success of LED in South Africa the career path of LED 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 is reduced to function assigned to ineffective officials or only a stepping stone for competent local government personnel because of constrained career prospects (Nel, 2009).

By and large, there is absence of professionalism in LED owing to its poor career prospects resulting in LED not attracting or retaining the type of officials who might be able to combine business skills and public sector skills (Nel, 2009). The status accorded to the function of LED varies widely between different municipalities with implications for access to resources for staffing. LED is barely located in its own department often operating within a wider unit such as planning and community services. 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 as well as of what can be done and general pessimism concerning the limited successes observed in LED especially in small towns. It is argued that LED should 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 forward towards professionalising LED would be to acknowledge that LED should be understood as a cross-cutting issue by municipalities (Rogerson, 2009:62).

The importance of building LED Networks and of sustainable knowledge platforms as a means to enhance high level systemic learning

The international LED experience points to the need to build expert networks and sustainable knowledge platforms in order to support competitiveness and turn local endowments into 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-Xirunachs, 2008). The DBSA (2008:4) stresses the need to enhance institutional strength for LED through building associational networks. Van der Heijden (2008) draws attention to the importance of establishing strong LED networks for successful LED. The South African LED Network established in 2004 is one of the successful initiatives so far and 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).

The Learning Monitoring and Research Facility (LMRF) programme is also an important existing knowledge platform operating through the Gijima programme, already mentioned. The Facility represents a knowledge centre that generates, analyses, and disseminates knowledge and assists in building up practical experience relevant for sustainable local economic development (Patterson, 2008:25). The importance of developing these knowledge centres or platforms is to

provide the foundation for high level learning and capacity building which must involve private sector associations as well as groups of local consultants who are contracted to develop LED strategies, projects and implementation plans (Ruecker & Trah, 2007).

The training of consultants is another high level capacity challenge. It is argued that many consultant-driven strategies are desk based rather than participatory exercises and that by capacitating consultants the application of participatory and inclusive LED approaches will be assured. Research on the role of consultants in the Gijima projects in KwaZulu-Natal points to several quality shortcomings in relation to the consultancy reports that were submitted including poor interpretation of existing statistics, limited contextualisation of the implications of statistics for local institutions and little understanding of longitudinal economic trends (Learning, Monitoring and Research Facility (LMRF), 2008:4).

The capacity challenge of training professional staff and careers in LED

Limited capacities in LED staff has had the consequence that many smaller municipalities focus on compliance with statutory requirements rather than attempting to pro-actively manage economic opportunities that could have widespread local impact (Lawrence & Hadingham, 2008:45). A 2007 survey of local and district municipalities in Mpumalanga conducted to assess the extent to which LED was embedded in local policy and practice concluded disappointingly that LED processes are poorly embedded in the majority of municipalities and the pre-conditions for LED process are not in place in the majority of the municipalities (GTZ, 2007:6).

A recent analysis in the Limpopo province points to the lack of qualified technical staff especially town planners, the absence of competence to review building plans and zoning applications and the absence of technologies that improve LED potential (Kaiser Associates, 2007 in Rogerson, 2009:63). In poorer municipalities

the existence of low skills and lack of qualified technical municipal staff result in an unhealthy if not exclusive reliance on private consultancies and of consultant-driven strategies for LED. As the municipality lacks 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 (Rogerson, 2009:64).

Trah and Wegmann (2009) point out that these findings stress the continued existence of training gaps that need to be addressed. A core of trained and committed LED experts at local level and in universities is lacking. Although larger cities can draw on a wider talent pool, smaller centres have no such staff pool with the consequence that an urgent need exists to train LED officials and to expose councillors to this concept (GGLN, 2008:82 in Rogerson, 2009:64). At the higher more advanced levels of training, there are gaps in the institutional training landscape (Trah & Wegmann, 2009). In part, this can be explained by the fact that capacity shortcomings in LED staff are not merely confined to municipalities but are manifest in erosion of high level professional staff. In universities there are few LED researchers and only limited direct course offerings in LED (Rogerson, 2008). Furthermore, in departments of national government there are further capacity shortcomings as a result of staff turnover at both the departments of Co-operative governance and Traditional Affairs and Trade and Industry (Trah & Wegmann, 2009).

The LED funding challenge

Currently, there is a range of possible funding sources for LED activities which includes donor funding, the DBSA LED Fund, national sector support from various government departments, the Municipal Infrastructure Grant (MIG), the Neighbourhood Development Partnership Grant, local government own revenue and equitable share funds (Patterson, 2008:10-11). Whilst financial support can be

accessed from an array of sources, a key difficulty is that the municipality or local development agency often lacks adequate locally available funds and competences to drive the LED process independently (Patterson, 2008:11).

New initiatives launched in 2008 by the Development Bank of Southern Africa through its Local Economic Development Fund are seeking to finance LED in two priority focal 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; localities with demonstrable or latent 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). The private sector can also play a potential role in funding LED activities. The building of trust and of partnerships with the private sector offers a critical resource which must be tapped more extensively for the funding of LED, especially outside of the major cities (Rogerson, 2009:67).

Improving economic data for understanding local economies and for LED planning

A core challenge for LED in South Africa is to improve the quality of local level data in order to enhance understanding of local economies and the identification of local competitiveness. Good local level data is a *sine qua non* for LED and especially for the identification of the comparative and competitive advantage of localities (DBSA, 2008). In addition, ensuring a steady flow of reliable information is vital for assisting LED decision-making (Lawrence & Hadingham, 2008:44). In 2008 Integrated Development Plans in most local municipalities included an economic profile of their local area based on the 2001 Census which is not only out-dated but also does not contain any meaningful local scale economic data since it is largely concerned with the position of individuals not enterprises (Van der Heijden, 2008:16).

The availability of official local level data for planning purposes has deteriorated since 1994. In many sectors, such as manufacturing it can be argued that the quality of available spatial data has declined since the democratic transition. For priority economic sectors such as tourism, creative industries, or craft, there is almost no official data on a spatially disaggregated basis which might inform the identification of competitive advantage and enhance LED planning in these critical sectors. The DBSA (2008:3) notes that most localities have yet to adequately map their competitive and comparative advantage whilst data analysis underlying the National Spatial Development Perspective (NSDP) still needs localisation and concretisation. A key challenge for LED in South Africa is therefore to address the serious deficiencies in existing spatial data sets in order to inform and enhance local level planning. Improving the range and quality of data for local level planning is a major challenge that faces all LED stakeholders in South Africa. In the absence of good data municipalities are forced to use qualitative rather than quantitative planning instruments (Rogerson, 2009:68).

The next section discusses local economic development implementation. The important strategies that should be taken into account to ensure effective implementation are discussed.

3.13 Local economic development (LED) implementation

Mainstream local economic development initiatives in South Africa have focused on expanding growth, local investment and job creation. Most municipalities undertake local economic development strategies for economic reasons, responding to economic pressures within the local, regional or national economy. However, to be effective, local economic initiatives require good local leadership. Whilst many cities have experienced similar processes of restructuring, some have been able to take advantage of new opportunities whereas others have failed to benefit from them. Equally, economic recession has brought economic decline and high unemployment to many small towns, and few have been able to respond in an

innovative manner. This underlines the importance of leadership, good governance and the establishment of appropriate institutional structures for achieving positive local economic development outcomes (DBSA Development Report, 2000b: 104).

Mogale (2003:236) insists that awareness of the uneven impact of globalisation on localities and sectors in South Africa, and the threat of deepening divisions between the so-called core and periphery, skilled and unskilled, and advantaged and disadvantaged, challenges municipalities to promote and facilitate local economic development. Unless municipalities seriously address questions of poverty, job creation and competitiveness in their localities, and unless they strengthen their strategies through networks, the existing unequal socio-economic landscape may be reinforced rather than altered. Local economic development will contribute to creating opportunities for regeneration and economic participation.

Thus, the business development approach is considered the most appropriate way of achieving local economic development objectives, notably, expanding of growth, ensuring local investment and job creation. Four essential strategies of place entrepreneurialism can be identified within the context of the business development approach (DBSA Development Report, 2000b:104). These relate to promoting roles of cities or towns as (1) centres of production, (2) centres of consumption, (3) centres of knowledge-processing and corporate decision-making, and (4) centres for the reception of central government surplus or redistribution. Each of these envisages different directions for the evolution of cities or towns and necessitates different policy actions to gear their particular strategic objectives.

Many South African towns enhance their competitiveness as centres of production. At the broadest level, activities designed to market towns to external investors would characterise this type of approach. Most large municipalities, many secondary cities and even many smaller urban centres use this approach to attract

manufacturing investment. Place marketing is frequently directed towards specific kinds of investors. Historically, Johannesburg has marketed itself particularly to American investors, Cape Town and Pretoria to high-technology industries and Port Elizabeth to the general industrial investor (DBSA Development Report, 2000b:104). Overall, the strategy of enhancing the prospects for cities as centres of manufacturing is currently the most widespread form of local economic development activity in South Africa (DBSA Development Report, 2000b:104).

The second approach to business development, namely, entrepreneurialism, emphasises the function of places as centres of consumption. The common use of this style is growing rapidly and in this regard, the local authority undertakes programmes designed to make the area more attractive for purposes of consumption, entertainment or recreation. Many South African local municipalities have recognised the need for a local development strategy that does not see the city simply as a competitive centre for industrial production, but instead embraces the promotion of service sector activities especially those concerned with tourism. For example, Johannesburg and Pretoria are actively nurturing arts and cultural activities (museums or festivals) as significant vehicles for enhancing their image and for improving their prospects of urban tourism (DBSA Development Report, 2000b:104).

In many rural areas, the establishment of route tourism, cultural tourism, the development of cultural villages and the promotion of ecotourism are vital elements in evolving tourism led local economic development initiatives. The hosting of events, festivals or spectacles is another local economic development approach to promoting places as centres of consumption. Several cities have also targeted business tourism by developing conference centres, convention centres or trade centres. The third category of business development activity is centres for knowledge-based economic growth. This focuses on high-level information processing and decision-making, which are inevitably confined to high-order urban

centres and linked to international competition between cities. In the African context, South African cities compete against the likes of Nairobi and Abidjan to attract the head offices of private businesses and international agencies. Thus, Cape Town has enjoyed some success in attracting and retaining the head offices of major oil and insurance companies, while Johannesburg remains the best example of this form of place entrepreneurialism (DBSA Development Report, 2000b: 104).

A final business development approach is that of seeking to capture the location of government offices, contracts, institutions or money in the form of development projects or aid grants. This strategy is widespread in South Africa and is used by many localities. Thus includes the competition for capital status both at national and provincial level. At national level, the bidding for the status of the country's administrative capital sparked a fierce competition involving Cape Town, Pretoria and Midrand. At the provincial level, the establishment of nine provinces in 1994 led to an intense contest between potential capitals. The examples of Nelspruit and Johannesburg underscore the importance that was attached locally to the success of such bids (DBSA Development Report, 2000b:109).

According to Mogale (2003:236), while boosting local conditions for investment retention and recruitment is neither cheap nor guaranteed of achieving desired outcomes, available literature is replete with examples of ambitious and oversimplistic local economic development strategies, reliant on the consumption of scarce and valuable resources that have not generated a satisfactory quantity of jobs. A study of the local economic development process in Stutterheim, Eastern Cape, has indicated that despite inclusive, participative and entrepreneurial programmes, the development strategies have failed to arrest escalating poverty levels. Equally important to note is that few have a conscious mind-set that generates structured and monitored strategies to ensure a systematic reduction in incidence of poverty and vulnerability.

In addition to business development approach, local economic development can also be achieved through community development initiatives. Although poverty alleviation is but a minor element of local economic development initiatives abroad, the apartheid legacy has necessitated a strong and distinctive community focus for such initiatives in South Africa, usually in combination with business development strategies. Developmental local government has a mandate to establish local development strategies that support poor people as a component of its initiatives to achieve sustainable development (DBSA Development Report, 2000b: 112).

Through community economic development, which entails developing community self-reliance through human resource development and skills enhancement, human capabilities are better improved especially for the disadvantaged communities aimed at creating sustainable livelihoods for themselves. Community economic development focuses on combining employment training and mentoring and human services and enterprise development, and ultimately resulting in self-sufficiency for disadvantaged communities. Communities take control over such economic opportunities and challenges and provide local and appropriate responses (Harrison et al. 2003:182).

The other component of community development approach entails human capital development. This component focuses on human capital as a resource, rather than a liability within a community. The strategy could focus on skilling the poor within the community to improve their access and participation in the local economy. It could also focus on re-training groups and individuals within the community, for example, the unemployed or retrenched, to facilitate their entry into the local economy. The strategy could also focus on increasing skills levels within the community so as to attract higher value industries into the municipality. The multi-skilling of local people is of great significance with the challenges of

globalisation changing rapidly with changing economic and technological scenarios (Harrison, et al. 2003:182).

Helmsing (2003: 71) broadly tabulates the components of community economic programmes including but not limited to the following:

Creating local safety nets: One of the key features of poverty is the inability to withstand economic shocks of any kind. Creating local safety nets and reducing insecurity are fundamental for creating better conditions for local economic development. Financial safety nets can be created through the formation of savings and credit groups to meet income emergencies.

Housing improvement and settlement upgrading: Settlement upgrading usually involves a package of activities. One is improving settlement design by creating space for basic services such as water, sanitation, roads, community facilities for health and education as well as improving homesteads and housing quality.

Basic service delivery: Unbundling can help to determine which components in the service delivery process can be privatised either commercially or on a non-profit basis, which can be brought into the realm of community enterprise and which also requires public sector responsibility. Public sanitation in Accra, Ghana, is an example, where public latrines have been contracted to 51 small and medium enterprises. Solid waste collection is privatised to a large international contractor, which in turn sub-contracted 11 local small enterprises (Awortwi, 2001).

Addressing the challenge of urban poverty in South Africa requires the coordination of policy intervention by all three spheres of government. Poverty reduction measures at the local level are targeted at strengthening and complementing, rather than replacing, the poverty strategies of the macro and micro-levels, the latter being community approaches promoted by non-governmental organisations, or community based organisations. In essence, local economic development initiatives for community development are geared towards strengthening the asset base of poor communities and supplementing their capability to manage their

existing assets. Several broad intervention areas may strengthen the asset base of poor communities: regulatory frameworks, access to municipal services, and employment creation through stimulation of local economic activities. It is apparent that the community development initiatives often overlap with, and are complemented by, initiatives that focus on business development (DBSA, Development Report, 2000b: 112).

A major factor in expanding the asset base of poor urban people is that of increasing access to municipal services, including water supply, sanitation, refuse removal, drainage, flood protection, local roads, public transport, street lighting and traffic management (DBSA Development Report, 2000). According to Harrison et al., (2003:180) the traditional role of municipalities as infrastructure and service providers, operators and maintainers can be a powerful strategy in supporting economic development. Efficient and effective infrastructure and service provision are important factors in boosting business confidence within a municipality. The provision of infrastructure can stimulate economic investment and growth. The provision of infrastructure and service provision can be both short-term and long-term. In the short-term, infrastructure and service provision can create job and business opportunities for the poor and affirmable business enterprises. In the long term, infrastructure and its effective maintenance can stimulate economic activity that results in more permanent jobs.

Kanyane (2008:703-704) opines that the promotion of the small, medium and micro enterprises sector has a potential to form the cornerstone of local economic development. Thus, the formation of the Small Enterprise Development Agency (SEDA) by the Department of Trade and Industry is aimed at driving the development of the small, medium and micro enterprises sector (as already discussed). The Agency has been tasked to deliver integrated services to small enterprises by providing co-ordinated government services, promoting a service delivery network that will facilitate access to opportunities and information.

Simply put, the Agency is mandated to provide information on how to start a business, how and where to access markets, how to access finance and how to run a successful small business. The promotion of small, medium and micro enterprises within South Africa is regarded as a key strategy to promote economic development in a manner that both generates jobs and empowers previously disadvantaged individuals. It is anticipated that growth in job opportunities within this sector will partially compensate for the losses of jobs in sectors dominated by large firms that are experiencing large scale downsizing and job losses. However, the start-up capital, appropriate infrastructure, exploitative middlemen, the overtrading and lack of markets are some of the challenges facing the sector (Harrison, et al. 2003:181).

Integrating local economic development strategies within an Integrated Development Plan could also ensure that local economic development is an outcome of the planning process and therefore, it could be assumed that a developmental vision for a municipality will include an economic vision. In fact, it is unimaginable to think that any South African municipality could develop a vision that does not tackle poverty and joblessness. Once a vision has been developed, the municipality will need to identify developmental objectives. The next step within the Integrated Development Plan process is to formulate strategies to realise these developmental objectives. If a municipality has created a developmental vision, then it is clear that certain local economic development strategies will be appropriate in meeting the desired objectives of the plan. Concrete projects can then be formulated to assist in implementing the chosen strategies. The benefits of the integration of the local economic development strategies within the municipal plan are that: economic strategies are part of an integrated plan for addressing municipal developmental challenges; municipal resources are allocated to these strategies; the outputs and impact of the local economic development strategies and projects are monitored as part of the municipal performance management system; and the role of the municipality

within economic development is clearly defined within each strategy (Harrison, et al. 2003:183-184).

The design and implementation of integrated development plans is not unproblematic. Given the entrenched apartheid legacy of unemployment, simultaneous transitional constraints, inherited expanses of underserved townships and rural areas, and housing backlogs, newly demarcated municipalities face the unparalleled challenge of large-scale underdevelopment and poverty way out of all proportion to the means at their disposal. Many local governments carry chronic budgetary deficits while experiencing unsustainable payments arrears, declining capital spending, increasing water and electricity consumption levels and spiralling housing backlogs. In some areas, observers have noted old-style apartheid taking on a new manifestation of economic segregation. In some cases, any efforts by municipalities to integrate rich and poor neighbourhoods have met with incomprehension or opposition by property owners and developers (Cashdan, in Parnell et al. 2002:163). To newly incorporated communities, the benefits of integrated development planning are still marginal, as is accessibility to some of the local amenities despite a purported right to access them (Mogale, 2003:232).

According to the DBSA Development Report (2000b:114), to promote local economic development, municipalities could focus on the following ten issues:

- I. municipalities need to understand the opportunities and constraints created by the processes of globalisation;
- II. local economic development planning should incorporate strategic elements of both business and community development;
- III. a good knowledge of local economies, their functioning and dynamics, is critical for formulating appropriate options and strategies when planning for local economic development, in larger municipalities, this is an important function of local economic development units, especially the development of a local information base;

- IV. planning for local business development involves meticulous selection of an appropriate mix of local policies and programmes to promote local economies variously as centres of production, consumption, information processing, or lobbying for central government funding or projects;
- V. the establishment and coordination of local partnerships and strategic alliances, especially with the private sector, are critical for the recognition and exploitation of local development opportunities;
- VI. the development of local and international networks for cooperation between local governments is useful basis for learning to cooperate in order to compete;
- VII. poverty alleviation through community development is a critical challenge that should be addressed in the formulation of local economic development initiatives across South Africa, and initiatives that focus on business development should not undermine the livelihoods of poor people;
- VIII. the prime thrust of community development initiatives should be to strengthen the asset base of poor communities and their capacity to manage their existing asset bases;
- IX. major intervention areas concerning community development include the design of improved regulatory frameworks, the enhancement of municipal service delivery, and initiatives for employment creation; and
- X. Finally, knowledge of local and international best practice is essential for policy formulation.

Helmsing (2003:72-73) avers that the core of a LED programme would be the expansion, restructuring and creation of the economic base of the area. The economic base may consist of one single or various concentrations or clusters of local producers in particular industries. Initiatives to be developed by local producers can develop in two-pronged directions: (a) strengthening the cluster formation process in order to give rise to new enterprises in allied services; (b) advancing the participation in the corresponding commodity chains, either by new investment of existing local producers or by selective attraction of external

enterprises, or a combination of both. For local producers to gain access to more remunerative external markets, they generally require specialist business development services to enable them to acquire appropriate knowledge. They also need these services in order to prepare their own operations financially, technologically and organisationally for internationally competitive production. The other programmes include the development of growth point centres. In this context, the government concentrates public infrastructure investment in particular places, possibly in combination with other incentives to attract new firms. Geographical concentration may generate specialisation (Helmsing, 2003).

Locality development can also help realise local economic development. When a local economy develops a certain export base, this is reflected in a build of infrastructure geared to serve it. For example, when an area specialises in particular agricultural production or manufacturing, specific physical and socio-economic infrastructure and overhead capital will be built to serve it; for example, a technical training centre for related trades and occupations. Warehouse facilities and freight infrastructure develop over time in response to demand. Part of the infrastructure is public and its timely planning and development will stimulate complementary private infrastructures and together they enable a locality to improve basic conditions for the economic activities to stay competitive and expand. Local development is about the planning and realisation of these infrastructures as well as the relevant economic and social overhead capital (Helmsing, 2003:73). The components of locality development as conceptualised by Helmsing include the following:

Participatory LED planning: LED is a multi-actor affair. There are important investment complementarities within the private and community sectors and between the public and private agents, which when properly managed, can result in significant economic gains and external benefits that otherwise would not be forthcoming. Local government can make an important contribution by properly coordinating its public investment programme with needs and investment priorities of communities and private firms.

Physical planning and development controls: Urban land markets have glaring distortions and require government regulation. Zoning and other land and building regulations can be important tools if implemented with flexibility and a developmental attitude. Regulations should be simplified, understood and agreed by all parties.

Urban planning and design: Economic performance can be improved if commercial centres are upgraded through improving commercial streets and premises, often involving selective land use conversion and higher densities. Townscaping include actions geared towards improving town and city central areas and makes them attractive for local communities and prospective investors (Blakely, 1994). The eThekweni metropolitan, Durban, is currently considering an African City townscaping initiative.

Infrastructure: Land is more attractive to potential users if it has already been developed or if this can be done at lower costs. Available infrastructure shortens the time between acquisition and operations. Basic services include water, sewerage, electricity and street lightning, access roads and sidewalks. Public-private partnerships can increase local government capacity to provide infrastructure.

Socio-economic overhead capital: This refers to public-non-profit and private institutions in education and training, research and technology, information and communication and social capital serving the locality as a whole as well as institutions dedicated to its specialised industries (Helmsing, 2003:73).

Malefane and Khalo (2010:138) also stress that the establishment of Local Economic Development Agencies (LEDAs) in municipalities could have a huge impact on the growth of local economies, employment creation and reduction of poverty. In South Africa, Local Economic Development Agencies are a new invention to counteract the excessive dependence of municipalities on national and provincial economic drives that are often inconsistent with the needs of local communities and often appear locally irrelevant. Local Economic Development Agencies anticipate intensifying the degree of economic activity in the country's

rural areas, underdeveloped and previously marginalised areas where unemployment is high.

Local Economic Development Agencies are set to respond to socio-economic challenges, and to the growing concern over economic growth and development, poverty and the poor performance of municipal sector departments in economic development. Their economic development mandate is founded on the premise that traditional municipal structures cannot optimally respond to the socio-economic challenges in local communities (Malefane, 2009: 165). They also counteract past apartheid policies that have bequeathed a legacy of massive poverty and humiliating social and economic environments in which people live and work (Industrial Development Corporation (IDC), 2009:1).

Local Economic Development Agencies are seen as activist vehicles en route for realising the vision of a democratic and developmental local government in which municipalities fulfil their constitutional obligations. The database of LEDAs according to Industrial Development Corporation department responsible for agency development and support, includes Johannesburg Development Agency; Nkonkobe Development Agency in the Eastern Cape; Blue Crane Development Agency in Somerset East; Enterprise Illembe in KwaZulu-Natal; Mandela Bay Development Agency in Port Elizabeth; Dr Kenneth Kaunda District Municipality Economic Agency and the Northern Cape Economic Development Agency in the Northern Cape (Industrial Development Agency, 2009:1).

According to Malefane and Khalo (2010:139), Local Economic Development Agencies do not have clear-cut development roles in municipalities. They conduct a broad array of roles that cover social and economic concerns. A few of these roles include counteracting: the lack of business confidence and minimal opportunities for private sector investment in municipalities; the minimal

contribution of municipal sector departments to local economic growth, their inability to effectively act at business level and in joint-ventures due to bureaucratic practices and overregulation; a lack of business development support and entrepreneurial skills development; reduced opportunities for municipalities to engage in large-scale economic development projects, to compete locally and on a global stage; the lack of innovation, integration and coordination between economic development activities in municipalities; and the increasing risk of investing in poor and underdeveloped municipal areas.

Pycroft (1996:111) argues that globalisation has created opportunities at the local level for different strategies to foster local economic development. The fluidity of capital flows around the world and the intensification of competition between supra-national organisations and states to attract inward investment coupled with the minor variations in local economic conditions can have a profound influence on investment decisions. As a result, there is an increasing need for local tiers of governance to be proactive in their efforts to manage, promote and develop local economic infrastructure to enhance localised competitive advantage that may exist.

Hay (1995) has identified strategies which apply to Europe, but the model, with modifications, seems applicable elsewhere. Hay's first strategy, Local-Regional-National, entails amongst others inserting the local economic development strategy within the broader regional, national and global economic growth dynamic. The locality would emphasise its local competitive advantage as a means of attracting regional, national and international investment capital. Hay's second model, Trans-National Local Alliances, involves regions from different countries joining together on some shared economic or territorial interest. The third strategy, Resource Procurement Model, involves resource procurement from the centre or from multinational or supra-organisations. The fourth model, Local Regulatory Undercutting and International Competition, involves restructuring

local relationships to facilitate competition at the global level for multi-national inward investment.

Hay's model provides a useful attempt to analyse how a local economic development strategy can be developed. However, Hay does not accurately reflect the changes in local government and local partnerships and how these formations impact upon economic development strategy. Furthermore, Hay does not distinguish between the agencies or organisations that own the local economic development resources and those who are responsible for creating the conditions by which those resources are attracted to a particular region (Pycroft, 1996:111-112). Pycroft (1996:112) insists that resources for local economic development are not homogeneous and take numerous different forms, and can be broadly divided into investment resources which involve private sector holders and their decisions about where in the global economy to invest their capital and transfer payments, which involve public resource holders and their redistribution or reallocation decisions.

Organisations, agencies or institutions that control these resources can be differentiated into the global, supra-national, national, regional/provincial and local, according to the area in which they operate. At the global level, investment resources are controlled by multi-national organisations, particularly multi-national corporations and financial institutions. Transfer payments are controlled by institutions such as the World Bank, International Monetary Fund and multi-development agencies, including the United Nations. These global organisations do have power either directly or indirectly, to influence if not control the global economy. At the supra-national level the investment resource is dominated by multi-national capital such as the European Union. In developing countries the supra-national organisations play a facilitative rather than redistributive role, coordinating development activity amongst members and determining regulations.

Through this activity supra-national organisations can have a significant impact upon national and local access to global development process (Pycroft, 1996:112).

At the national level, the investment resource is composed of both national and multi-national capital. National transfer payments are dominated by the national government's control over the national economy through redistribution, economic development, regional regeneration and macroeconomic policy. The regional/provincial and local space is in addition to multi-national capital, dependent upon the economic activity of small and medium size enterprises. Regional/provincial and local tiers of governance are usually empowered to raise taxes, some of which are used for economic development. They also have powers of local regulation, and can impact upon on the provision of education, employment, skill and the quality of physical and communications infrastructure. In theory, a locality has direct access to resources from all tiers of the resource allocation structure, but in reality the ability of a locality to influence the investment and transfer payment decisions of higher tier agencies is constrained as a result of the local economic and social conditions, the relative powerlessness of local structures within the resource allocation hierarchy and the increased competition for scarce development resources (Pycroft, 1996:112-113).

Hay (1995) rightly states that the ability of a locality to gain access to local economic development resources is enhanced or constrained by three inter-related administrative and institutional factors: first, by the local structures, politics and ideology of government, administration and control that apply; secondly, by the local development partnerships, which include all agencies and organisations from private, public and voluntary sectors involved in seeking and administering local economic development partnerships; and thirdly, by the extent of articulation between the local economic development partnerships and the agencies and organisations that operate at the regional/provincial, national, supra-national and international levels.

To improve a locality's prospect of attracting resources for local economic development requires the management of partnerships and strategic alliances. Local authorities are well placed to assume responsibility for this important task. Local authorities throughout the world and even within the same national boundaries are subject to different economic, political, social and infrastructural constraints, making generalisations about strategies for local economic development impossible. However, it is feasible to identify techniques which do have universal applicability and which can assist local authorities in designing strategies to improve their prospects for local economic development (Pycroft, 1996:113).

Thus, during the 1980's there was a dominant belief that techniques developed in the private sector could, with minimal modification, be applied to public sector activities. This belief was informed by the reorientation of the role of state during the 1980s, with the developing trend away from public administration and towards public management. In recent years, in both developed and developing countries, there has been a re-evaluation of the suitability of private sector management techniques developed for manufacturing industry during the 1950's and 1960's to modern service-orientated public sector activities. Increasingly, it is argued that the differences between private and public sector management are so significant that the wholesale importation of private sector techniques into public sector management is of limited value (Pycroft, 1996:113-114).

However, in some areas, such as financial, human and technical resource management, there is a common core of skills and techniques which can be applied irrespective of which sector of the economy the enterprise resides within (McKevitt, 1992:47). In other areas, such as policy development or strategic management, the differences can be quite marked. In the public sector, managers have to contend with an inherently political environment which is subject to greater external influences, higher and more critical public expectations and

demands, and greater vagueness in their objectives. In such an environment, where the market may not be the best arbiter, established private management techniques such as SWOT (Strengths/ Weaknesses/Opportunities/Threats) require adaptation (Clarke-Hill and Glaister, 1995).

It is within this context that the Liverpool Institute of Public Administration and Management (LIPAM) adapted the Local Authority Economic Development Audit (EDA) with a view to assisting local authorities to understand the political, economic and social environment in which the local authority operates as well as the authority's organisational capacity to achieve local economic development. The other aspects of Local Economic Development Audit indicate how an authority's local economic activities can be strengthened, how local partnerships can be developed, and how resources at higher tiers of government can be activated to enhance the local authority's economic growth. The Liverpool Institute of Public Administration and Management's EDA has been specifically developed for local authorities in the United Kingdom and South Africa, but the lessons learnt from these pilot initiatives will lead to further development and modification with future application in transitional and developing economies (Pycroft, 1996:115).

There are three elements underpinning Economic Development Audit: the audit of the internal organisation; the audit of the local partnerships; and the audit of the strategic alliances. These three aspects of the audit enable the local authority to construct a comprehensive understanding of the political, economic, social and institutional relationships between the local authority and its broader environment. The final aspect of the process is to design in cooperation with the local authority, a strategy that will allow the local authority to progress along a continuum from its current position to one of enhanced local economic development (Pycroft, 1996:115).

Internal Economic Development Audit: The internal organisational aspect of the Economic Development Audit is concerned with the current level of economic development activity within the local authority and the ability of the authority to respond to new development opportunities. The essence being to review the authority's published local development goals and objectives, drawing information from the authority's mission statement, its economic impact assessment reports and local plans. The audit subsequently focuses on the individual or team within the organisation that has primary responsibility for economic development activity and their chain of command, both in terms of their line management and in terms of political responsibility. The audit further monitors the process of internal communication, determining how economic development information is managed and distributed within the authority as well as discovering the sources of information to which the authority routinely gains access (Pycroft, 1996:115).

Local partnerships audit: The audit assesses the local authority's networking activities at the local level, assessing linkages and cooperation between the authority and other agencies and organisations that are involved in economic development within the same geographic area as the authority. To be successful in securing resources for local economic development, the authority needs to establish as inclusive a network of local organisations and agencies involved in economic development as possible.

Strategic Alliance audit: Once the networking activity at the local level has been established, the audit then focuses on linkages with higher tiers of governance and resource allocating agencies. The audit explore these relationships, determining the extent of cooperation between the authority and other organisations operating at higher tiers of governance or resource allocation in order to identify which organisations and agencies the local authority can cooperate with to support local economic development activity. Some of these relationships will be informal or dependent upon personal contacts, or some will result from statutory obligations and others will depend on specific funding opportunities. The audit should compile information about available resources for economic development, where within

the hierarchy these resources are located, and what strategic alliance the local authority should construct to gain access to the resources (Pycroft, 1996:116).

Thus, by the end of the process the auditors should have a thorough understanding of the following: the local authority's operation of its local economic development strategy; the availability of resources for local economic development, how they have previously been utilised, and how their use could be improved; a comprehensive and detailed map of the authority's local partnerships, with an understanding of how these partnerships have previously impacted upon local economic development initiatives; a clear picture of the authority's networking activity with agencies and organisations at local, regional, national, supra-national and international tiers of governance and resource allocation. To be successful the audit process needs to be sensitive to the different economic, social, environmental and political constraints that exist (Pycroft, 1996:116).

In the context of South Africa, the lessons on the application of the Economic Development Audit are that there should be new systems of local government, new partnerships, and new strategic alliances that ought to be established. The role of Economic Development Agency (EDA) in South Africa is therefore quite different from that in the United Kingdom. In the United Kingdom, the EDA's purpose is to understand the existing highly complex nature of horizontal and vertical interaction. In South Africa, the central nervous system of partnerships and networks, malevolent during the apartheid era, has been disabled during the transition, and now requires effective rehabilitation. By revealing gaps in the required local partnerships and opportunities in the networks, the Economic Development Audit, sensitive for South Africa's fragile political circumstances, will prove a vital aid in institutional development (Pycroft, 1996:117).

At the same time, if local government in South Africa is to meet the challenges of raised expectations and start to address the development needs of its population at the local level, the ability to promote local economic development activity is significant. Increased local economic development activity will create employment, enabling people to pay for local government services and will generate new businesses which will contribute levies to the local authorities (Pycroft, 1996).

3.14 Conclusion

This chapter has sought to broadly reflect on the interrelationship between public administration, public policy and policy implementation. This interrelationship is significant in many respects. The operationalisation of public administration requires policies to be formulated and implemented in order to achieve the strategic goals and objectives of a government. The realisation of public policies also hinges on a number of factors that impact on the policy cycle, which amongst other includes implementation. This chapter has presented numerous aspects related to the theoretical exposition of policy implementation as conceptualized by various scholars. Policy implementation is viewed as an integral stage of the public policy cycle and basically entails the translation of policy objectives into action carried out by implementers at various levels of an organization. In the context of public administration, implementers are appointed based on merit and charged with the responsibility of effecting policies endorsed by policy makers with a view to address societal problem or social need.

The notion of interorganisational relations is also viewed as an integral part to policy implementation. Therefore, recognising the significance of different interorganisational patterns is one step toward effective policy implementation. Skilful implementation managers need to find ways of getting organisations to work together toward policy success. In the South African context, the setting up of

inter-governmental relations structures, systems and processes can be viewed as one of the policy mechanisms aimed at ensuring effective interorganisational policy relations. The obstacles to effective policy implementation have been presented such as lack of reliable data, political commitment and ineffective problem analysis and identification. The chapter also located policy implementation within the broader discipline of public administration. This clearly denotes that public policy is shaped by elected public representatives and finds practical expression by appointed officials or street level bureaucrats within the various levels of government. The street level bureaucrats play an important role with regard to policy implementation as they may fully commit themselves toward ensuring policy success or sabotage effective policy implementation. It is important that the environment within which policy implementation takes place is clearly conceptualised and understood.

The introduction of the *White Paper on Local Government* in 1998 clearly provided a framework within which the developmental mandate accorded to local government could be realised. One of the key characteristics of developmental local government relates to the need for local government to maximise social and economic development. Local economic development should therefore, be viewed as an integral element of developmental local government. Local economic development is aimed at assisting municipalities through partnerships with non-governmental organisations, private sector and local citizens to mobilise resources and combine ideas and skills in order to stimulate local economic growth that translates into tangible employment opportunities and poverty alleviation.

As a result, municipalities are expected to assume leading, integrating, coordinating and democratising roles. The assumption of these roles should enable municipalities to realise the fundamental objectives of local economic development, namely, job creation, economic growth and poverty alleviation. Bearing in mind that local government also operates within the confines of

intergovernmental relations framework and cooperative governance involving both the national and provincial governments. These inter-organisational relations serve as one of the necessary conditions for the realisation of developmental local government objectives.

It is also interesting to note that local economic development is not a new concept and practice in South Africa. Local economic development has been put into practice mainly by South Africa's big cities, notably, Johannesburg, Durban and Cape Town and has been largely narrowed to place marketing. This limited role on local economic development was informed by the top-down national planning practice of the national government before 1994. LED practice was linked to regional development interventions. However, it was only in 1999 that LED practice gained impetus as a result of the government's efforts to eradicate poverty.

Thus, the LED Fund was launched by the former Department of Provincial and Local Government in order to enable municipalities to access funding geared toward poverty alleviation projects within their localities. The operation of the LED Fund was evidently ineffective and unsustainable due to the social-driven nature of the funded projects, inadequate capacity to implement the projects, and lack of understanding of LED on the part of the implementers, hence, it was collapsed into the Municipal Infrastructure Grant.

The thrust of the argument is that the primary focus of LED is economic with its outcomes being job creation and economic growth, whilst its secondary focus is on community development encompassing poverty alleviation. The research undertaken by both the World Bank and Netherlands Programme for evaluating and disseminating LED experiences within the Sub-Saharan Africa region attest to the aforementioned point.

In the Sub-Saharan Africa region LED is associated with self-reliance and survival activities rather than participation in the global economy. By and large, these community development activities are both short-term and not sustainable in the long run. Thus, Rodrigues-Pose and Tijmstra conceptualised a framework that could be employed in order to evaluate LED strategies. This framework encompasses five dimensions, namely, the territorial, governance, integration, sustainability and the enabling environment.

The thrust of this framework is that LED strategies should be holistic incorporating the following issues: LED strategies should be linked to the territorial economic competitiveness, economic potential of a locality or region and potential growth points should be clearly identified and harnessed as well. LED strategies should be developed in an inclusive manner and therefore, municipalities, civic and non-governmental organisations, and the private sector should participate in the formulation of the strategies. LED strategies are dependent on the horizontal and vertical coordination between local, provincial and national governments as well as international institutions. This interconnection of role-players is cardinal for the realisation of LED strategies. LED strategies naturally have impact on the social, economic, and environmental conditions of localities. Therefore, the strategies should be developed taking cognizance of sustainable development imperatives. The effectiveness of LED strategies hinges on the availability of physical infrastructure and human capital. These include amongst others, transportation and communication facilities, education, health facilities, organisational capacity, resource endowment and entrepreneurial culture that embodies risk-taking and creativity.

The important aspect also raised in this chapter is that municipalities should view LED functions and mandate as cross-cutting and holistic. These approach would enable municipalities to incorporate LED priorities in their long term Integrated

Development Plans. At the present moment, most of the small local municipalities are unable to operationalise LED in their Integrated Development Plans as LED is considered in isolation from the integrated development planning process that mainly focusses on service delivery and infrastructure issues. As a result, most Integrated Development Plans contain limited analysis on the economic potential and competitiveness of local economies and strategies that could be employed to tap into the economic potentialities of the localities. This situation is also exacerbated by the existing policy confusion in terms of the content of the national LED Policy Frameworks and Guidelines which tends to vacillate between the concepts of welfare focus versus economic focus. The absence of policy leadership by the national government with respect to articulation of the main focus of LED tends to generate misunderstandings and misconceptions around local economic development on the part of the implementers.

As pointed out in the chapter, where business or market development is the main motivation for LED, the objectives of the strategy are aimed at ensuring business survival, attracting investment and increasing local profits. The ultimate goal of a market development strategy is to stimulate additional economic growth in the locality. In market development strategies, the private sector often takes a leading role in drafting and implementing the LED strategy. Whilst, where the motivation for LED is driven by community development objectives, the outcomes invariably lead to poverty alleviation, skills development and others. For South Africa presently faced with highest levels of unemployment amongst others, it is therefore crucial that the content of the LED policy is acutely articulated.

The need for greater synchronisation on policy development and implementation pertaining local economic development also appears to be missing. For example, on the one hand, the Department of Trade and Industry is amongst others responsible for Regional Industrial Development (that impacts on LED), and also provides policy support, capacity building in the area of LED planning, partnership

building and facilitation of implementation of LED. On the other hand, the Department of Co-operative Governance and Traditional Affairs also has a separate unit dedicated to LED programmes. However, most municipalities tend to interact with the latter department on issues related to LED policy implementation due to its strategic mandate focusing primarily on local government programmes. The delineation of roles and responsibilities coupled with inter-organisational relations for national, provincial and local governments can enhance the efficacy of LED policy implementation.

The limited capacities of LED staff in most municipalities glaringly impacts on the implementation of local economic development objectives and this result into the use of private consultants. LED policy implementation hinges on municipal staff that is in possession of relevant skills and competences including but not limited to economic analysis, project planning and management and monitoring and evaluation. This view is also expressed clearly in the *Report on the Strategic review of local economic development in South Africa, 2009*.

CHAPTER 4

THE TRAJECTORY OF ECONOMIC DEVELOPMENT POLICIES IN SOUTH AFRICA

4.1 Introduction

Essentially, the fundamental objectives of local economic development are to boost local economies, create employment and alleviate poverty afflicting the majority of the population. Thus, in order for LED objectives to be realised, it is imperative for macroeconomic fundamentals to be in place, notably, strategies for curbing inflation and unemployment, measures for propelling economic growth and attraction of both foreign and domestic investments.

Therefore, the LED policy is inextricably intertwined with national economic development policies, namely, the Reconstruction and Development Programme (RDP), the Growth, Employment and Redistribution (GEAR), Accelerated Shared Growth Initiative for South Africa (ASGISA) and the New Growth Path (NGP). The interrelationship among these policies is succinctly discussed. It is against this backdrop that this chapter seeks to examine the major policy shifts pursued by the democratically elected government since the transition to democracy in 1994 to date with a view to addressing the economic crisis manifesting itself through slowed economic growth, the high unemployment rate and poverty. The interrelationship between local economic development policy objectives and the national economic development policies above is discussed in this chapter. The nature and characteristics of local economies in South Africa is also discussed. This chapter provides important strategies that may help shape, develop and sustain local economic development policy, projects and activities in the context of local government.

The next section discusses the origins, rationale and performance of national economic development policies that were implemented from 1994 to 2005, namely, the Reconstruction and Development Programme (RDP), and the Growth, Employment and Redistribution Policy (GEAR).

4.2 Economic development policies (1994-2005)

Gelb (2010:32) asserts that in order to understand economic development in South Africa, it is essential to understand the country's economy, economic policy and economic performance. The economy had performed very poorly from the mid-1970s up to 1994. Gross Domestic Product (GDP) growth averaged only 3.3% per annum in the 1970s and 1.2% in the 1980s and a fierce policy-induced recession intended to cut inflation meant that growth between 1990 and 1993 was -0.6% per annum. When the post-apartheid era began in 1994, the expectation was that economic growth would quickly improve, but 18 years later, the optimism at the time of transition has been unfulfilled: only limited progress has been made in raising growth while distributional equality has remained stagnant at best. In the first decade of democracy, Gross Domestic Product growth averaged only 2.9% per annum but, taking account of population growth of 2% per annum, per capita income barely increased at 0.9% per annum. Between 2004 and 2007, growth averaged 5.06% per annum, before dropping back to 3.06% in 2008 in the context of the global financial crisis. In June 2009, the official unemployment rate was 23.6%.

In 1995, 32% of the population was living on less than \$2 US per day. This proportion rose to 34% by 2000 before declining to 24% by 2005 (Hoogeveen & Özler 2005). Using a poverty line of R322 per capita per month in 2000 prices, determined by the cost of a basic needs basket of goods and services, 52.5% of the population was in poverty in 1995 and 53% in 2000. This number decreased to 47% in 2005; still an inordinately high proportion. These figures indicate that between

2000 and 2005 there was an improvement in alleviating poverty, and the larger decline in the \$2 US Dollars per day numbers compared with the R322 per month numbers suggests that those deepest in poverty had improved their situation somewhat more than those at slightly higher incomes (Gelb, 2010:32-34).

Notwithstanding the improvement, poverty remains extreme; in fact, inequality levels have deteriorated. The most common measure of inequality, the Gini coefficient, is calculated by Haroon Borat, Carlene van der Westhuizen and Tougheadah Jacobs (2009) to have increased from 0.63 in 2000 to 0.69 by 2005 (i.e., worsening inequality). The official calculation of the Gini coefficient for 2005 was 0.73 (Statistics South Africa, 2008), making South Africa amongst the two or three most unequal countries recorded globally. More disturbing also is that the richest 10% of the population received 51% of total household income, while the poorest 10% received a mere 0.2% of the total. The poorest 40% of the population received only 6.5% of total household income. An estimated 660 000 households reported no income at all from either work or social grants (Statistics South Africa, 2008).

South Africa is a middle-income developing country. Its Gross Domestic Product (GDP) per capita (adjusted for purchasing power parity (PPP) for purposes of cross-country comparison) was \$11.110 in 2005. This places its income per head on a par with Poland (\$13.847), Chile (\$12.027), Uruguay (\$9.962), Costa Rica (\$10.180) or Mexico (\$10.751). In a ranking of countries by per capita income, South Africa would emerge in fifty-sixth place out of 177 countries (UNDP, 2007). However, income per head provides little explanation about the quality of human experience in a society. Thus, the most important indicator used most widely by policy makers to compare human well-being in different countries, is the United Nations Development Programme's (UNDP) Human Development Index (HDI). The HDI measures a population's ability to develop its three essential basic capabilities: to be able to lead a long and healthy life; to be knowledgeable; and to have access to the resources needed for a decent standard of living. Life expectancy is used as a

measure for the first capability, literacy and school and college enrolment for the second and GDP per head for the third.

According to Butler (2009:86), South Africa fares exceptionally poorly through the lens of the Human Development Index (HDI), especially given its relatively high GDP. It is currently ranked 120th out of 177 countries. Countries with a similar GDP per head fare far better. Poland is ranked 37th, Chile 40th, Uruguay 46th, Costa Rica 48th, and Mexico 52nd. Brazil with a per capita income of barely \$8.402 comes in at 70, a full 50 places ahead of South Africa. In HDI terms, South Africa is ranked alongside countries that are far poorer in terms of income: Mongolia (\$2.107 per capita), Kyrgyzstan (\$1.927), Bolivia (\$2.819), Gabon (\$6.954), and Morocco (\$4.586). Therefore, South Africa lies 65 places below the ranking one would expect for it judging purely on the basis of its income (UNDP, 2007, Butler, 2009).

Table 4.1: South Africa's Human Development Index, 2005

Life expectancy at birth, annual estimates (years), 2005	50.8
Adult literacy (% aged 15 and older), 1995-2005	82.4
Combined gross enrolment ratio for primary, secondary and tertiary education (%), 2005	77.0
GDP per capita (PPP US\$), 2005	11.110
Life expectancy index	0.430
Education index	0.806
GDP index	0.786
Human development index value, 2005	0.674
GDP per capita (PPP US\$) rank minus HDI rank	-65

UNDP, (2007)

The official data for 2001 showed high levels of unemployment which have not changed fundamentally since. Then, for instance, 41% of those seeking work did not find work, amounting to 7.8 million people; 54% of the unemployed were based in the urban areas; 71% of the unemployed were between 15 and 34 years old, and 71% of the unemployed under 30 years old had never had employment (May & Woolard, 2005). In 2002, unemployment according to official figures provided by Statistics South Africa was 4.8 million, or 30%. The unofficial figure, which takes an expanded definition of unemployment, was then 8.1 million or 42%. While the figure for unemployment among youths was 60%.

There are also a large number of working poor. Real average monthly earnings appear to have declined by 20% between 1995 and 2003, and about 500 000 of the employed live below the poverty line of R322 per capita per month. Employment in the informal economy has been roughly static since 2000 at 1.8 million, but informal sector self-employed earning fell by a third between 1995 and 2003 (May & Woolard, 2005). Approximately 30% of all households are in the second economy, which means that they do not have access to a steady job in the formal or informal sector, and they do not have assets that provide them with a livelihood. They are dependent on transfers from their own communities, friends and relatives and from the state (Hirsch, 2004).

The origins of post-apartheid policies are found in the economic crisis which started during the 1970s and was characterised by a structural slowdown in economic growth reinforced by political problems (Gelb, 1991). The slowdown was triggered by the global recession, as already noted, following the collapse of the Bretton Woods monetary system and the 1973 oil shock. In South Africa, spontaneous wage strikes from 1973 and student uprisings from 1976 added to slower growth by causing capital flight, while also forcing the government to relax some of the restrictions on the urban Black population. The growth slowdown continued during the 1980s, despite a brief respite when the gold price rose more

than \$800 in 1980-1981. Fixed investment dropped from more than 25% in the 1970s to about 18% in the mid-1980's. Productivity growth in manufacturing declined from 2.3% per annum in the 1960's to 0.5% in the 1970s and -2.9% per annum during the first half of the 1980s. Layoffs rose and job creation amongst low-skilled Black people was non-existent. Unemployment amongst Black people was unofficially estimated at 11.8% in 1970 and 20.8% in 1980, with job losses primarily amongst unskilled black workers in manufacturing and construction (Gelb, 2010:34-35).

As the democratic dispensation was approaching, the African National Congress embarked upon an extensive consultative process that resulted in the formulation of the *Reconstruction and Development Programme* (RDP) as the major guiding policy document of the movement and the imminent new government. This initial document was later formally issued as a government White Paper immediately after the African National Congress assumed state power (Mhone, 2003:20). The White Paper describes the Reconstruction and Development Programme as an integrated, coherent socio-economic policy framework. It seeks to mobilise all the people and the country's resources toward the final eradication of the results of apartheid and the building of a democratic, non-racial and non-sexist future. It represents a vision for the fundamental transformation of South Africa (RDP, White Paper, 1994).

The *White Paper on Reconstruction and Development Programme*, 1994, went on to outline the six basic principles of the Reconstruction and Development Programme:

- I. The need to pursue an integrated and sustainable programme, since the legacy of apartheid cannot be overcome with piecemeal, uncoordinated policies. The Reconstruction and Development Programme bring together strategies to harness all our resources in a coherent and purposeful effort

- that can be sustained into the future. These strategies will be implemented at national, provincial and local level by government, parastatals, business and organisations within civil society all working within the framework of the programme. All levels of government must pay attention to affordability given our commitment to fiscal discipline and to achieve goals.
- II. The Reconstruction and Development Programme must be people-driven, the citizens, with their aspirations and collective determination, are our most important resource. The programme is focused on people's immediate needs and it relies, in turn, on their energies. Irrespective of race or sex, or whether they are rural or urban, rich or poor, the people of South Africa must together shape their own future.
 - III. Development is not about delivery of goods to a passive citizenry. It is about active involvement and growing empowerment.
 - IV. There must be peace and security for all. The above will facilitate nation-building: We are a single country, with a single economy, functioning within a constitutional framework that establishes provincial and local powers, respect for protection of minorities, and a process to accommodate those wishing to retain their cultural identity.
 - V. It is on the basis of our unity in diversity that we will consolidate our national democracy. Nation-building links reconstruction and development. The Reconstruction and Development Programme is based on the notion that reconstruction and development are parts of an integrated process. The programme integrates growth, development, reconstruction, redistribution and reconciliation into a unified programme. All of the foregoing will depend on the need for thorough-going democratisation of South Africa.
 - VI. Minority control and privilege in every aspect of our society are the main obstruction to developing an integrated programme which will unleash all the resources of our country and fundamentally change the way that policy is made and implemented (White Paper on Reconstruction and Development Programme, 1994).

The *Reconstruction and Development Programme White Paper*, 1994, proceeded to outline the five main programmes originally stated in the Reconstruction and Development base document, that is, the original African National Congress policy statement. These are: Meeting basic needs; developing human resources; building the economy; democratising the state and society; and implementing the Reconstruction and Development Programme. According to Mhone (2003:21), it is clear from the above that the key areas of focus of the Reconstruction and Development Programme were the need to consolidate democratisation and the need to promote sustainable human development, and that the two are interlinked. If South Africa does not succeed in democratising the State and Society, the resources and potential of the country and people will not be available for a coherent programme of reconstruction and development. “In linking democracy, development and a people-centred approach to government, we are paving the way for a new democratic order” (RDP White Paper, 1994).

The Reconstruction and Development Programme (RDP) Office was established in the Office of the President, with Jay Naidoo as responsible Minister without portfolio. He was given a substantial budget to the tune of R2.5 billion, which he used to launch presidential lead projects in several provinces to fast-track delivery in specific high-profile projects; initiate reprioritisation; introduce a performance culture in government; and create and implement development projects. He was also pressed for a restructuring of the national budget to achieve new socio-economic objectives. However, this was difficult to achieve, since it meant attacking the direct interests of influential individuals by redistributing resources. To boost the authority of the Reconstruction and Development Programme, a Reconstruction and Development Programme cabinet committee was established, chaired by the then Deputy President Mbeki and including the most relevant implementing ministers. In theory, this was to enable Naidoo to coordinate RDP policy throughout the whole national government without, however, becoming a super-minister. In practice, his capacity to do so was limited by the inevitable

preoccupation of ministers with internal concerns and a tendency to defend departmental autonomy (Turok, 2008:91-92).

According to Naidoo, in the *Mail and Guardian* (26 May 1995), the country has yet to clearly identify the institutional mechanisms for monitoring RDP performance and for development policy work; at each level, national, provincial and local and community fully representative committees should be established which can coordinate the contribution of each to the RDP and participate in the planning initiated by government; far greater reliance should be placed on 'grass-roots' community structures for development planning and project work. The role of local development forums (LDFs) should be clarified and their functions institutionalised; a major shift is needed in government thinking about the development process.

At the same time, the African National Congress RDP base document developed prior to the April 1994 elections posited that Provincial RDP commissions should be set up similar to the national structure and thus described as the provincial RDP Commission in the following terms:

It is recommended that the RDP be a commission and not a department. The RDP should by its very nature be an integral part of government policy. The programme must be generated by the Executive Council. It must have its Commission members of the relevant Executive Council portfolios. It should be headed by a member of the provincial legislature, not a member of Executive Council (MEC). However, such a member should be given the status of a minister (or deputy without portfolio). It should have the infrastructure of a civil service department (ANC Reconstruction and Development Programme, 1994).

In practice, however, the *Interim Constitution* of 1993 only allowed ten Members of Executive Councils (MECs). Most provinces opted to use those places for the 29

competencies listed in Schedule 6 of the *Interim Constitution*. The head of the RDP Commission was therefore located in the premier's office, with no commitment to creating a separate department. In some provinces, the head was treated as political appointee and as ex-officio member of the Provincial Executive Council; in others he or she was relegated to a purely administrative role. In a nutshell, there was much confusion about the role of the head of the RDP in the provinces, and about what influence the RDP Commission was expected to exercise over provincial cabinets (Turok, 2008:92-93).

The structuring of the RDP Office had critical limitations. Although headed by a full minister, the top-ranking official in the RDP Office was only a deputy director-general, under the director-general in the Presidency. In contrast, the heads of departments were full directors general. Given the hierarchical nature of public service management, which the new government quickly made its own, this undermined the authority of the RDP Office (Makgetla, 2007:34).

The other problematic aspect is that the RDP funds had a fairly narrow focus on construction projects, while virtually none supported economic reconstruction. When it was closed down, the RDP Office's projects centred on health services, nutrition programmes, community water supply and sanitation, bulk infrastructure, land redistribution, urban renewal, spatial development and the KwaZulu-Natal peace initiatives. The capacity of the RDP Office remained limited. The Office had four chief directors, of whom only one had economics training. In contrast, planning agencies in the developmental states of East Asia had hundreds of officials. The lack of personnel in the RDP Office necessarily limited its ability to coordinate and drive government programmes. But government at the time argued for a lean administration and would not consider expanding it. Despite the weaknesses of the RDP Office, its closure left a vacuum. The government ended up with virtually no centre for strategic oversight besides the Cabinet itself. As a result, central coordination increasingly devolved to the Treasury, which tended toward relatively finance-driven and conservative policies (Makgetla, 2007:34).

Through the Reconstruction and Development Programme, it can be inferred that the new government was intent on pursuing the following objectives: formal and substantive democracy; a pluralistic and participatory form of governance; and a developmentalist agenda. The government did proceed to implement the Reconstruction and Development Programme, beginning by ensuring that there was a co-ordinating ministry attached to the Office of the President and that the various programmes were assigned to line ministries and departments for execution. The government also embarked on a low-key process of formulating a growth and development strategy, which galvanised both national and provincial levels of government in the exercise. Two years later, the Reconstruction and Development Ministry was disbanded and the growth and development process was in limbo as the government announced the new macroeconomic policy framework in the name of the Growth, Employment and Redistribution (GEAR) policy framework document (Mhone, 2003:22; Department of Finance, 1996).

The closure of the RDP office caused confusion and disquiet among significant sections of the public. Some organisations were concerned that their RDP-funded projects and programmes would be disrupted. Others lamented the closure of the one-stop-shop that the RDP Office represented. Many felt that the closure of the RDP Office contrary to what the government said meant that the Reconstruction and Development Programme was going to be sidelined, and some even argued that it meant that the government would focus one-sidedly on economic growth without linking it directly to development (Turok, 2008:94).

Michie and Padayachee (1998:630) also point out that other factors that affected the effective implementation of the Reconstruction and Development Programme include policy differences between key social service departments and the RDP Office; problems in coordinating budgetary and organisational processes within national government departments; the lack of institutional capacity at many levels of government; the difficulties in incorporating South Africa's non-governmental

organisations into the delivery process; and in some areas, corruption. To illustrate these points, Michie and Padayachee (1998:631) pertinently highlight that in the period of the RDP Office, the absence of an RDP liaison mechanism or structure within many of the provinces, and communication and liaison difficulties between the national executive and the provinces, was a major problem. The failure of the RDP Office to coordinate social and physical infrastructural delivery led to its closure in 1996, but the resultant reorganisation of functions and budget, partly into the Deputy President's Office and partly into line function departments, did not improve matters. Lack of institutional capacity at all levels of government, the high turnover of key personnel in the bureaucracy, and the effects on staffing levels of the severance package scheme led to the retirement of many skilled and able administrators and thus severely affected the delivery of services (*Financial Mail*, 21 March 1997). There is a widespread recognition that in a number of areas such as the Eastern Cape, Mpumalanga, and Northern Cape, normal administrative and service functions have been hampered by the breadth and depth of corruption and maladministration (*Financial Mail*, 2 May 1997).

However, the macroeconomic policy document, which was voluntarily embarked upon by the government with the encouragement and support of the International Monetary Fund (IMF) and World Bank, who were periodically consulted during its preparation, was very much a structural adjustment and stabilisation programme of South Africa's own making (Mhone, 2003:22). The Growth, Employment and Redistribution (GEAR) policy was an important step in the evolution of the government's policy approach, but it was not a sudden jump to the right. Instead, it was a broad, sometimes vague, formalisation of the dominant economic approach within the African National Congress. It was formulated reactively, in response to a crisis in the foreign exchange market, which threatened to erode what few economic gains had been made since the advent of democracy. From the middle of February 1996, speculative attacks on the rand led to a significant real depreciation. The markets were in fact signalling the need for clarity on economic policy, and the government responded by producing the Growth, Employment and

Redistribution (GEAR) policy. An implicit aim of GEAR was, therefore, to calm the financial markets with a view to heading off a financial crisis of the magnitude suffered by Mexico in 1995 (Steyn, 2005:189).

The government gave as its rationale for adopting the framework the changing international economic environment, especially the need to insulate South Africa from the Asian economic and financial crisis and other similar crises that might occur among emerging markets in the future. Implicit in adopting the Growth, Employment and Redistribution strategy was the contention that the government needed such a policy statement as a way of not only allaying the concerns and fears of foreign and domestic investors, but of actually attracting such investors as well. The document cites the implications of the depreciation of the rand, which had just occurred, as presenting both a threat and an opportunity. Hence, an uncoordinated response, embroiled in conflict, would cause further crisis and contraction. Linked to an integrated economic strategy, it provides a springboard for enhanced economic activity (Mhone, 2003:22; Department of Finance, 1996:1).

Michie and Padayachee (1998:626) assert that one regular criticism of the South African government's economic strategy for most of 1995, especially by big business and potential foreign investors, was the absence of an overall macroeconomic vision and blueprint. In 1996, the South African Foundation, that is, a consortium of South Africa's 50 most powerful companies published its own macro-economic blueprint, Growth for All (South African Foundation, 1996). The document sparked the other social partners to speed up the production of their own economic blueprints. Within a few months the South African labour movement (including Cosatu) produced its own document, entitled Social Equity and Job Creation (South African Labour Movement, 1996). The publication of the business and labour documents, and the currency crisis which saw the value of the Rand begin to plummet from early 1996, accelerated the completion of the government's macro-economic strategy and, on 14 June 1996, the Growth,

Employment and Redistribution policy framework was published. It was completed without any consultation within the African National Congress's alliance and was presented with the declaration that it was non-negotiable (*Sunday Independent*, 1 June 1997).

Gelb (2010:39) also argues that, during 1995, disappointment grew about the limited improvement in growth and employment achieved by the Reconstruction and Development Programme and the government decided that a macro-economic stimulus was necessary. This would have been possible through either currency devaluation or fiscal expansion. While policy discussion was still underway in February 1996, the first post-apartheid foreign exchange crisis hit. Net capital inflows dropped from R11.2 billion in the second half of 1995 to R2.7 billion in the first half of 1996, while the nominal exchange rate depreciated by 18%, making devaluation redundant. The sense of crisis shifted priorities, so that when the new macro-economic policy framework was announced in June 1996; its immediate goal was to stabilise the foreign exchange market and restore capital inflows (Gelb, 2010:39-40).

The Growth, Employment and Redistribution policy framework begins by noting that, as the next century approached, South Africa would seek to achieve the following: a competitive, fast-growing economy, which creates sufficient jobs for all work seekers; a redistribution of income and opportunities in favour of the poor; a society in which sound health, education and other services are available to all; and an environment in which hopes are secure and workplaces are productive. The Growth, Employment and Redistribution policy framework was seen as a strategy for rebuilding and restructuring the economy in keeping with the goals of the Reconstruction and Development Programme. It further claimed that in the context of this integrated economic strategy, South Africa can successfully confront the related challenges of meeting basic needs, developing human resources, increasing participation in the democratic institutions of civil society

and implementing the Reconstruction and Development Programme (Department of Finance, 1996:1).

The Growth, Employment and Redistribution policy document notes that while considerable progress had been made in repositioning the economy, re-establishing growth in terms of the Gross Domestic Product (GDP) that was in excess of growth in population, lowering rates of inflation, opening up the economy and securing new markets, restructuring the public sector and reforming the civil service, and establishing a policy framework for delivery of social services, much more needed to be done. In particular, it was noted that the growth achieved thus far was not sufficient to address the high levels of unemployment that were in existence, and it did not generate adequate resources to address the deficit in social services, and yielded insufficient progress toward an equitable distribution of income and wealth (Department of Finance, 1996).

The core elements of the integrated strategy were stipulated as the following: a renewed focus on budget reform to strengthen the redistributive thrust of expenditure; a faster deficit reduction to contain debt service obligations, counter inflation and free resources for investment; an exchange-rate policy to keep the real effective rate stable at a competitive level; and consistent monetary policy to prevent a resurgence of inflation (Mhone, 2003:23). The strategy also contained the gradual relaxation of exchange controls; a reduction in tariffs to contain input prices, facilitate industrial restructuring, compensating partially for the exchange-rate depreciation; tax incentives to stimulate new investment in competitive and labour-absorbing projects; speeding up the restructuring of state assets to optimise investment resources; an appropriately structured flexibility within the collective bargaining system; an expansion of trade and investment flows in southern Africa; and a commitment to the implementation of stable and coordinated policies (Department of Finance, 1996; Mhone, 2003:23).

Thus, various measures mooted in the Reconstruction and Development Programme were also to be pursued, especially with respect to industrial policy, delivery of social services, human resource development, crime prevention, local economic development and infrastructure development. The message of Growth, Employment and Redistribution policy framework was however clear, and this was that the market would be paramount vehicle for allocating resources and that macro-economic fundamentals would be pursued resolutely and not tampered with in achieving this goal. As the framework document's name implies, the pursuit of growth was primary and it was seen as the vehicle for promoting employment and achieving the much needed redistribution. This departed from the simultaneous approach to growth and development, with redistribution as a key aspect of both processes, implied by the Reconstruction and Development Programme (Mhone, 2003:24).

The shift from the Reconstruction and Development Programme (RDP) to the Growth, Employment and Redistribution (GEAR) policy represented recognition of the inescapable influence of global economic forces as South Africa sought to attract foreign investment and to promote exports (Pycroft, 2000:143). Indeed South Africa entered the period of the transition with some advantages in relation to global economic developments. It had been open to inflows of foreign direct investment and technology for many decades. A country at its stage of economic development with relatively large manufacturing sectors had a not insignificant physical, banking and human resource base, and it had developed a globally competitive edge in some complex activities such as mining equipment (Michie & Padayachee, 1998:624).

The Growth, Employment and Redistribution (GEAR) policy promised to reduce poverty and inequality through a surge in economic growth. The answer to how this should be done lies in the title of the policy document. Employment creation is the mechanism in GEAR linking growth to poverty and inequality reduction or wealth

redistribution (Streak, 2004:273). As Weeks (1999) points out, the Growth, Employment and Redistribution policy document actually say, little about inequality reduction. Poverty reduction in the GEAR policy is quite clearly linked to job creation, with government investment in, and delivery of social and basic services to the poor playing a supporting role (Streak, 2004:273).

Table 4.2 presents the targets for economic growth, private investment and employment creation set out in the GEAR policy document. It also presents the GEAR targets for the ratio of budget deficit to the gross domestic product (GDP) and inflation.

Table 4.2: The GEAR integrated scenario predictions for key variables, 1996-2000

	1996-2000					
	1996	1997	1998	1999	2000	(average)
GDP growth (real)	3.5	2.9	3.8	4.9	6.1	4.2
Inflation (CPI)	8.0	9.7	8.1	7.7	7.6	8.2
Fiscal deficit	-5.1	-4.0	-3.5	-3.0	-3.0	-3.7
Employment growth	1.3	3.0	2.7	3.5	4.3	2.9
Private sector investment	9.3	9.1	9.3	13.9	17.0	11.7

Department of Finance (1996:7)

While government has continued to insist that the Growth, Employment and Redistribution policy framework merely represented the clarification of an obvious omission in the Reconstruction and Development Programme, namely, the absence of an explicit macroeconomic framework, and that as such it was a continuation of the Reconstruction and Development Programme, many have seen in Growth, Employment and Redistribution as an explicit break with the RDP, with the government shifting toward the Washington Consensus characteristic of structural adjustment and stabilisation programmes associated with the Bretton Woods

institutions. In adopting the Growth, Employment and Redistribution (GEAR), the government was predicating growth and development on the inherited formal economy as the engine, through demand contraction, price correction and realignment, increased foreign and domestic investment and increased exports. The government would focus on regulation and providing an enabling environment, enhancing administrative, revenue extraction, policy making and implementation capacities. Henceforth, social and developmental policies would be undertaken within the context of the above parameters, thereby implying a greater concern for affordability, cost-recovery and financial sustainability in the provision of social services and economic infrastructure (Mhone, 2003:24).

A plethora of initiatives were introduced during the GEAR programming period as the institutional and government programme pillars of the job creation strategy. As part of the institutional labour market reform, the government introduced three pieces of legislation: *the Basic Conditions of Employment Act (1997)*, *the Employment Equity Act (1998)* and *the Skills Development Act (1998)*. In addition, the primary initiatives implemented as the government programme pillar for job creation in the period 1996-2000 include the following: The small, medium and micro enterprise (SMME) programme initiative began with the publication in 1995 of the White Paper titled *National strategy for the development of small business in South Africa* (Department of Trade and Industry, 1995). This involved an attempt to make the legal framework more conducive for small, micro and medium enterprises development. A poverty relief fund (amounting to about R1.5 billion per annum) to finance job creation projects, particular ones that created sustainable jobs, was developed for the poorest of the poor (National Treasury, 2002:147).

The type of programmes and projects that have been allocated money from this fund for job creation projects for the poor were many and varied. They have included the Department of Agriculture's land care and food security programme;

the Department of Education's adult basic education and school building programme; the Department of Water Affairs and Forestry's working for water and community water supply and sanitation projects; and the Department of Public Work' community-based public works. However, the Poverty Relief Fund has been faced with implementation problems and struggled to spend its relatively small budget allocations (Mingo & Claassens, 2002:6-7). The Spatial Development and Industrial Development Zone initiatives of the Department of Trade and Industry aimed at attracting private investment and job creation (Department of Trade and Industry, 1997:1).

The Growth, Employment and Redistribution (GEAR) policy framework might have been an appropriate policy to stabilise the domestic economy and integrate the formal and dynamic part of it into the global economy. It does not suffice as a growth and development strategy. It might be claimed that not enough time has been allowed for the restructuring envisioned by the Growth, Employment and Redistribution policy to take place, which would result in a virtuous circle of growth and development, and that in any case the government has some developmental measures in place and is continuously refining its implementation policies to better impact on growth and development. Such claims are predicated on the assumption that the market can undo the structural constraints inherited from the past, and that the developmental initiatives in place are coherent enough and of sufficient critical mass to kick-start an inclusive growth path toward sustainable development. These claims are not sustainable under current circumstances (Mhone, 2003:45-46).

One year after the Growth, Employment and Redistribution policy was presented, its performance was mixed in respect to investment, growth, and employment. Growth is presented as being the primary objective of the policy. Real Gross Domestic Product grew at 3% and 3.5% in the third and fourth quarters of 1996, with an average of 3% for 1996 as a whole compared to 3.5% in the GEAR

projections. However, the growth rate dropped dramatically to -0.8% in the first quarter of 1997. The growth of gross domestic fixed investment declined from 4.5% in the third quarter of 1996 to 2.5% in the fourth quarter, falling to only 2% in the first quarter of 1997 (South African Reserve Bank, Notes, 1997).

Table 4.3 presents the actual outcomes of the key economic indicators predicted in GEAR (1996-2000) and in 2001.

Table 4.3: Actual outcomes for key economic indicators in GEAR (1996-2000) and in 2001

	1996	1997	1998	1999	2000	2001	1996-2000 (average)
GDP growth (real)	4.2	2.5	0.8	2.1	3.4	2.2	2.5
Inflation (CPI)	7.4	8.6	6.9	5.2	5.3	6.6	6.6
Fiscal deficit	-4.6	-3.8	-2.3	-2.0	-2.0	-1.4	-2.9
Employment growth	-0.6	-1.7	-3.4	-2	-2.7		-2.0
Private sector investment	7.7	4.8	-1.8	-3.3	6.4	5.3	2.7

Sources: Budget Reviews (National Treasury, 2000:40; 2001:38; 2002:43) for the GDP data, inflation data (National Treasury, 2000:40; 2001:38) and fiscal deficit data (National Treasury, 2000:46; 2001a:45; 2002:49). SARB (2002:S132) and SARB (2002:S119) for the private sector investment.

The Growth, Employment and Redistribution policy's weakness was its failure to generate new jobs. According to GEAR, 126.000 jobs should have been created in 1996, but instead the number of formal sector jobs fell by more than 100.000 (*Finance Week*, 12 June 1997). The annual average level of employment in the private sector declined by 2.7% in 1996, whereas employment by the public

authorities actually increased by 2%. The need for implementing GEAR was based on the premise of attracting foreign investment. However, a total of net capital inflows in 1996 amounted to just R3.8 billion, compared to R19.2 billion for 1995. In May 1997, South Africa's foreign reserves were boosted by R5 billion from the proceeds of the partial sale of the telecommunications parastatal, Telkom, to SBC, USA and Telecom, Malaysia. Despite this development, foreign capital flows into South Africa since 1994 continued to be short-term and, thus, GEAR failed to reverse this trend in its first year, despite its macro-economic correctness (Michie & Padayachee, 1997:632).

The government and some leading economists (for example, reference to Iraj Abedian in Roux, 2001; Sunday Business Report, 2002) acknowledges that the Growth, Employment and Redistribution policy failed to deliver what it promised in terms of poverty and inequality reduction. Also, they agree that employment creation during the GEAR period and immediate post-GEAR period was disastrous; private investment failed to take off and public investment in capital goods was insufficient for rapid growth. However, Roux (2001) and Abedian (2002) use the following four arguments to prove that this does not mean that GEAR failed (Streak, 2004:278):

The first argument is that it is incorrect to assume that the poor growth and development performance in the GEAR period was mainly due to implementation of the policy. Instead, the economy's poor performance can be attributed to the negative external factors, such as the Asian Crisis, the slow-down in the world economy in the late 1990s and more recently, political developments in Zimbabwe and the United States. In this vein, the then Finance Minister, the Director General of Finance and economists supportive of the Growth, Employment and Redistribution policy have often presented the economy's performance over the last half decade as being very impressive in the face of the global economic environment. However, it is difficult to find empirical studies that have measured

the impact of negative external factors and policy in producing slow economic growth in the GEAR period.

The study by Weeks (1999), for example, is based on data only for the years 1996-1998, and contradicts the argument of the pro-GEAR supporters that external factors are largely to blame for the poor economic performance (Streak, 2004, 278). Furthermore, rapid globalisation was an integral part of the Growth, Employment and Redistribution policy, hence, any negative impacts associated with the rapid integration into the world economy that GEAR advocated should therefore not be used to explain what undermined the success of the strategy (Streak, 2004:278).

The second argument in support of the Growth, Employment and Redistribution policy is that it is impossible to know what would have happened to growth, investment, employment and poverty if the GEAR policy had not been implemented. It is argued that the situation would probably have been even worse because conservative macroeconomic policy helped to keep private investment in South Africa by raising investor confidence (Ramos & Manuel, 2002). Paradoxically, Streak (2004) argues that it is true that we cannot know for certain whether economic performance would have been better under a different strategy, but it is also rather a defensive and thin argument advanced by its proponents.

The third argument used to defend the GEAR policy is that the implementation of conservative fiscal and monetary policy was crucial for preventing the debt trap that was threatening economic growth and development in 1996. It was also crucial to show investors that South Africa was not going to attempt to promote development through short-term policies that would undermine sustainable development in the long term (Ramos & Manuel, 2002). The fourth argument posited by the pro-GEAR proponents is that the policy was a success despite not

delivering the development goods it had promised by 2000, it still improved prospects for them to be delivered in the future. The success of the implementation of the Growth, Employment and Redistribution policy is postulated as follows: Fiscal restraint and debt reduction in the GEAR period released resources for public investment in goods and services, particularly for the poor, both at present and in the future; the macro-economic adjustment and liberalisation in foreign trade and investment markets improved the environment for private sector investment in the South by lowering interest rates, reducing inflation and making it more predictable, lowering unit labour costs and creating a more credible macro-economic policy; budget reform and legal reform, including the implementation of the *Public Finance Management Act (PFMA)* and the Medium Term Expenditure Framework (MTEF) system of budgeting, helped to build capacity of the government to spend effectively on development projects (Roux, 2001; National Treasury, 2001a; Streak, 2004:279).

The next section examines the arguments advanced against the implementation of the GEAR policy by the South African government.

Assertion by Growth, Employment and Redistribution (GEAR) policy's critics

According to the Congress of South African Trade Union (Cosatu), the Growth, Employment and Redistribution policy was a clear failure. This is because it promised, in keeping with the Reconstruction and Development Programme, to reduce the legacies of inequality and poverty left by apartheid but failed to do so. It even failed to meet its growth, employment and private investment targets. Instead, it subverted progress on the development front to the goal of pursuing macro-economic policy demanded by neo-liberal macro-economics and the international investment community (Weeks, 1999:809-810; Cosatu, 2000:3).

Cosatu's critique of the macroeconomic policy was glaring in its submission to parliament through the People's Budget (Cosatu, 2001:3) by describing the

performance of GEAR in the following terms: macro-economic policy can either aid or retard development to the extent that it maximises or constrains resources available to implement developmental programmes. Over the past five years or so, the emphasis on fiscal austerity has produced a perverse planning paradigm in which developmental objectives have been supplanted by the secondary objective of reducing the government deficit. The hope that a tight fiscal and monetary policy would attract private investment which, in turn, would drive growth has not materialised. In fact, the opposite has happened. Instead of leading job creation, private capital has led to job shedding and capital disinvestment.

Streak (2004:280) adds that a number of flaws contained in GEAR policy can be pointed out that made it destined to fail. First, the policy rests on the assumption that budget deficit reduction will kick-start growth through private sector investment responding to lower budget deficits and interest rates. However, the link between deficit reduction, lower interest rates and increased private sector investment is dubious. One cannot rely on private investment kick-starting growth, as interest rates might not fall (Weeks, 1999:801). At the same time, Gelb (2000) has highlighted the importance of investor confidence related to crime and political factors as undermining investment in South Africa in the 1990s.

Secondly, the policy adopted a naïve approach to South Africa's reintegration into the global economy. It hinged on foreign direct investment (FDI) for growth and employment creation when the prospects for attracting FDI into South Africa were weak (Dinkleman & Streak, 1999). More importantly, in selling liberalisation and integration into the world economy, it downplayed the reality that global capitalism is a ruthless and cruel system for those who are not yet sufficiently competitive, skill intensive and shrewd enough to play the global game. The job losses associated with structural adjustment in manufacturing in the 1990's, depreciation, interest rate increases, and those associated with the Asian Crisis of 1998, and the dramatic fall of the Rand in 2001 bear testimony to the consequences of opening up a protected economy too rapidly (Streak, 2004:280).

Thirdly, the macroeconomic policy relied heavily both in conception and implementation on private sector investment-led growth for employment creation, and poverty and inequality reduction. It is also clear that employment creation will also not necessarily result in the reduction of inequality. Studies on the causes of poverty illustrate that unemployment is indeed the primary cause of poverty in South Africa (Bhorat et al. 2001:9). Therefore, the GEAR policy was correct in its assumptions that employment creation is integral to poverty reduction. However, a consideration of the trend in the capital intensity of the economy since the 1970s and the causes of unemployment in South Africa show glaringly why a heavy reliance on private sector investment-led growth to reduce poverty through employment was problematic. It also indicates why government investment is so crucial for reducing poverty in South Africa. Between 1970 and 1990, the South African economy became much more capital intensive, and with it, the labour-absorptive capacity of the economy declined quite considerably. This ensured that, by the 1990s, a given rate of economic growth had become associated with a considerable smaller change in formal sector employment growth than in the 1970s (Streak, 2004:281).

The presumed link between economic growth and poverty reduction through employment creation was and is still weakened further by the mismatch between the skills of the poor and the needs of industry. Hence, the labour demand that is generated by economic growth and private sector investment tends to do little in the way of creating jobs for the millions of unskilled poor who are desperately in need of jobs (Ministry for Social Development, 2002:70-3). Mhone (2003:47) also asserts that as a result of the past biases in education and training, there is an oversupply of lower level or secondary labour, while there is a shortage of higher level or primary labour. Meanwhile, the economy's demand for labour is shifting from reliance on lower skilled labour to reliance on relatively skilled labour, which the economy is unable to supply in adequate numbers.

Thus, the structural nature of unemployment, that is, the mismatch between the supply of and demand for labour raises the importance of skills development as a means to reduce unemployment. Given the time a skills development labour strategy takes to have a positive effect, it also presents the need for extensive government-led job creation and other income transfer programmes to reduce poverty and inequality (Streak, 2004:281). The Taylor Commission's Report on *Comprehensive Social Protection in South Africa* pertinently expressed that while unacceptably high levels of poverty and related problems require immediate government intervention, the promotion of active labour market policies is essential in South Africa. However, given the structural barriers, educational levels and other features of the economy, such policies on their own are unlikely to address the immediate social crisis in the medium to long term; employment growth and job creation will not be significant enough to ensure income security. In this context, income support, through social assistance or massive public works programmes is necessary (Ministry for Social Development, 2002:71).

The fourth flaw in the GEAR policy is that it downplayed the potential for government expenditure on the provision of basic services, productive infrastructure, housing, education, roads and others (Michie & Padayachee, 1998:628) to promote growth and redistribution. This is significant not only because the level of demand is a crucial determinant of the private sector investment that is key to growth, but also because empirical evidence suggests that fast-growing regions, or industries also exhibit fast growth in labour productivity, thereby providing support for the view that stimulating the economy can have the virtuous circle effect of increased output leading to productivity gains, which, in turn, make production more profitable (Wittenburg, 1997).

Finally, the GEAR policy failed to see that development theory and economic history illustrate that a heavy reliance on sound macroeconomic policy, liberalisation and efficiency reforms and private sector investment was unlikely to

produce rapid growth and development in South Africa (Streak, 1997:313-315). Development theory and the missing links between austere macroeconomic policy and growth and poverty and inequality reduction and the potential positive impact of government investment call for an alternative strategy (Streak, 1997, Michie & Padayachee, 1998; Weeks, 1999). This acknowledges the importance of a sound fiscal and monetary policy as a means to stimulate private sector investment and growth that are so important for development, but, it also stresses the need to rely less on these instruments to generate growth and development and more on the government itself, through industrial policy and investment in the social sectors to stimulate poverty-and-inequality-reducing growth (Streak, 2004:282).

GEAR's targets for growth, employment and redistribution have all been missed. By the end of 2000, it was clear that the strategy had failed to place the South African economy on a higher growth path. The Growth, Employment and Redistribution policy had made crucial assumptions on the labour market and industrial policy, but there was no clarity in the GEAR document how these various policy elements were to be implemented and reconciled. In fact, most of them failed to materialise (Steyn, 2005:191).

When the democratic dispensation came into place, Gross Domestic Product has been declining progressively from the 1980's onwards, as already stressed. In 1995, the average rate of growth in Gross Domestic Product was below 2%. It increased dramatically in 1996, averaging more than 4%, but declined again until 1998, when it fell below 2%. It has been increasing since 1999 but still remains lacklustre at between 3% and 4%. GEAR had predicted a growth rate that would have been approaching 6% by the end of the twentieth century. When the growth rate in Gross Domestic Product hovers around 3%, it is barely above the growth in population, which is slightly above 2%; hence per capita incomes are only marginally increasing (South African Quarterly Bulletin, 1994-2001).

The low rates of Gross Domestic Product growth have been reflected in low rates of employment expansion in the formal economy. Although it is estimated that more than a million jobs were created during the first five year of democratic rule, most of these jobs were in the non-formal sectors and many of them represented atypical or temporary forms of employment. Nonetheless, the rate of job creation or labour absorption has been so low that unemployment has been increasing (Mhone, 2003:51).

When the rates in unemployment are combined with the numbers of those who are underemployed in the rural and urban non-formal sectors, it is obvious that the proportion of the labour force that is either not utilised or under-utilised is quite high. It is also important to note that with the current rates of economic growth (well under 6% each year) results in a net addition to this pool of under-utilised resources. Thus, if measures are not put in place to address the problem of unemployment and underemployment, there may be a major threat to the sustainability of the democratic process (Mhone, 2003:52).

Democratic South Africa inherited an economy that was dominated by an enclave formal sector that acted as the engine of growth based on past protectionist and discriminatory policies and which, while utilising part of the majority population as its labour force, also excluded and marginalised it. This was institutionalised through apartheid. The consequences of an interventionist and protectionist state combined with formal discrimination are many and complex. The overall problem confronting the economy, and on the basis of which the development problem rests, relates to the fact that a significant proportion of the labour force is marginalised and under-utilised, because of the historical reasons of discrimination and the very manner in which capitalism developed. This residue of under-employed labour acts as a damper on growth and development by constraining the ability of the economy to precipitate an endogenous, virtuous circle, founded on the broad-based participation of majority in productive activities, which should

lead to increased internal demand, and the generation of increased domestic savings as a basis for mobilising internal resources, which should fuel growth and development (Mhone, 2003:46).

There are microeconomic constraints that relate to the fact that many firms have historically under-performed, because of the protective environment that nurtured them, and even if they are now forced to restructure and operate more efficiently such restructuring presents major hurdles. Small, micro and medium enterprises (SMMEs), which should be the vehicle for broadening the economy, have not only been constrained by inadequate access to capital and other related resources, but have also been penalised by a non-conducive policy environment biased against them in favour of large-scale firms, and by the under-development of value chains, particularly in rural areas. All these consequences imply that small, micro and medium enterprises cannot uplift themselves by their bootstraps and take advantage of a conducive market environment that easily, without any additional support or incentives (Mhone, 2003:46).

In October 2000, a group of left-leaning economists, among who were Neva Makgetla, Pundy Pillay, Robert Davies, Langa Zita and Ben Turok held an informal meeting in an attempt to give coherence to the range of criticisms of the Growth, Employment and Redistribution (GEAR) policy. In their report (Turok, 2001:64) it was accepted that, in the process of stabilising the macroeconomic fundamentals, some of the targets set out in GEAR had been achieved. However, the social objectives set out in GEAR had not been achieved, and this was a cause for concern, as were the constraints on economic growth and the lack of investment (Turok, 2008:130).

It was generally agreed that the macroeconomic fundamentals were in place; there was sound fiscal management and a low budget deficit. But it was not

understood why foreign investment had stalled when it was known that foreign investors tend to go where there is a momentum of economic growth, sound institutions and an absence of internal conflict. Good intentions and extensive policy packages on their own would not deliver foreign investment. The lowering of tariffs, the reduction of corporate tax from 48% to 30% and the push for privatisation had failed to attract long-term foreign direct investors (Turok, 2008:130).

The Report resulting from the meeting in October 2000 made several recommendations: overcoming poverty required a substantial change of approach in economic policy aimed at creating a more productive and stable labour force, increased domestic demand and more effective fiscal policy; South Africa required a massive increase in investment in social and human capital; an approach to growth which defines the role of key sectors and identifies employment creation, guiding government and the private sector; and open and participatory policy development and implementation programme; and greater efforts to boost small scale, state and cooperative ownership as alternatives to the existing dominant centres of private capital (Turok, 2001:130).

Makgetla and van Meelis (2003:101-102) assert that it is imperative for the trajectory of the growth path to shift toward relatively labour-intensive industries with a view to create massive jobs. Thus, viable labour intensive industries include the potentially competitive activities that can produce for export or replace imports, and sectors that are directed at domestic production and consumption and markets, notably, food production and processing, especially in horticulture; the fabrication of metals and chemicals based on downstream linkages from minerals and petrochemical refineries; many services, including tourism and communications and cultural industries; construction of housing and infrastructure; commuter transport and production of basic food. These industries provide

opportunities for small and micro enterprises both as producers and by providing key input for home-based production of goods and services.

In terms of regional development, overcoming the apartheid past is particularly urgent in respect to the former homeland areas. Thus, the integration of sectoral strategies and regional development programmes, including Spatial Development Initiatives (SDIs), local government Integrated Development Plans and the integrated rural development strategies, are crucial to overcome regional spatial disparities. The provision of basic infrastructure, education and skills are also integral for achieving rural development goals (Makgetla & van Meelis, 2003:103).

Michie and Padayachee (1997:633) argue that a number of factors facilitated the policy shift of the leadership of the ANC-led government towards adopting a neo-liberal Growth, Employment and Redistribution policy: a lack of any tradition of substantive economic policy debate within the African National Congress, which left the party in 1990 with virtually no informed ideas of its own about economic issues; aspects of the constitutional settlement, most notably of the decision to grant the South African Reserve Bank independence, had the effect of removing policy levers from government. That decision appears to be been the result of either a lack of understanding within the political leadership of the economic significance of the decision, or else of an acceptance that Reserve Bank independence was an important factor in reassuring domestic and foreign investors and business about the party's fiscal rectitude. South Africa's powerful conglomerates lost little time after the party was unbanned in 1990 in articulating its views to the party's top leadership; the growth of a small, yet powerful new Black business elite, closely aligned to the party, has also been an influence over post-1994 African National Congress's economic policy; the party's more radical alliance partners, Cosatu and the SACP, subsumed their own positions on the economy under that of the African National Congress. The independent voice of the SACP on economic policy was until 1997 largely silent within the alliance; the

international financial institutions, including the International Monetary Fund and the World Bank together with Western governments have been an influence over the party's economic thinking since the early 1990s.

The next section discusses the national economic development policies that have been put in place between 2006 until today, namely, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the New Growth Path initiated in 2010 (NGP).

4.3 Economic development policies (2006 to date)

From 2003, the government acknowledged that inequality and poverty had not been addressed during the post-apartheid era (Gelb, 2010:52). The then President Thabo Mbeki argued that South Africa comprised two economies: the third world economy exists side by side with the modern first world economy but is structurally disconnected from it. To end the third world economy underdevelopment and marginalisation will require sustained government intervention and resource transfers including education and training, capital for business development and social and economic infrastructure, marketing information and appropriate technology (Mbeki, 2003).

Government policy makers talked of building a staircase from the second economy to the first, suggesting that the European's structural funds to address regional disparities offered a useful model for first economy resources to be channelled to the second economy. In February 2006, a new policy framework was adopted, entitled the Accelerated and Shared Growth Initiative for South Africa (ASGISA), which aimed to halve the number of the population in poverty by 2014. Nominally based on the two economies concept, ASGISA targeted massive expansion of infrastructure and skills; planned spending on infrastructure amounted to nearly 5% of the Gross Domestic Product per annum up to 2010, with a parallel increase in

the scale of human resources allocated to skills development and education. ASGISA intended to boost employment by prioritising the tourism and business process outsourcing sectors, both labour intensive export sectors with opportunities for small and medium-sized businesses (Gelb:2010:52).

According to Borat (2007:35), ASGISA is distinguished, relative to its two predecessors, GEAR and RDP, by its strong emphasis on defined and very specific growth-enhancing projects. The delivery of physical infrastructure and a detailed programme for the provision of skills are some of the interventions. However, it is important to note that in many respects, ASGISA is a continuation of the GEAR policy. Having achieved the critical need for macroeconomic stability arguably the core of the Growth, Employment and Redistribution policy the emphasis has now shifted within ASGISA to a more detailed programme of activities designed to deliver the target of 6% per annum.

From a poverty reduction perspective, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) has had several difficulties. The two economies concept explicitly assumed there were no linkages between the first and second economies, ignoring interactions between growth and inequality. The first economy growth widens the gap between the two economies and, in addition, the social consequences of the second economy may well reduce first economy growth, for example, damaging investor confidence. This suggests that uplifting the second economy may require significant restructuring of the first economy, which could involve challenging established interests. Secondly, almost all the extensive infrastructure spending programmes outlined by the public sector since 2005 have been aimed at reducing the costs of doing business in the first economy, rather than extending infrastructure services to those in the second economy. Thirdly, much greater policy priority would have to be given to small and medium enterprises than had been true since 1994. A major obstacle facing both increased

numbers of small and medium enterprises in South Africa and of higher survival rates is the low supply of entrepreneurs (Gelb, 2010:53).

As a result of Black empowerment and labour market affirmative action policies, potential Black entrepreneurs are far more likely to opt for managerial and professional positions in the corporate sector with reasonably secure and substantial salaries, than for the high-risk, low-reward path of starting a small business and hoping to grow it into a medium-sized business. Fourthly, the proposed staircase linking the two economies involved asset-building programmes such as skills development, which the government has not been able to successfully implement. It was over-ambitious to assume that these programmes would attain sufficient reach to meet the employment and poverty targets by 2010. Finally, financial resources were unlikely to be adequate. The social grants systems had already committed a high level of resources to poverty alleviation, expenditure which could not simply be redirected to finance asset-based programmes (Gelb, 2010:52-53).

More significantly, ASGISA has identified six binding constraints mitigating against achieving desired growth rates and removing these constraints would promote economic momentum. These constraints are: (1) the relative volatility of the currency; (2) the cost, efficiency and capacity of national logistics system; (3) shortages of suitably skilled labour, and the spatial distortions of apartheid affecting low-skilled labour costs; (4) barriers to entry; (5) limits to competition and limited new investment opportunities; (6) the regulatory environment and the burden on small and medium enterprises and deficiencies in state organisation, capacity and leadership (ASGISA Annual Report, 2006:3).

One of the key actions required to address the binding constraints include second economy initiatives, notably, supporting micro enterprises to raise incomes and

generating more opportunities for poor households; skills development and improved labour market information, to make it easier for the unemployed to participate in the economy; decentralising economic and social programmes to townships and rural areas requiring more broad based structures including community development workers; and improved funding for the poorest municipalities which have inadequate budgets for local economic development (ASGISA Annual Report, 2006:25). In 2010, the Minister responsible for Economic Development, Ebrahim Patel released a new economic policy entitled the New Growth Path underpinned by an array of policy packages. In the main the New Growth Path places much emphasis on employment creation. The other areas encapsulated in the policy include rural development, agriculture, skills development, science, mining, tourism and social development.

The New Growth Path policy framework notes that in the period between 1994 and 2008, South Africa enjoyed relatively strong economic growth. As a result, despite the volatility of the 1990's, overall economic expansion approached 4% more or less the same as other upper-middle income countries. Despite improved growth, the economy remained one of the most inequitable in the world. In essence, the economy has not created sufficient employment opportunities for the majority of South Africans over the past three decades. Thus, creating more and better jobs must be central to any strategy to alleviate poverty, reduce inequalities and address rural underdevelopment (New Growth Path: The Framework, 2010:3).

The transition to democracy emerged when the economy was already undergoing considerable structural change. Reintegration with the world economy as well as changes in mining and agriculture saw extensive job-shedding. In the late 1970s, around two-thirds of all working-age South Africans were employed. By the early 1990's, in contrast, fewer than half had employment, as already mentioned. Despite substantial improvements in employment creation from 1994, in 2010 South Africa still ranked amongst the ten countries with the lowest level of

employment in the world. Equally, most new jobs emerged in retail, security and other low-level business services and housing construction. Finance and telecommunications did not create substantial employment (New Growth Path, 2010:4).

The global economic downturn also had a negative impact on the growth levels of the South African economy, with a 3% fall in the Gross Domestic Product from the third quarter of 2008 to mid-2009, as stated earlier. Job losses were still more severe, as employment dropped by a million jobs from the end of 2008 to the middle of 2010. As a result, the employment ratio fell back from a 45% in 2008 to 41% in 2010, virtually the same level as in 2002 before the economic boom started (New Growth Path, 2010:5). The New Growth Path policy framework has set out the target of creation of five million jobs by 2020 and the achievement of this target would ensure that half of all working-age South Africans would have paid employment. This would, in turn, narrow unemployment by 10 percentage points from the current 25% to around 15%. There are two critical variables that would affect the target of five million jobs, namely, the rate of economic growth and the employment intensity of that growth, that is, the rate of growth in employment relative to the rate of growth in Gross Domestic Product. In essence, maximising growth would yield more employment, mostly in the private sector, in order to reach the set target. Therefore, the employment intensity of growth must be kept between 0.5% and 0.8%, while the rate of growth in Gross Domestic Product should, ideally, rise to between 4% and 7% per annum (New Growth Path, 2010:8-9).

The breakdown of the jobs envisaged to be created in various sectors is as follows: 140 000 in mining; 250 000 in agriculture; 225 000 in tourism; 50 000 in business services; 300 000 in the green economy by 2020. The New Growth Path policy is not cast in stone and corrections to it will be made while it has being implemented (Mantashe, *The Times*, 2011). Amongst the policy interventions required to realise

the objectives of the New Growth Policy framework is enterprise development. South Africa has a relatively weak small and micro enterprise sector. This point is also expressed by Phillip (2010:32) by stating that in many developing countries, the informal sector provides easy access to livelihood opportunities for those unable to find formal employment. South Africa's weak microenterprise sector is often attributed to lack of skills, entrepreneurship or access to credit. Despite the importance of these factors, this often overlooks the way the structure of the economy constrains the scope of growth in this sector. Thus, opportunities for small manufacturing enterprises that target poor consumers are limited, because most manufactured goods bought by poor people are already mass-produced in the core economy and are available even in remote areas. As a result, South Africa's microenterprise sector is unusually dominated by retail activity, often in a dependent relationship to the core economy. There are limits to the scope for this sector to expand into a more formal enterprise; that space is taken, with big retail enterprises also increasingly encroaching into markets currently served by this sector.

Before 1994, the state suppressed and marginalised Black entrepreneurs. Against this backdrop, there were an entrenched market and financial institutions, plus infrastructure and regulatory frameworks that were inappropriate for smaller producers, who also often lack production, financial and management skills. Thus, part of the initiatives contained in the New Growth Path policy framework includes the following: a one-stop shop and single funding agency for small and micro enterprises established through consolidation of Khula Micro-credit, South African Micro-finance Apex (SAMAF) and Industrial Development Corporation funding to both improve access and reduce overhead costs of government in order to make more resources available to the target group; skills development and education; and rural development strategies (New Growth Path, 2010).

The policy framework also provides for institutional drivers needed in order to achieve the broader objectives of the New Growth Path. The strengthening of the integration of national, provincial and local policies and collaboration on implementation of developmental policies and programmes is highlighted as critical. The alignment of growth and development strategies adopted by different spheres of government as well as knowledge sharing and collaboration across the state should be improved (New Growth Path, 2010).

One of the important dimensions of the New Growth Path relates to spatial development. The policy framework notes that apartheid left South Africa with an extraordinary spatial divergence between the economic centres of the country, linked to the metro areas, and the densely settled rural areas of the former Bantustans, which have limited economic resources and investments. Within metros, too, there are vast disparities and spatial challenges, with townships located far from most employment opportunities. A core task of the New Growth Path is to break with this legacy through a coherent approach to spatial development backed by strong investment in infrastructure and the identification of viable and sustainable opportunities for historically disadvantaged regions. Rural development will necessarily depend largely on links to the main urban areas. For instance, smallholder schemes in the Eastern Cape can produce for factories in Port Elizabeth or East London; and tourism in Mpumalanga relies primarily on visitors from Gauteng province (New Growth Path, 2010).

Given the extraordinary differences in natural, economic and social economic conditions in South Africa, provinces and localities must adapt the broad drivers in the growth path framework to their unique circumstances. A spatial economic strategy will indicate how the jobs drivers affect different provinces, municipalities and rural areas, linking this spatial economic strategy to the rural development strategy and industrial policies. An important step in this regard will be to enhance communication between the spheres of government on their

development strategies and to improve their alignment (New Growth Path, 2010:30).

Table 4.4: Linkage between national economic development policies and the local economic development (LED) policy

National economic development policies	Policy objectives	LED Policy objectives
RDP (1994)	Building the economy, and socio-economic development	Economic growth Job creation Poverty alleviation
GEAR (1996)	Economic growth targets Employment creation Private sector investment	Economic growth Job creation Poverty alleviation
ASGISA (2006)	Halve poverty and unemployment rates before 2014 Enhance economic growth	Economic growth Job creation Poverty alleviation
NEW GROWTH PATH (2010)	Increase economic growth (in terms of GDP) Employment creation of 5 million jobs by 2020	Economic growth Job creation Poverty alleviation

The table above which is the researcher's own design pertinently indicates the linkage between the national economic development policies that were initiated since the dawn of democracy in 1994 to date and the LED policy objectives. The above-mentioned national economic development policies aims essentially to: to achieve high economic growth rate, to create employment, and to alleviate poverty. Naturally, LED policy is initiated to boost local economies, create jobs and alleviate poverty at the micro, regional and local levels and therefore the interrelationship between these policies is evident.

The next section discusses the salient characteristics of local economies within the context of developmental local government. The composition, structure and significance of these economies are outlined.

4.4 The salient characteristics of local economies

The former Department of Provincial and Local Government's *National Framework for Local Economic Development* in South Africa (2006:17) reflects the vision for local economies as follows: robust and inclusive local economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives. These local economies show strength, inclusiveness and sustainability. They support the growth and development of local employment, income and assets, overcoming constraints and competition to capitalise on opportunities. They also generate intensive trade, the mixing of people, capital and natural resources and capture social, cultural, recreational, sports and tourism experiences.

Thus, functional local economies change and respond to new circumstances, consumer preferences and styles and product innovations. The active involvement and participation of residents in municipal affairs is a thrust of robust and inclusive local economies, characterised as follows: the people in these local economies, the citizens of these local areas, are resourceful, skilled and able to take full advantage of economic opportunities. They are innovative and able to participate in and establish, run and grow thriving enterprises. They produce locally made and branded products for the domestic and international market that are of high quality and appeal to the needs of different consumers. The leaders of these localities inspire confidence in the local economy and are able to mobilise resources for the advantage of local communities. They also make, manage and implement economic development strategies that are participatory, realistic, feasible and viable, yet creative, innovative and visionary in order to unleash

potentials and grasp development opportunities. They work together with national and provincial government and development agencies to best position their local economies in the global context. The workforce of these economies is well capacitated, appropriately skilled and well remunerated. They provide a competitive edge for the businesses and industries functioning in the local area and serve as an attraction for new businesses and industries. They provide a constant and reliable flow of skill in pleasant and enjoyable working environments. The assets (natural, physical, financial, human and social capital) of these local economies, including the local people, leadership and workforce are harnessed for the benefit of local economic development (National Framework for Local Economic Development in South Africa, 2006).

The harnessing of these assets and their proper use and management serve as a lever for attracting and securing greater private sector investment and finances for the development of the local area. These robust and inclusive local economies are part of local areas that provide a high quality of life experience for local residents, visitors and investors. The physical infrastructure, public amenities and facilities and public services are reliable, accessible, efficient and enable effective social and economic transactions. The natural environment, public spaces, settlements and buildings are attractive, appealing and desirable. They inspire confidence in the local economy and the creation and maintenance of these are themselves a constant source of work for local people (National Framework for Local Economic Development in South Africa, 2006).

Robust and inclusive local economies are networked into local, provincial, national, continental and global economic dynamics and opportunities. These local economies are interconnected with external support initiatives, projects and programmes. They have reliable, fast, and easy access to information and their people and enterprises take full advantage of incentives, and support offered by government and other development agencies in different economic sectors. These

economies have a range of functioning partnerships at different levels and between different parties that enhance the ability of local stakeholders to capitalise on available economic opportunities. They also contain economic institutions and systems that provide constant and sustainable support and advocacy networks for local enterprises. The income earned by local residents is largely spent in the local area. This generates revenue for municipalities that enables the appropriate and sustained provision of infrastructure and services. The financial viability of municipalities is therefore enhanced (National Framework for Local Economic Development in South Africa, 2006).

Therefore, it can be deduced that local economies should be informed by multiple factors that are necessary for their sustainability and prosperity within localities. Thus, the availability of skilled and educated local citizens, as well as natural resources and assets are the key drivers for propelling strong and inclusive local economies that result in high incomes for individuals and revenue for municipalities, the forging of strategic partnerships and networks including both the public and private sector stakeholders, and the delivery of basic services and public infrastructure that benefits the entire localities.

The next section suggests the various strategies that could be implemented in order to build and sustain local economies within the South African context.

4.5 Strategies for building local economies

There are a number of important strategies that could be employed in order to propel and sustain local economies in the context of developmental local government. Some of these strategies require effective inter-organisational and inter-governmental relations to be realised and while others rely on allocation of adequate resources, creativity and proper planning.

4.5.1 Integrated development and service delivery planning

Infrastructure development, service delivery, municipal financial viability and local economic development are not mutually exclusive concepts. They are interdependent and government, especially municipalities, should develop strategies and management practices that take a holistic and integrated approach. Coordinated structural planning within the context of the Integrated Development Planning process offers the potential to link local economies and accelerate growth directly by public-private sector investment and through facilitating the strategic development of competitive advantage. To facilitate and achieve this, more rigorous long term planning through cooperative governance (*Inter-governmental Relations Framework Act, 2005*) and in accordance with national spatial planning guidelines is required. Long term planning and research should be the basis for understanding local economies better, aligning economic strategies throughout government, and building the competitiveness of the municipal regions (DPLG National Framework for Local Economic Development, 2006).

Thus far, endeavours have been made to align government's development planning by introducing development planning instruments in each sphere of government, that is, the national spatial development framework (NSDP), the provincial growth and development strategy (PGDS) and the integrated development plan (IDP) for national, provincial and local governments, respectively. Theoretically, these planning instruments are meant to flow into one another with the one informing the other; for instance, the PGDS should in part reflect the harmonisation of growth trajectories of all municipalities in a given province, as per their IDPs. However, the current generation of provincial PGDS and IDPs in the respective provinces throughout the country appears to be moving in tandem with each other (Nkwinika, 2010:228).

Through the IDPs, municipalities should present their service delivery targets, set socio-economic trajectories and plan for sectoral development in their areas of jurisdiction. The sectoral planning during the integrated development planning process should provide planning for spatial development, medium-term financial projections, disaster management, integrated transport, water services and performance management. In addition, through the IDPs, it is envisaged that municipalities would deliver on their service delivery mandates, fulfil the ideals of developmental local governance, and ensure sustainable development within their areas of jurisdiction (Nkwinika, 2010:236-237).

4.5.2 Public investment and enterprise development

According to Turok (2008:196), emphasis on public investment in productive capacity and services which provide an economic return such as housing and electricity, as opposed to welfare spending, will mean that there will be returns on investment, thus safeguarding macroeconomic balances and ensuring that development is sustainable. This investment will also generate further growth through demand for electrical goods, furniture, household goods, paint and other consumables, which can be produced locally.

Factors promoting productive livelihoods in the urban townships include: artisan training, small enterprise advice and start-up funding support, community organisation, market research, provision of decent premises, family vegetable gardens, physical infrastructure such as electric power, telephones, linkages to existing larger enterprises, removal of obstructive legislation, micro finance credit and banking facilities. Additional factors promoting productive livelihoods in the South African rural areas include support for village and homestead food production, training in horticulture, provision of water, community organisation, provision of fertilisers and seeds, research on markets, public transport to markets, creation of artisanal enterprises for tools, trained community workers,

micro finance credit, banking facilities and provision of electricity and telephones (Turok, 2008:196-197).

Enterprise development involves an array of factors that are aimed at promoting domestic and foreign investment. The World Bank Primer advises that investors look for a stable macroeconomic climate, a stable political and regulatory environment, market access and open competition, a welcoming environment, available sites and premises, appropriate, available utilities and transportation, available skilled workforce, available local suppliers and resources, appropriate education, training and research facilities, a good quality of life, especially when bringing foreign nationals, manageable regulation and taxation systems and incentive schemes when investigating a potential location (Bertlesmann Foundation and World Bank's Cities of Change Initiative, 2002:28).

Local municipalities need to prepare industrial and commercial sites with basic infrastructure in order to attract businesses to the area (Bertlesmann Foundation and World Bank's Cities Initiative, 2002:35). A well developed built environment is more attractive for business seeking to locate, expand or settle its employees and owners in the locality. Small medium sized enterprises are dependent on good supportive infrastructure for growth (Rogerson, 2004:24-25). Programmes and projects may include improving key roads, railways, airports, ports, sites and buildings, water, sewerage, energy and telecommunications systems and crime prevention equipment (Rabie, 2010:305). The World Bank Primer advises that since these projects involve considerable expense, it is imperative that local governments prioritise infrastructure investments according to need, potential for cost-recovery, opportunities for leveraging additional resources (Bertlesmann Foundation and World Bank's Cities of Change Initiative, 2002).

In the context of South Africa, a practical example of a South African physical infrastructure improvement programme is the Municipal Infrastructure Grant (MIG). The Grant combines existing capital grants, namely, the Consolidated Municipal Infrastructure Programme, Local Economic Development Fund, Community Based Public Works Programme, Water Services Projects, Urban Transport Fund, Building for Sport and Recreation Programme, and National Electrification Programme) for municipal infrastructure into a single consolidated grant (DPLG, 2004-2007:6). The aim of the programme is to provide all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance to cover the capital cost of basic infrastructure for the poor. This is aimed at eradicating poverty and creating conditions for local economic development by maximising opportunities for employment creation and enterprise development (DPLG, 2004-2007:3).

Localities can also derive benefit from infrastructure developments initiated by other spheres of government. A classic example is the Mbombela Local Municipality (Nelspruit) which has experienced major service backlogs, urban land tenure issues, high unemployment and low economic opportunities like many other municipalities in South Africa. The proximate development of the Maputo Development Corridor Spatial Development Initiative generated by the Department of Trade and Industry largely boosted the economic growth of the locality. To maximise spin-offs from these initiatives, the Mbombela municipality decided to focus on investment in the protection and expansion of existing economic nodes to ensure corridor development and identify viable projects which can serve as a catalyst for the locality and the corridor initiatives (Adams & Moila, 2004).

One spin-off of the Maputo Corridor was the building of the Kruger Mpumalanga International Airport, a grand partnership between an international company and the Mbuyane community who provided the land on which the airport was built. The community holds both 10% of the shares in the airport as well as necessary a fee

for each departure. Both are used for bankrolling development of the community. The community has also benefited from both temporary and permanent jobs resulting from the construction and management of the airport (Adams & Moila, 2004). Another initiative to maximise spin-offs from the corridor is the construction of housing projects in close proximity of the corridor, the promotion of small businesses that may feed into value chains and conducting a full business audit to determine and exploit emerging trends (Adams & Moila, 2004). The Maputo Development Corridor initiative supports Rodriguez-Pose's assertion that local economic development is territorial, thus encompassing national, provincial and local economies in a broad sense. This initiative clearly signifies the territorial nature of local economic development.

The Organisation of Economic Cooperation and Development (OECD) list of projects that may encourage small medium and micro enterprises includes loan guarantee schemes; programmes to encourage young individuals to start businesses; provision of marketing advice; subsidies to new technology-based firms; subsidies to stimulate the taking up of management training in small businesses; subsidising the creation of businesses and growth of small medium and micro enterprises by disadvantaged groups; programmes to encourage graduates to start businesses; provision of general business advice; creation of science parks; tax relief to businesses; enhancing investment readiness of small medium and micro enterprise's owners; and encouraging small enterprises to export (OECD, 2007:38).

Projects that enhance the capacity and skills range of small enterprises include start-up training in formulating business plans, identifying markets, hiring skilled workers and complying with government regulations to training for more established small enterprises in marketing and exporting, product development and process improvements; identification and use of new technology and increasing cooperation among staff and promoting internal teamwork, enhancing networking with suppliers, clients and other firms and generally improving

adaptability and flexibility to respond to changing market conditions and clients (OECD, 2002:20).

4.5.3 Local Economic Development Agencies

The concept of a Development Agency is an approach for generating jobs in local communities using local knowledge and mechanisms. It involves strategic planning and research, using available tools and resources, and building partnerships among different spheres of government, the private sector and the non-profit sector. The primary objectives of these agencies are: to promote and develop economic potential on a local and regional basis by building on the unique competitive strengths of each region's economy and assets; to leverage public and private resources for development opportunities; to foster the innovative thinking and entrepreneurial activity which support and drive economic growth; and to manage the spatial organisation of the area in a socially efficient manner and through the use of public land and targeted private projects in particular (Patterson, 2008:28). Development Agencies have been created as alternative institutions to promote public-private partnerships that will advance the ideals of economic development in the area (Xuza, 2007:120).

Local Economic Development Agencies, as municipal entities, are established either in a district or a local municipality. In South Africa, these agencies are a new invention to counteract the excessive dependence of municipalities on national and provincial economic initiatives that are invariably inconsistent with the needs and aspirations of local communities and often appear locally irrelevant. Local Economic Development Agencies are set to respond to socio-economic challenges, growing concern over economic growth and development, poverty and the poor performance of municipal sector departments in economic development. Their economic development mandate is founded on the premise that traditional

municipal structures cannot optimally respond to the socioeconomic challenges in local communities (Malefane & Khalo, 2010:138).

Local Economic Development Agencies also play significant roles that include amongst others counteracting the following: the lack of business confidence and minimal opportunities for private sector investment in municipalities; the minimal contribution of municipal sector departments to local economic growth, their inability to effectively act at business level and in joint-ventures due to bureaucratic practices, and overregulation; the lack of business development support and entrepreneurial skills development; reduced opportunities for municipalities to engage in large-scale economic development projects, to compete locally and in a global stage; the lack of innovation, integration and co-ordination between economic development activities in municipalities; and the increasing risk of investing in poor and under-developed municipal areas (Malefane & Khalo, 2010:139).

Some examples of the existing agencies in South Africa are: The Nkonkobe Development Agency in the Eastern Cape, which has been instrumental in initiating and facilitating the revival of the Kat River Citrus Project (Patterson, 2008:28). The other one is the Blue Crane Development Agency which facilitated the expansion of a flower project for export purposes and the establishment of a new airport in Somerset East and the assembly of an ultra-light aircraft project. Enterprise Illembe in KwaZulu-Natal assisted with the facilitation of an aquaculture project at Amatikulu Fisheries, which has attracted an amount of R36 million from the KwaZulu-Natal Growth Fund and has also assisted with the identification of nodal points for industrial estates in the Ndwedwe local municipality area of jurisdiction, including a processing facility for small commercial farmers. Enterprise Illembe has also delivered a local community chilli project and secured an international market to which it is currently supplying. Hibiscus Coast Development Agency is involved in facilitating urban renewal programmes and

beachfront master plans for the major towns along the south coast of KwaZulu-Natal in conjunction with the Hibiscus Coast municipality. The Mandela Bay Development Agency collaborated in the key strategic spatial implementation framework or master plan developed to facilitate the identification of capital projects that could serve as a catalyst for private sector development. This included the Freedom Statue, which represents the fight for freedom built in Port Elizabeth, and further a museum and a display area for artists are part of the plan.

A Development Agency is basically an entity with public interest and accountability but uses private sector tools and strategies. The Agency is a delivery tool owned by a municipality to coordinate and manage public resources, potential investors and regional investment opportunities in accordance with the identified development objectives. Funding to establish a development agency by the Industrial Development Corporation (IDC) is provided under three grants: The Pre-Establishment Grant is capped at R800 000; The Establishment Grant is capped at R2.5 million; The Operational Grant is capped at R5 million per annum for a maximum of three years (Patterson, 2008:30). A Development Agency is not applicable to every municipality and requires a number of factors to be in place in order for it to work. Experience has shown that the success of a development agency depends on the presence of the following elements: partnerships amongst stakeholders; entrepreneurial approach but with maintenance of public interest; strategic vision of potential development of the area; community and local support and participation and mobilisation and leveraging of resources available in the area (Patterson, 2008:30).

4.6 Conclusion

A review of the current economic performance in South Africa should be located within the broader historical background of the economic trajectory and economic development policies that were in place. The policy shifts spearheaded by the

government since the dawn of democracy further indicates the complexity inherent in the formulation and implementation public policies that affects economic development. Policy implementation literature points out a number of obstacles to implementation, namely, ambitious policy targets; incorrect or poor problem analysis that is cause-effect analytical approach; limited administrative capacity; external environmental factors beyond the control of policy implementers such as global recession, financial crises; bad luck; lack of commitment and non-involvement of key stakeholders during policy formulation. These factors are pertinent in understanding the contributing factors underlying policy analysis of the various national economic development policies implemented by the democratically elected government since the dawn of democracy, namely, the Reconstruction and Development Programme (RDP); Growth, Employment and Redistribution policy (GEAR); Accelerated Shared Growth Initiative for South Africa (ASGISA) and the New Growth Path (NGP).

The triggers for change related to economic development policies appear to be myriad and can be surmised as follows: the Reconstruction and Development Programme (RDP) sought to achieve both social and economic imperatives at the same time and thus the economic dimension of the policy was not clearly articulated from the outset. Consequently, the RDP was mostly associated with infrastructure development and social development projects such as housing, provision of water and sanitation. Furthermore, the global economic crisis that occurred in the mid-1990s appeared to have surpassed the implementation capacity of the government through the RDP in order to cushion the effects of the economic crisis on the South African economy. At the same time, ineffective inter-departmental and inter-governmental relations and conflicts also contributed to the weakening of the RDP and the closure of the RDP Ministerial Office attest to this.

Therefore, the formulation and adoption of the Growth, Employment and Redistribution (GEAR) policy should be premised upon this background and context. The GEAR policy had clear-cut targets and indicators for fast tracking economic growth, and job creation. The limitation of this policy lay with the setting of ambitious and unrealistic targets and this is manifested through the failure of the policy to achieve its set targets in 2000. The introduction of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) attests to this abovementioned point. The fundamental objective of ASGISA was to amongst others primarily accelerate the achievement of growth and employment creation as a result of the disappointing performance of the GEAR policy. Equally, ASGISA targets were set in line with the Millennium Development Goals (MDG) for 2015. However, the lifespan of this policy was short-lived largely as a result of the new political leadership that assumed political power in 2009 after the national democratic elections and thus the New Growth Path is a macroeconomic development policy initiated by the new political leadership. The New Growth Path was also a response to the global economic recession that started in late 2009 and took root in 2010. The government believed that the policy contained the necessary measures aimed at mitigating the impact of the global economic crisis on the South African economy in terms of slowed economic growth, job loss and reprioritisation. These critical issues also had an impact on local economies as municipalities faced reduced revenues owing to job loss, stagnant economic growth, high number of business liquidations and increasing poverty levels within localities. The relationship between national economic development policies and the local economic development policy is thus highly significant.

In order for the government to achieve the objectives set out in the New Growth Path policy, there is a plethora of issues that should be taken into account, notably, the achievement of higher growth rates, expansion of the pool of entrepreneurs, the enhancement of skills development programmes for the unskilled labour and unemployed youth, attraction of private investment for implementation of public infrastructure programmes, and the streamlining of

integrated planning with a major focus on employment creation and poverty alleviation throughout the three spheres of government, effective communication related to public service delivery plans and the capacitation of the state in relation to spending on public infrastructure and service delivery projects.

CHAPTER 5

ANALYSIS OF CASE STUDY AND FINDINGS

5.1 Introduction

This chapter presents the background of the case under study, namely, the Emakhazeni local municipality situated in the Mpumalanga province of the Republic of South Africa. The research sample, data analysis and interpretation based on a set of 10 questions contained in a self-administered interview schedule are elucidated. The chapter also discusses the research objectives and research questions underpinning this study within the context of a proposed model for LED policy implementation suited for the sphere of local government. This policy model encapsulates critical variables, notably, LED policy content and context; LED policy stakeholders; LED policy implementation informed by the broad research themes of the field research findings. This chapter principally reflects on the findings emanating from the focal group discussions that took place in Emakhazeni local municipality, Mpumalanga province, on August 2012. This research visit also included data collection in the form of literature review research and document review related to local economic development strategy and policy implemented by the local municipality.

The next section discusses the constitutional mandate and the various categories of local government with reference to the Emakhazeni local municipality. The discussion also covers the socio-economic situation facing the local municipality and the spatial location of the municipality within the Mpumalanga province.

5.2 Background to the Case

The Emakhazeni Local Municipality is constituted in terms of the *Constitution of the Republic of South Africa, 1996*, and the *Municipal Structures Act, 1998*, as a Category B municipality. In terms of the *Constitution of the Republic of South Africa, 1996*, Section 155 (1), there are three categories of municipalities, namely, Category A; Category B; and Category C. A municipality that has exclusive municipal executive and legislative authority in its jurisdiction falls under Category A and a general term for a Category A municipality is a metropolitan municipality. Category B municipalities are municipalities that share municipal executive and legislative authority in a specific area with a Category C municipality within the area of which such Category B municipalities fall. A Category B municipality is also referred to as a local municipality. The *Constitution* determines that Category C municipalities are municipalities which have municipal executive and legislative authority in areas that include more than one municipality. The general term for a Category C municipality is a District municipality.

Local government: *Municipal Structures Act of 1998* (Act 117 of 1998) contains criteria for determining when an area must have a Category A municipality (Metropolitan), with exclusive legislative and executive authority throughout its area of jurisdiction; and a Category B municipality (Local municipality), that shares executive and legislative authority with a category C municipality (District Municipality). Within these basic types of municipalities, each Provincial Local Government Member of the Executive Council (MEC) must then determine whether an executive mayor or executive council should perform the executive functions of the municipality. The Provincial Local Government Member of Executive Council (MEC) must determine whether or not municipalities should have ward committees to strengthen local representation. Provincial MECs have a considerable discretion to influence the viability of each municipality, ensuring the optimum structure for

each council, based on local factors, including the political and administrative capacity of the council (Pycroft, 1999:188).

The potential advantage of creating different types of municipality is that it affords each MEC for Local Government with the flexibility to determine the most cost-effectiveness form of local government based upon the local conditions, service requirements and local political preferences. The disadvantage of this is that the efficiency savings of one type of municipality, as opposed to another, may be slight, as the main costs associated with a municipality are related to administrative expenditure, service delivery and capital repayment. The type of municipality executive (whether executive mayor, executive committee, ward based, or sub-council) has only a limited impact on these fundamental financial components. Furthermore, the introduction of non-uniform types of municipalities within the same province, and from province to province, introduced a level of complexity and confusion that could operate against the efforts to encourage public participation in municipal activities (Pycroft, 1999:188:189).

Local government can be described as public organisations authorised to manage and govern the affairs of a given territory or area of jurisdiction. It is also important to note that local government refers to a sphere of government, and not an individual municipality. All the individual municipalities in South Africa make up the collective sphere, known as local government (Roux, 2005:64). Local government is defined as a sphere of government located within communities and well placed to respond appropriately to local needs, interests and the expectations of communities. Van der Waldt (2006) asserts that local government is at the coalface of public service delivery. This view is also articulated by Thornhill (2008:492) by stating that local government is often the first point of contact between an individual and a government institution. Therefore, it is also often argued that local government is government closest to the people.

Being a government closest to the people, it is to be expected that a core function of municipalities is the rendering of a variety of basic but essential services to the community within its jurisdiction (Roux, 2005:69). The provision of services by municipalities is a constitutional obligation. Part B of Schedule 5 of the Constitution identifies the following services that fall within the ambit of local government and its municipalities. They are water, electricity, town and city planning, road and storm water, waste management, emergency services, for example, fire fighting, licences, fresh produce markets, parks and recreation, security, libraries and economic planning. Part B of Schedule 4 of the Constitution identifies the following matters that are also the responsibility of local government: air pollution, building regulations, child care facilities, electricity and gas reticulation, local tourism, municipal airports, municipal planning, municipal health services, municipal public transport, municipal public works.

The mandate for municipalities is succinctly contained in the preamble to the *Local Government: Municipal Structures Act, 1998* as:

“A vision of democratic and developmental local government in which municipalities fulfil their constitutional obligations to ensure sustainable, effective and efficient municipal services, promote social and economic development, encourage a safe and healthy environment by working with communities in creating environments and human settlements in which all our people can lead uplifted and dignified lives.”

Emakhazeni local municipality is located in the Nkangala District municipality in the Mpumalanga province of South Africa. According to the Community Survey conducted by Statistics South Africa in 2007, the local municipality had a population size of 32.840 persons. The municipality is also the least populated in the Nkangala District municipality with a population density of 6, 93 persons per square meter. The municipality is bordered to the West by the Steve Tshwete local municipality which is also part of the Nkangala District municipality, and to South

it is bordered by Albert Luthuli local municipality which is part of the Gert Sibande District municipality, and to the North by the Thaba Chweu local municipality and to the East it is bordered by the Mbombela local municipality both of which are part of the Ehlanzeni District municipality in the Mpumalanga province (Emakhazeni Local Municipality's 2011-2012 Integrated Development Plan).

The Emakhazeni local municipality is strategically positioned in the provincial context of the Mpumalanga province as it is located between the Pretoria and Johannesburg complex in the Gauteng province and Nelspruit, the provincial capital of the Mpumalanga province. Moreover, it is situated on the N4 national road of the Maputo Corridor, which is the main link between the Gauteng province, Mpumalanga province and Mozambique. The transport infrastructure in the form of rail lines provides a linkage with Gauteng and Maputo, the capital of Mozambique, and Richards Bay, in the KwaZulu-Natal province. The municipality is a tourist destination and serves as the gateway to the major tourism attraction points in Mpumalanga province and the eastern parts of Limpopo province through the Kruger National Park to the East and Pilgrim's Rest, Graskop, Mashishing and Hoedspruit to the Northeast of the province (Emakhazeni Local Municipality's 2011-2012 Integrated Development Plan).

The unemployment rate in the Emakhazeni local municipality was 30% in 2010 and the weighted average household income earned by economically active population per annum is R31 494 53 in terms of the 2001 figures. The economy is composed of various sectors which make it diversified, namely, mining, agriculture, trade, transport, government and community services and manufacturing. Mining is leading in terms of employment within the municipality with 22.7% followed by trade sector with 20.6% (Emakhazeni Local Municipality's 2011-2012 Integrated Development Plan).

The next section presents a discussion of results based on ten research questions contained in an interview schedule emanating from the field research work that took place at the Emakhazeni local municipality's offices. The data analysis and interpretation of the results is presented through tables, charts and graphs.

5.3 Discussion of results

The field research work took place over a period of five days at the offices of the Emakhazeni Local Municipality, Mpumalanga province in August 2012. This work also involved document review of various official documents developed by the Municipality, notably, the IDP Review document for 2010-2011 financial year, Emakhazeni Local Municipality's LED Strategy, March 2007, and the Emkhazeni Responsible Tourism Plan, March 2008. For the purpose of data analysis an MS Excel spreadsheet was used for data coding, analysis and presentation.

Table 5.1: Research sample

Profile of respondents	Number of respondents
Municipal Manager	1
Manager in the office of the Executive Mayor	1
IDP and LED officer	2
Corporate and Social Investment officer	1
Chairpersons of Community Development Forum	3
Member of the Mayoral	1

Executive Committee

Youth Development Manager	1
Total	10

The profile of these above-mentioned research participants clearly shows the diversity of views and perceptions they hold related to the formulation and implementation of the LED policy within their municipality. This includes both the internal staff represented by the senior municipal officials and the external municipal stakeholders, namely, the members of the Community Development Forum. It is also important to note that the staff establishment of this municipality is relatively small sized owing to inadequate staffing and resource restrictions.

Table 10: Response rate

Number of interviewees	Actual	Response
10	10	10

It is interesting to note that the targeted number of respondents was actually achieved, because all the respondents were available for the focal group interview meetings as per the schedule agreed upon by the researcher and the municipal LED coordinator. The research participants were required to complete a self-administered questionnaire, which consisted of nine closed questions and one open-ended question. This section provides an analysis of the respondents' perceptions and views with regard to the Local Economic Development Policy of the Emakhazeni Local Municipality, located in the Mpumalanga province of the Republic of South Africa, as already stated. The analysis of the respondents is categorised into three broad themes, namely, Local Economic Development Policy

Planning Context; Local Economic Development Policy Stakeholders; and Local Economic Development Policy Implementation.

Question 1: Importance of Local Economic Development

Research participants were requested to indicate the importance of Local Economic Development for the municipality. Figure 5:1, below, graphically illustrates the responses of the participants.

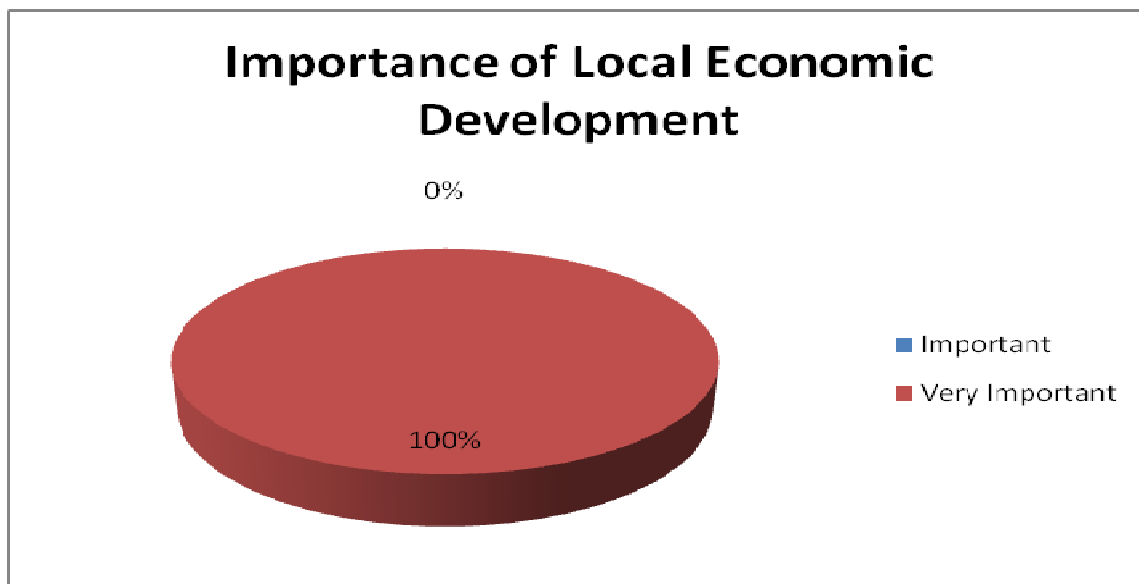


Figure 5.1: Importance of Local Economic Development

In answering this question, the participants were provided with two options in order to indicate their perceived importance of local economic development for their municipality. Figure 5:1 highlights that all of the participants were of the view that local economic development is certainly very important for the operations of the municipality. This overwhelming response also indicates the primacy of the LED policy for the municipality accorded by the participants. This research finding indicates that all the important role-players within the

municipality acknowledge that local economic development is very important and is unequivocally needed to realise the strategic objectives of the municipality, namely, economic growth, employment creation and poverty alleviation.

Question 2: Responsibility for Implementation of LED

Secondly, research participants were requested to specify who is responsible for the implementation of local economic development. They were provided with three options, namely, Municipal Manager, LED Unit, and Civil Society. Participants were not limited in their approach to answering and could therefore choose more than one answer. Figure 5:2 reveals the responses of the participants.

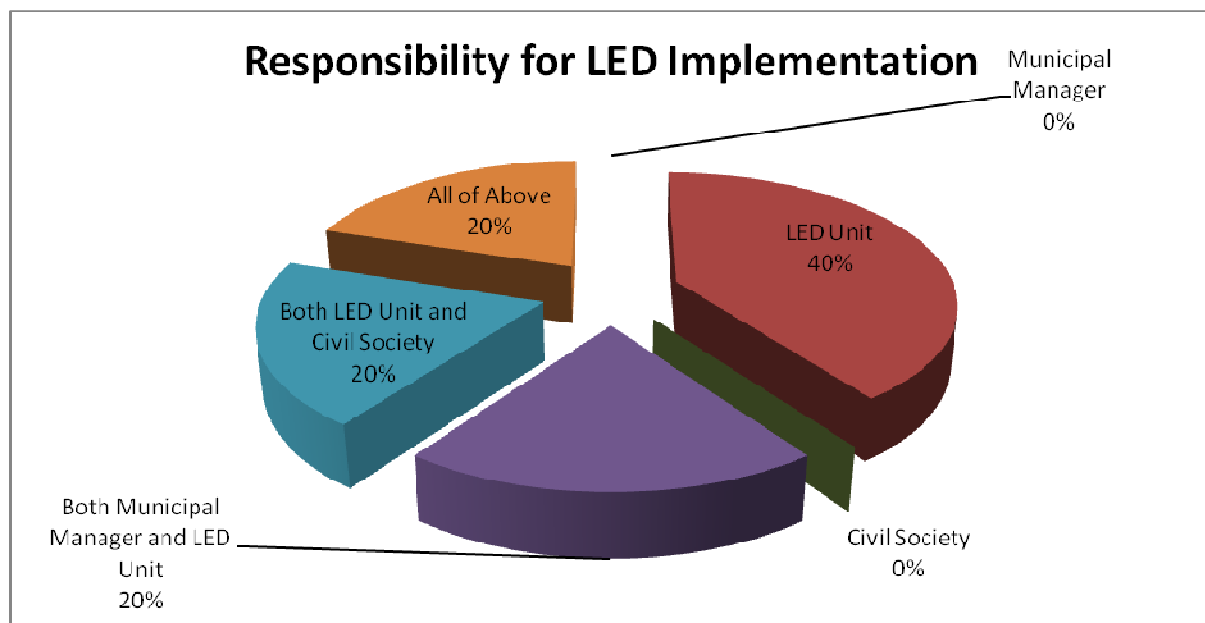


Figure 5:2: Responsibility for LED Implementation

From the responses that were received and as Figure 5:2 illustrates, the majority (40%) of participants indicated that the LED Unit of the municipality is primarily responsible for the implementation of the LED Policy. Twenty per cent of the participants were of the view that both the Municipal Manager and the LED Unit

are responsible for the implementation of the LED Policy, whereas another 20% of the respondents stated that both the LED Unit and Civil Society are responsible for the Policy's implementation. The existence of the LED Unit and the involvement of the civil society in the implementation of the LED policy clearly show the inclusive approach adopted by the municipality in order to realise the objectives of the policy, notably, ensuring economic growth, employment creation and poverty alleviation.

Question 3: Stakeholder involvement in LED Policy

The third question of the self-administered questionnaire required participants to indicate the extent to which the national, provincial and local government and non-state actors are involved in developing the LED Policy. Figure 5:3 below illustrates the responses of participants.

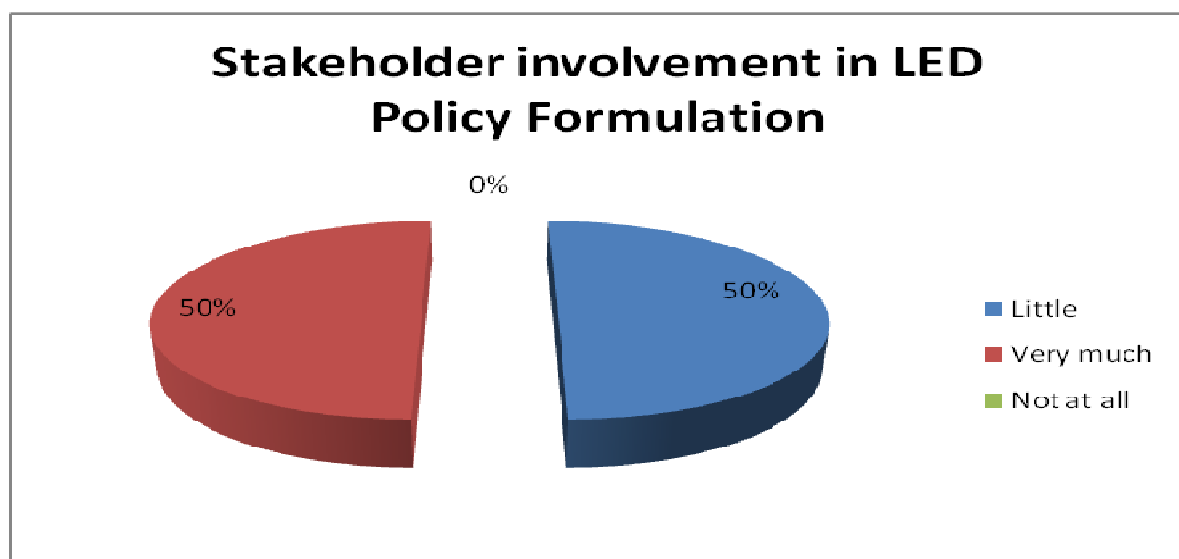


Figure 5:3: Stakeholder involvement in LED policy formulation

According to Figure 5:3, 50% of the participants believe that the above-mentioned stakeholders are involved to a small extent in the formulation of the LED Policy,

whereas 50% of them indicated that the extent to which stakeholders are involved in the LED Policy formulation is rather extensive. This indicates the degree of involvement of both the national and provincial spheres of government and non-state actors such as non-governmental organisations and community-based organisations. The role played by these various stakeholders in the development of the LED policy supports the integration of the national economic development policies, notably, the New Growth Path, National Spatial Development Perspective and the Provincial Growth and Development Strategy initiated by the Mpumalanga provincial government and the Municipal LED policy. This finding supports the perception that local municipalities to some extent do not consider aligning their LED policy planning with the broader national and provincial development frameworks.

Question 4: Frequency of LED policy meetings

The importance of convening meetings to discuss the progress that is being made with regard to the implementation of the LED Policy cannot be underestimated. Participants were required to indicate the number of times that meetings are held to discuss the progress being made in the implementation of the LED Policy. Figure 5:4 graphically demonstrates the responses of participants.

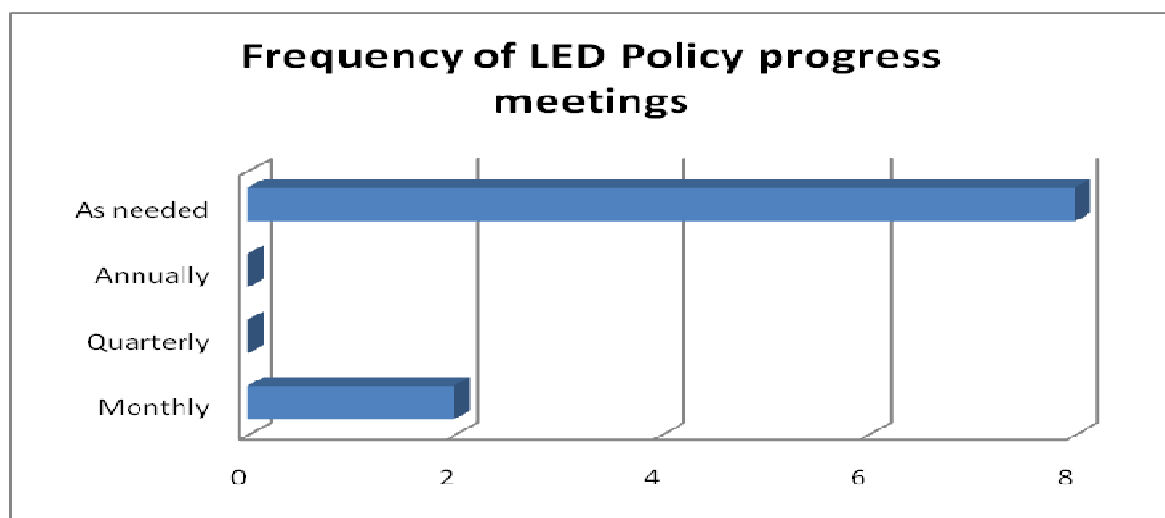


Figure 5:4: Frequency of LED Policy Progress Meetings

It can be deduced from Figure 5:4 that the majority of respondents suggest that meetings to discuss the progress of the implementation of the LED policy are only convened when the need arises. One out of the ten respondents pointed out that, such progress meetings are held monthly, as opposed to quarterly, annually or when the need arises. Figure 5:4 also reveals that meetings should not be scheduled quarterly or annual basis. Policy review is one of the important stages of the public policy cycle and therefore, constitutes an integral part of monitoring and evaluation of existing policy. The review of the LED policy is fundamental in order to allow the flexibility of the policy implementers to quickly adapt and respond to the emerging new challenges and circumstances facing the implementation of the policy. It is also apparent that there are no scheduled review meetings of the policy by the municipality.

Question 5:5: Opinions taken into account regarding implementation

Various stakeholders' opinions are taken into account in formulating and implementing LED policies. Participants were asked to highlight which opinions are taken into account when decisions relating to the implementation of the LED Policy are made.

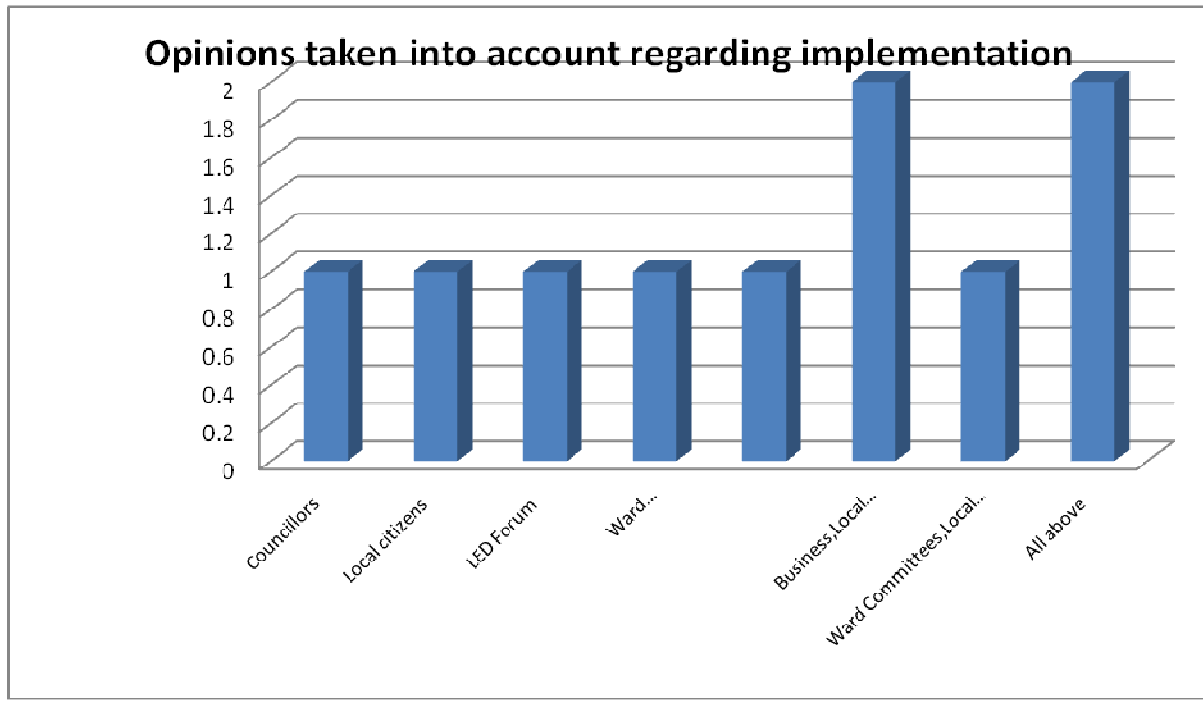


Figure 5:5: Opinions taken into account regarding implementation

Figure 5:5 illustrates that two of the ten (20%) participants underline that the opinions, that are taken into account with regard to the implementation of the LED Policy, are those Business, Local Citizens, Provincial government, and the LED Forum. Two of the ten (20%) respondents indicated that all stakeholder opinions, which include Councillors, Ward Committees, Business, Local Citizens, Experts, NGOs, Provincial government and the LED Forum, are taken into consideration. The opinions of various LED policy stakeholders supports the view that LED is multi-sectoral and involves business, non-governmental and community-based organisations represented through the LED Forum, and the combination of ideas, input and resources of these stakeholders is cardinal for the effective implementation of the policy.

Question 6: Barriers of Implementation

Question 6 of the questionnaire required participants to reflect on the barriers that are responsible for influencing the implementation of the LED Policy. Figure 5:6 illustrates that various factors hinder the implementation process, such as; Political barriers, Understaffing, Inadequate financial resources, Inadequate skills, Lack of clear national government policy direction, Lack of baseline socio-economic data, and a Lack of coordination. Respondents were given the prerogative to choose more than one barrier or factor, which they thought to be relevant.

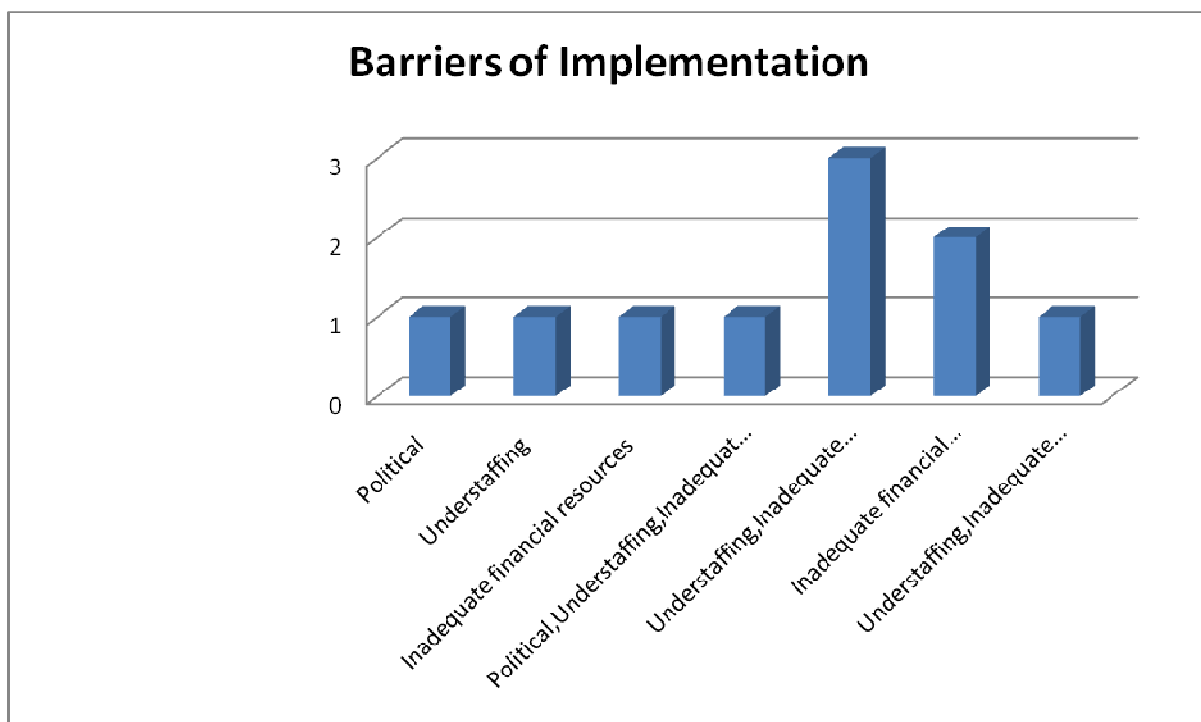


Figure 5:6: Barriers of Implementation

A combination of Understaffing, Inadequate financial resources and Inadequate skills, as well as a combination between Inadequate financial resources and a Lack of coordination were identified as the major barriers in the process of implementing the LED Policy. The lack of skills, coordination, funding and understaffing for LED policy implementation invariably exhibit the institutional capacity deficiencies facing small local municipalities. It is difficult for small local municipalities to attract and retain qualified and competent LED practitioners due

to limited labour supply within the local labour market and financial resources available to them to be able to fulfil this objective. At the same time, the role of provinces in building capacities of municipalities to undertake LED and in supporting them in its implementation is succinctly provided in the LED Policy Implementation Guidelines, 2005.

The Development Bank of Southern Africa launched the Local Economic Development Fund in 2008 that is aimed at assisting localities with demonstrable economic potential but they are hampered by, limited revenue base and access to commercial and grant funding to capitalise on the potential within their areas. Through this Fund, low capacity local municipalities could successfully raise funding for LED policy implementation.

Question 7: Frequency of updating and reviewing LED policy

Similar to the need of convening meetings in order to discuss the progress that is made with regard to the implementation of the LED Policy, it is of paramount importance to regularly update and review the LED Policy. This question asked participants how often they reviewed and updated the LED Policy. Figure 5:7 below illustrates the responses.

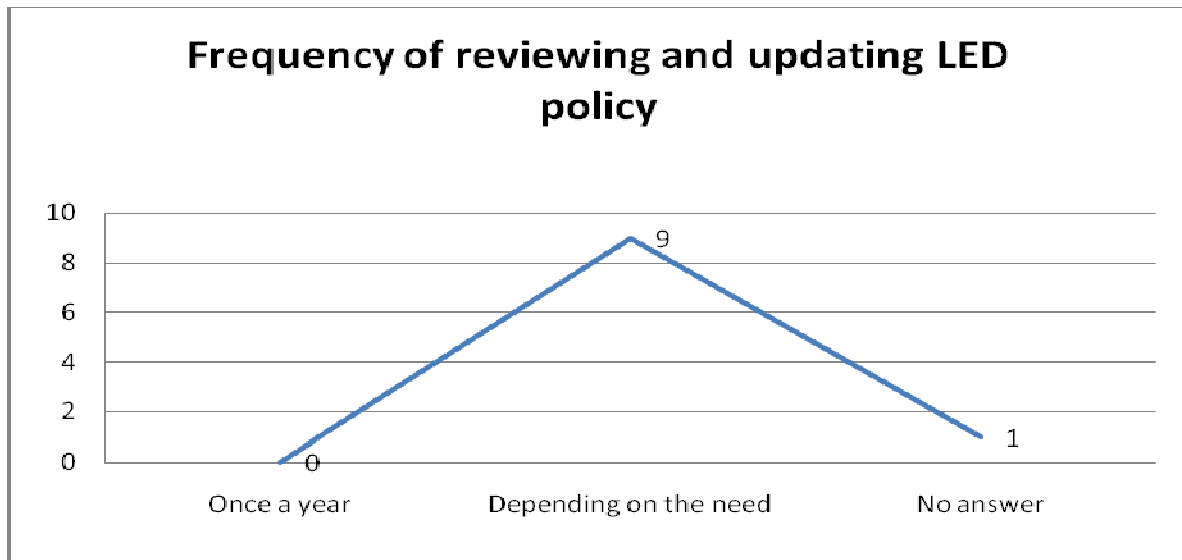


Figure 5:7: Frequency of reviewing and updating LED Policy

According to Figure 5:7, the majority of participants (90%) state that the LED Policy is only reviewed and updated when it depends on the need to do so. One respondent did not establish a view. According to the World Bank LED Model (2005), LED strategy should be reviewed at least annually to ensure that it remains relevant. It may be that conditions have changed or that the initial assessment was incorrect to the local conditions. The LED strategy should evolve continuously to respond to the changing competitive environment.

Question 8: Current Priority Areas

Economic, Social, Environmental, Tourism, Infrastructure, Employment, Public-Private Partnerships (PPPs) and Poverty Alleviation are identified as some of the priority areas of the LED Policy. Participants were required to highlight which the current priority areas of the municipality’s LED Policy are. This question did not limit participants from choosing more than one option.

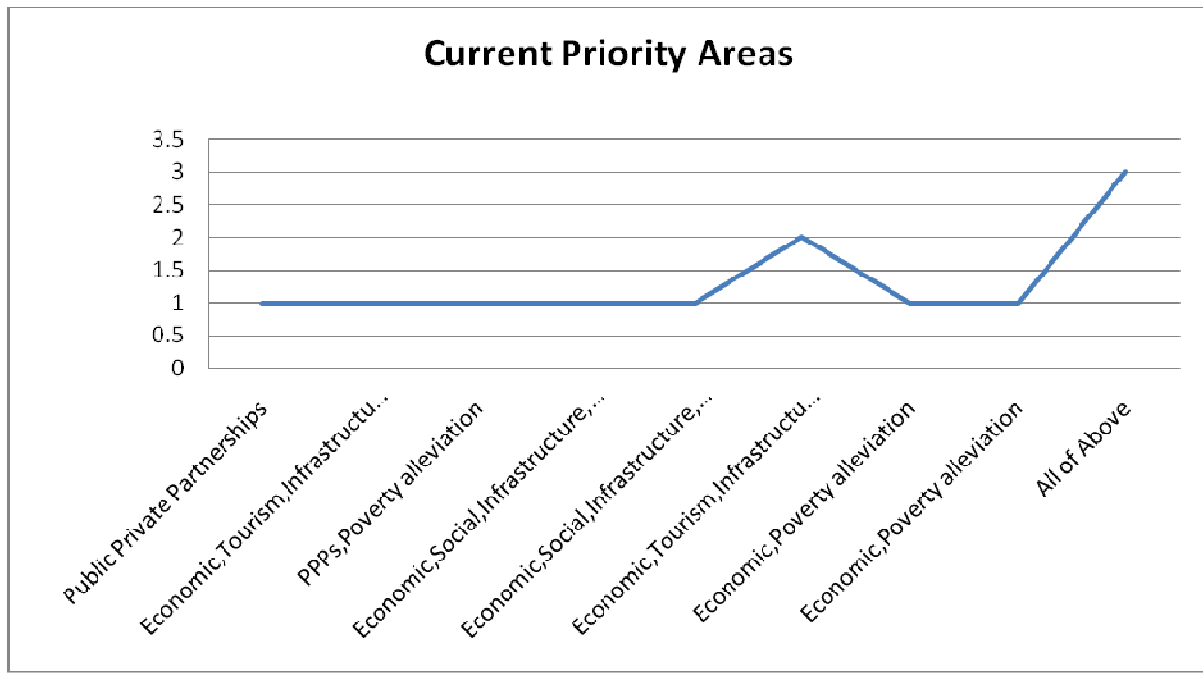


Figure 5:8: Current Priority Areas

Three of the ten (30%) respondents indicated that all of the abovementioned factors were current priority areas of the municipality’s LED Policy. Ten per cent of the participants were of the view that a combination of Economic, Tourism, Infrastructure, Employment, PPPs and Poverty alleviation were the key priority areas. Another 10% of the participants expressed that the key priority areas of the municipality were a combination of Economic, Social, Environmental, Employment and Poverty alleviation. The reflection of the respondents clearly indicates that the LED policy is considered as cross-cutting and incorporating important areas for ensuring economic growth, employment creation, poverty alleviation, creation of the enabling environment through infrastructure and participation of the private sector and public organisations through Public-Private Partnerships.

Question 9: Consideration of National and Provincial Growth and Development Strategies

Research participants were required to indicate the extent to which the National and Provincial Growth and Development Strategies were considered in the formulation of the LED Policy. From Figure 5:9 below, it is evident that the National and Provincial Growth and Development Strategies form an integral part of the LED Policy.

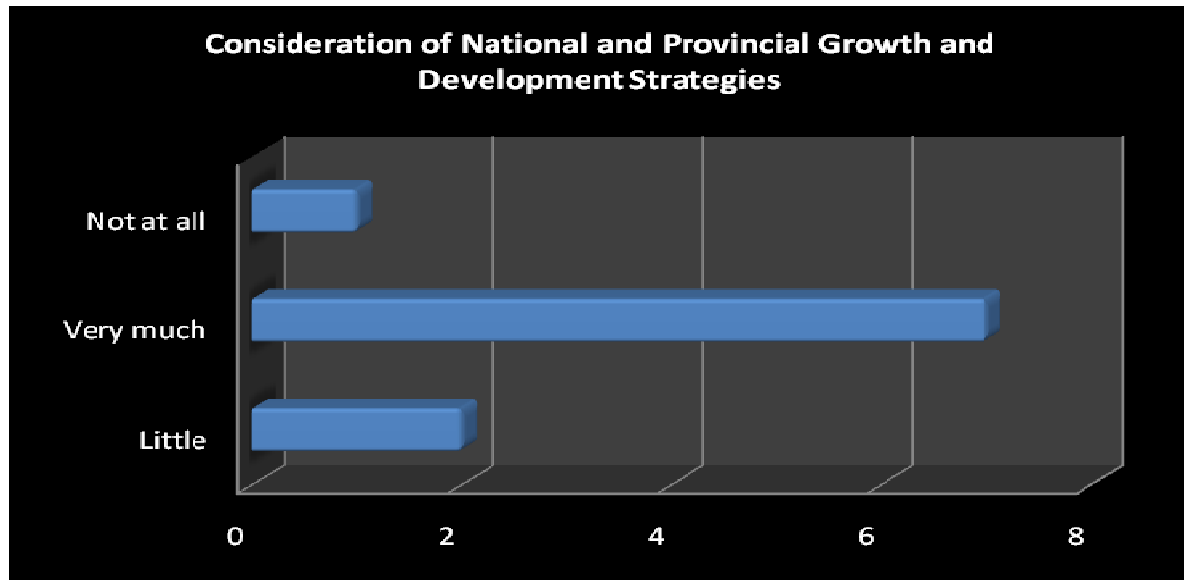


Figure 5:9: Consideration of National and Provincial Growth and Development Strategies

An overwhelming 70% of the participants affirm that the Growth and Development Strategies are central to the formulation of the LED Policy, while one of the ten participants (10%) indicated that these strategies are not considered at all in the formulation of the LED Policy. The remaining 20% of participants highlighted that the National and Provincial Growth and Development Strategies are taken into little consideration. This research finding supports the assertion that local municipalities should invariably align their LED policies with the National economic development policies, namely, the New Growth Path, National Spatial Development Perspective, Provincial Growth and Development Strategies.

Question 10: Realising Objectives of LED policy

The final question of the self-administered questionnaire was an open-ended question, which entailed the research participants having to provide their opinion on how the LED Policy Objectives could be best attained or realised. The participants were not provided with options to choose from, so for the purposes of this analysis, the researcher has categorised the participants' responses into the following: Stronger partnership between all stakeholders, Proper coordination and transparency, Increase in financial resources, Community education, and Improving human resource capacity. Figure 10 illustrates the responses of the research participants.

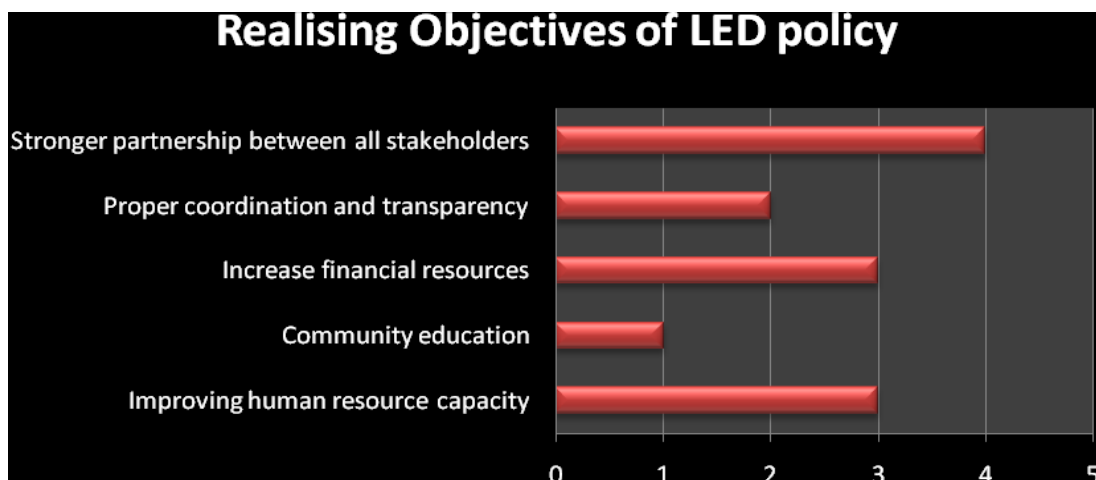


Figure 5:10: Realising Objectives of LED Policy

According to Figure 5:10, 40% of the participants were of the view that a stronger partnership between all stakeholders, coupled with an improvement in the human resource capacity, as well as an increase in financial resources would assist the municipality in meeting the objectives of the LED Policy. Participants suggest that in terms of improving the human resource capacity of the municipality, there should be an introduction of training and orientation programmes for officials who

are involved in the formulation and implementation of the LED Policy. Two of the ten respondents believe that the objectives of the Policy will be realised if there is greater coordination and transparency in the entire process of formulating and implementing the LED Policy. Community education was another important factor that was suggested by the participants (10%).

Based on the above-mentioned findings, thematic discussions follow:

Issue 1: Bottlenecks facing the implementation of local economic development policy

Recommendation 1

This study suggests that there are numerous bottlenecks facing the implementation of local economic development policy. This is attested to by the barriers identified by the participants notably, the lack of skills, coordination, funding and understaffing as the major contributing factors affecting the implementation of the policy within the Emakhazeni municipality. The report on the Strategic Review of Local Government appropriately highlights these above-mentioned factors namely, limited capacities, inadequate financial resources and the lack of proper coordination among the various responsible spheres of government as the crucial bottlenecks that hinder the effective implementation of the LED policy, and this is covered in chapter three.

Issue 2: Synergy between the policy development frameworks of the national, provincial and local spheres of government

Recommendation 2

This study points out the fact that there is little synergy regarding the planning process encapsulating the various strategic national economic development policies namely, the New Growth Path, National Spatial Development Perspective and Provincial Growth and Development Strategy and the municipal LED policy implemented by the local municipality. The failure on the part of local municipalities to align municipal LED policy and the national economic development policy frameworks invariably affects the integration of strategic national and provincial development imperatives necessary for the achievement of

economic growth, employment creation and poverty alleviation. The lack of a synergised and integrated development planning frameworks is a crucial issue that needs the attention of LED policy planners and implementers within municipalities.

Issue 3: Strategies for the realisation of LED policy objectives

Recommendation 3

The study notes that in order for LED policy objectives to be realised, there is a need for a sound policy framework guiding LED planning; partnerships and cooperation in LED planning initiatives should be forged and strengthened; innovative economic development initiatives such as the establishment of industrial parks, industrial districts and enterprise zones are integral to the achievement of LED policy objectives. The expansion of a pool of entrepreneurs is also vital for the purpose of enhancing economic growth rates and employment creation; effective public infrastructure in the form of transportation, telecommunications and roads should be prioritised and implemented; and effective inter-governmental and inter-organisational relations based on the promotion of regional and local economic development across the national, provincial and municipal spheres of government should be enhanced. The creation of an enabling environment through comprehensive financial and business support services to enterprises and the facilitation of strong partnerships and collaborations between the key stakeholders including both the public and private sector organisations are valuable for the achievement of LED policy objectives.

The research objectives of this study are to first, examine the interrelationship and synergy that exist between the policy development frameworks of the national, provincial and local government spheres aimed at promoting local economic development objectives; secondly, to examine the bottlenecks facing the achievement of local economic development objectives within the local sphere of government; and thirdly, to propose a policy implementation model suited for developmental local government and this is discussed in chapter 2.

The model presented below is a representation of critical variables that should be taken into account with a view to ensuring proper implementation of the LED policy within the context of developmental local government. This model is based on the broad themes of the research findings of this study, namely, Local economic development (LED) policy content and context; LED Policy stakeholders; LED policy implementation and LED Policy objectives. These critical variables are interwoven and inextricably intertwined. The separation of one variable from the other will render the implementation of the local economic development policy ineffective. It is therefore, important for policy implementers to ensure a holistic and inclusive approach towards the implementation of the local economic development policy within the context of the imperatives of the developmental local government.

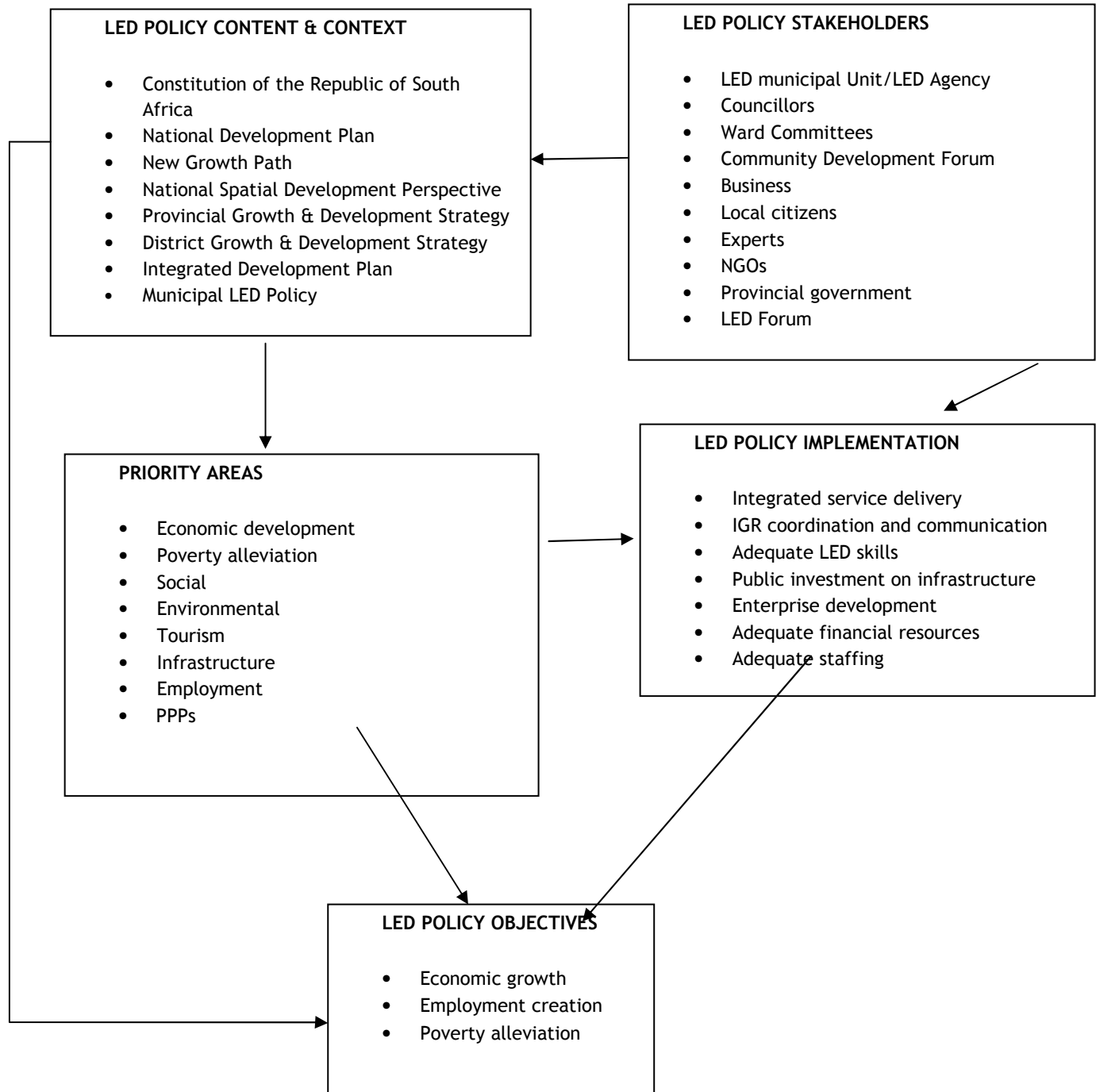


Figure 5:11: LED Policy Implementation Model

The first variable refers to the **LED Policy Content and Context**. This variable covers the important legislation and public policies that underpins the promotion of growth and development objectives at the macro, micro and meso levels. The *Constitution of the Republic of South Africa, 1996*, provides for local government objects and Section 153 clearly states that one of the objects of local government is to promote social and economic development, as already stated. Furthermore, local government must encourage the involvement of communities and community-based organisations in the affairs of local government. The *Constitution* sets the tone for the promotion and realisation of LED policy objectives, namely, the promotion of social and economic development through economic growth, employment creation and poverty alleviation. The National Development Plan covers the government's vision for 2030 and reflects on the overall strategic priorities and objectives of government for the next two decades. This Plan provides a broader planning framework to inform the formulation of the LED policy.

This alignment is cardinal for the purpose of ensuring that the LED policy is synchronised with the major thrusts of the National Development Plan. The New Growth Path policy broadly outlines the strategic objectives of the government and, more importantly, contains targets for the achievement of growth and employment creation. Flowing from this New Growth Path policy, LED policy planners should also take into account the intentions of the National Spatial Development Perspective in order to understand and locate the potential economic growth points for their local areas. This would help LED policy planners to generate a sound spatial development plan tailored for the specific circumstances and conditions unique to their local areas. The spatial development plan is integral to the realisation of LED policy objectives.

The LED policy cannot be insulated from the imperatives of the provincial government through the formulation of the Provincial Growth and Development

Strategies (PGDS). This provincial strategic development framework provides the basis within which LED policy planners should locate the growth and development priorities of the province and give direction to the content of the LED policy. This synergy of both the PGDS and LED policy is imperative for ensuring integrated development planning within the two spheres of government and thus realising the fundamental objectives of intergovernmental relations and also incorporate the District's Growth and Development Strategy.

The content of the LED policy should also encapsulate the broader municipal strategic plan, namely, the Integrated Development Plan (IDP). The IDP is an innovative strategic planning tool aimed at ensuring that the development thinking mode of municipalities locates the short, medium and long-term development plans of municipalities within the parameters of an inclusive and participatory processes of consultation, involvement and engagement with local citizens, community-based organisations, non-governmental organisations and business community. The synergy between the IDP and LED policy is integral for the achievement of LED policy objectives.

As a result, the priority areas for the LED policy should principally focus on economic development, employment creation, poverty alleviation, social and environmental, tourism, infrastructure, and public-private partnership issues. These priority areas are also reflected in the National Development Plan, the New Growth Path, the Provincial Growth and Development Strategy, the National Spatial Development Perspective and the Integrated Development Plans.

The other critical variable situated in the LED policy implementation model involves **LED Policy stakeholders**. It is important to note that in terms of the *White Paper on Local Government, 1998*, developmental local government is defined as a government committed to working with local citizens, non-

governmental organisations and community-based organisations to find sustainable ways and means to meet their social, economic and material needs and improve the quality of their lives. This definition of developmental local government clearly provides the context within which the LED policy should be conceptualised and operationalised.

The solicitation of input, views and resources from various stakeholders is cardinal to effective implementation of the LED policy. At the municipality level important stakeholders include the councillors who are expected to provide vision on how they intend to develop, harness and achieve the economic potential of their municipalities in order to boost local economies, generate employment and reduce poverty. The involvement of LED municipal units/agencies/forum in shaping the content of the LED policy is also critical for the success of the LED policy. These LED municipal structures should be adequately resourced and capacitated in terms of both human and financial resources, and empowered to take a leading role in the mobilisation of resources for the purpose of realisation of LED policy objectives. The active involvement of the Ward Committees, local citizens, non-government organisations, and experts is imperative for the realisation of developmental local government.

LED policy implementation is also a critical variable and therefore municipalities should take the following elements into account:

- I. Integrated service delivery planning through the provision of basic services such as water and sanitation, electricity, human settlements and education should be prioritised. In order to fulfil integrated service delivery planning it is imperative for municipalities to ensure that service delivery budget implementation plans (SDBIP) are synchronised with Integrated Development Plans. This should also take into account the service delivery plans that are developed by sector departments at the provincial level such as the Roads, Education, Co-operative governance and human settlements.

- II. Intergovernmental relations (IGR) coordination and communication should be achieved through the jettisoning of silorised development planning processes across the three spheres of government. Thus, coordination of government development frameworks should be effected from the National Planning Ministry, the provincial offices of Premiers and municipal managers' departments informed by the National Development Plan, New Growth Path, National Spatial Development Perspective, Provincial Growth and Development Strategies, Municipal Integrated Development Plans and Local Economic Development Policy Framework.
- III. Public investment on infrastructure should be initiated and spearheaded by government departments and municipalities. This would help stimulate and boost local economies and thereby generate employment creation and poverty alleviation. This strategy will further advance the agenda of the South African developmental state demonstrating capacity to intervene in the economy in order to promote and achieve growth and development strategic objectives.
- IV. Enterprise development should be promoted and underpinned by market access and research; availability of premises for enterprises; physical infrastructure such as electricity, telecommunications, roads and transport facilities such as railways and ports; linkages with existing large enterprises; sound trade and enterprise regulations; adequate funding for start-ups and training and capacity building initiatives.
- V. Adequate financial resources should be made available for municipalities in order to initiate local economic development projects through various avenues, namely, the Development Finance Institutions notably the Development Bank of Southern Africa (DBSA) and Industrial Development Corporation (IDC). These resources may be allocated in the form of loans, grants and subsidies tailored for municipalities with demonstrable economic potential and capacity to drive growth and development initiatives.

- VI. Adequate LED skills are critical for the effective implementation of LED policy and various capacity-building initiatives should be developed and customised to cater for the generic skills development of LED policy implementers and this should assume an interdisciplinary focus involving economic, development and spatial planning, public administration and management and project management domains.
- VII. Adequate staffing for LED municipal units/departments and agencies should be a top priority for municipalities. This may be achieved through adequate funding in order to attract and retain professionally qualified, competent and capable LED policy implementers within resourced, high capacity and under-resourced and low capacity municipalities. The skewed skills levels of LED staff across municipalities should be addressed as a matter of urgency and significance with a view to achieve LED policy objectives.

5.4 Conclusion

This chapter commenced with a reflection on the background of the case study, namely, the Emakhazeni local municipality situated in the Mpumalanga province of the Republic of South Africa. This municipality falls under a Category B municipality in terms of the *Constitution of the Republic of South Africa, 1996*, and *the Municipal Structures Act, 1998*, and thus it shares its municipal executive and legislative authority with the Nkangala District municipality which is a Category C municipality and it is part of this District. Emakhazeni local municipality is relatively small both in terms of organisational capacity and population size, which is about 32 840 persons in terms of the Community Survey of 2007 conducted by the Statistics South Africa. The municipality's economic potential lies in the areas of agriculture, community and government services, transportation and logistics, mining and tourism. These are the key drivers of the local economy of the municipality. Unemployment and poverty levels facing this

municipality remain high by comparative standards and, thus, the municipality has developed the LED Policy in 2008. However, the implementation of this policy is affected by an array of bottlenecks, namely, inadequate staffing; inadequate financial resources; lack of coordination; and lack of involvement of local stakeholders. The research findings presented in this chapter attests to the above-mentioned barriers to LED policy implementation. This chapter also introduced a model for LED policy implementation suited for the sphere of local government. This model clearly outlines three critical variables for policy implementation with reference to LED, namely, LED policy Content and Context; LED Policy Stakeholders, and LED Policy Implementation. These variables are discussed within the context of the broad research themes of the research findings for this study.

This chapter also discussed salient findings and array of strategies that needs greater attention in respect to the implementation of local economic development policy namely, the establishment of industrial parks and enterprise zones; the creation of an enabling environment through comprehensive financial and business support services to enterprises and the facilitation of strong partnerships and collaborations between the key stakeholders including both the public and private sector organisations. The next and final chapter of this thesis outlines the deductions, recommendations and limitations underlying this study.

CHAPTER 6

CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

6.1 Introduction

This chapter provides conclusions, recommendations and limitations of this study. This also covers the research objectives and research questions underpinning this study outlined in chapter Two. It is important to state that the purpose of chapter One is to discuss the historical overview reflecting on the background to Integrated Development Plan and Local Economic Development in South Africa and more importantly the system of local government. The formulation of LED strategies in municipal sphere is informed by the Integrated Development Plan (IDP) adopted by municipal council. The IDP precedes the LED policy and strategy shaped by a municipality. Integrated Development Planning is a legislative imperative contained in *the Municipal Systems Act, 2000*. Municipalities are required to align their Integrated Development Plans with the broader national development policies such as the National Development Plan, National Spatial Development Perspective, New Growth Path, Provincial Growth and Development strategies.

This chapter locates the notion and characteristics of a developmental state with reference to South Africa. For the purpose of this study, it is deduced that for the South African developmental state to deliver on its electoral and constitutional obligations related to the promotion of social and economic development and poverty alleviation there ought to be strategies put in place to propel growth measured in terms of Gross Domestic Product, per capita income and domestic and foreign investments. The state should intervene in the economy to counter the neo-liberal ideology that promotes the minimalist role of the state in the economy in favour of the market. The success of the developmental state hinges on the

bureaucratic and managerial capacity of the senior managers in the public sector including municipalities to shape and drive the development agenda aimed at delivering on the expectations and needs of the poor, marginalised and unemployed sectors of the population. This requires the ability on the part of senior managers to formulate long-term economic development plans and strategies and effectively implement them. The involvement of the broader civil society, business and labour organisations, non-governmental organisations and members of the public is cardinal to the development of these long-term economic development plans and strategies.

The first chapter commences with an exposition of the historical foundations of South African local government. The system of local government has the long established history informed by the aftermath of the Anglo-Boer War and the subsequent creation of the Union of South Africa in 1910. The foundations of local government were also inextricably intertwined with both the political and economic systems prevalent at that time; therefore, the existence of the system of local government had an impact on the spatial, commercial, economic and political context in South Africa. Spatially the settlement of inhabitants within urban areas was tied to their proximity and distance to their place of work including commercial, industrial and economic activities. Increased urbanisation as a result of the discovery of gold mining areas also had an impact on the introduction of the migrant labour system which later shaped the system of local government.

This interconnection between the political and economic systems invariably has an impact on the form and content of the system of local government in South Africa. Therefore, the history of local government in South Africa cannot be insulated from both economic and political ideologies and the imperatives of the apartheid government. The system of local government that was in place had largely influenced the political struggles that occurred in the urban areas including the Black townships and led to the dismantlement of apartheid. The subsequent

reform agenda for a new system of local government that involved the setting up of the Local Government Negotiating Forum in 1990 fundamentally altered the system of local government in South Africa. This involved the adoption of the *Local Government Transition* legislation in 1993 that contained three-pronged phases of transforming local government, namely, the Pre-Interim, the Interim and Final phases of local government. These transitional phases of local government also exhibited the enormous problems for this sphere of government manifested through lack of administrative capacities, skills shortage, financial inefficiencies, non-payment of services, huge spatial disparities and poor political leadership. However, the performance of numerous municipalities across the country has thus far also demonstrated huge deficiencies in as far as the fulfilment of both their constitutional and legislative obligations are concerned (Koma, 2010:112).

The Report on the State of Local Government in South Africa published in 2009 by Department of Cooperative Governance and Traditional Affairs (COGTA) attests to this situation and provides an intriguing comparison in relation to varying capacities and thus notes that some municipal administrations are relatively stable and well resourced, whilst others face huge infrastructure backlogs, the negative impacts of demographic change and prevailing apartheid-based socio economic legacies.

The salient recommendations of this study are that in order for local municipalities to meet their constitutional mandate it is important that the following issues are addressed: Municipal leaders should have a clear vision of how they want and envisage their cities, towns and localities to develop. In addition, effective and strategic leadership is needed to take bold and decisive actions against poor performance and lack of accountability. The political and administrative components of the municipality should have skills, competences and knowledge that befit the imperatives of a developmental system of local government (Maserumule, 2008:441 in Koma, 2010:116). Thus, skills and knowledge acquisition

should top the agenda of municipalities in an attempt to achieve municipal strategic vision and objectives.

Staff appointments at executive echelon of municipalities should be conducted in line with the Competency Guidelines for Municipal Managers and Managers directly accountable to Municipal Managers published as Notice 347 of 2007 in terms of the *Municipal Systems Act*, Section 72 of 2000. The senior management competency framework provides for eleven generic managerial competences that is, strategic capability and leadership; programme and project management; financial management; change management; knowledge management; service delivery innovation; problem solving and analysis; people management; client orientation and customer focus; communication and accountability and ethical conduct. Thus, it is envisaged that the adoption of more standardised criteria for employing executives in local government will improve the overall capacity of municipalities to fulfill their legislated obligations. For Category B municipalities it is recommended that a minimum Bachelor's degree coupled with a minimum of five years' experience relevant to local government is appropriate whilst for Category A municipalities a postgraduate degree is preferable (Koma, 2010, 117).

The outsourcing of both the screening and interviewing functions (including competency-based assessments) to external recruitment agencies should also be considered in the recruitment of senior municipal executives. The administrative arm of municipalities cannot afford to be staffed by senior managers who fail to add value and appropriately deliver on their performance objectives. This is unacceptable as it hinders efforts to accelerate service delivery. The acquisition of qualified and competent senior municipal executives is key to the realisation of developmental local government vision. More importantly, the achievement of this objective would enable municipalities to deliver on the Integrated Development Plans and Local Economic Development strategies.

High priority should be accorded to staff recruitment (including headhunting to find the best and most appropriate people available) and coupled with training programmes to strengthen service delivery commitment and capacity, especially in areas of project management, financial management, policy management and strategic management. The South African Local Government Association (SALGA) together with several tertiary institutions notably the university of Pretoria have partnered to provide executive leadership and management programmes relevant to local sphere of government. Other capacity development partnerships include the roll-out of the Municipal Financial Management Development programme as per the Minimum Competency levels underpinned by the *Municipal Finance Management Act (MFMA)* and tailored for municipal officials involved in finance related duties between the Institute of Municipal Finance Officers (IMFO) and university of Pretoria.

Provincial governments especially the departments of local government as well as treasuries should assume a more strategic and focused role with a view to provide support and resources to low-capacity municipalities. This role should entail amongst others, the provision of training programmes in areas such as supply chain management and financial management, the setting up of performance management systems and aid municipalities in the formulation of their Integrated Development Plans. The effective monitoring role of provincial governments over municipalities has been clearly demonstrated by the intervention of the Mpumalanga Provincial Government through the Member of Executive Council for local government in the Mbombela Local municipality situated in Nelspruit in February 2008. An Administrator was appointed as per section 139 of the *Constitution of the Republic of South Africa, 1996* to ensure that the municipality effectively addresses its challenges related to the filling of funded posts, financial crisis and poor service delivery over a period of six months. Subsequently, the Provincial government has reviewed its decision as there have been huge improvements since the intervention in the municipality.

The number of appointed administrators has markedly increased as a result of service delivery protests experienced in 2009 especially in Mpumalanga province. However, in the long run, municipalities should be fully capacitated in various areas including but not limited to ability to fill management posts with skilled and qualified individuals, the establishment of effective municipal policies, systems and controls as required by law, the implementation of continuous management reform and performance management. The ability of municipalities to put in place and enforce anti-corruption and good governance mechanisms is also critical as well financial viability and adequate financial management systems. The improvement of performance of municipalities require the national government to increasingly assume a significant role to ensure that adequate financial and non-financial resources, differentiation of capacity levels of municipalities and targeted interventions are both channelled and considered in order to effectively and progressively assist the local sphere of government achieve its constitutional imperatives (Koma, 2010:119).

An impetus is driven by the national sphere of government to ensure that the systems of local government are effective, efficient and responsive to the needs, expectations and interests of the local communities. This relates to the Policy Review Discussion Document tabled by the Ministry of the former Department of Local and Provincial Government (DPLG), currently known as Department of Cooperative Governance and Traditional Affairs (COGTA) on the powers and functions of the provincial and local spheres of government. This policy review will certainly yield an appropriate model for the delineation of roles and responsibilities for both the provincial and local spheres of government (Tshiyoyo & Koma, 2011:127).

It is increasingly becoming evident that the so-called ‘one-size-fits all’ or uniformity approach to local government is unrealistic and untenable given the historical, socio-economic conditions and financial viability facing numerous

municipalities in South Africa. This view is also attested to in the report commissioned by the Department of Cooperative Governance and Traditional Affairs on the state of Local Government in South Africa. Therefore, it appropriately notes that cities such as Cape Town, eThekweni and the Gauteng complex (City of Johannesburg, Ekurhuleni and City of Tshwane), may require special legislation and functional planning authority to maximise their role in building the national economy, whilst rural municipalities in former ‘homeland’ areas, for example, need to be released from the complexities of compliance with an integrated development plan that far surpasses their capacity to implement (Report on the State of Local Government in South Africa, 2009).

The practicalities and modalities related to the implementation of a differentiated system of local government should be considered in line with international and continental best practices and the unique context within which South African municipalities are located. Scientific and rigorous research endeavours should be undertaken by the national Department of Cooperative Governance and Traditional Affairs in tandem with other important epistemic and knowledge-bearing communities notably universities and more particularly schools of public administration and management, research institutions such as the Human Sciences Research Council (HSRC), the Institute for Democracy in South Africa (IDASA) with the purpose of exploring the feasibility and effective implementation of a differentiated system of local government.

According to Tshiyoyo and Koma (2011:128), in the recent past, a number of knowledge-bearing groups involved in shaping the discourse on the efficacy of municipalities have been established with a view to provide sound and valuable research and advisory services to municipalities. These include policy institutes operating in the private and development sectors. Universities, through schools of public management and administration, have also partnered with municipalities as well as the South African Local Government Association (SALGA) to deliver

customised executive leadership and management training programmes for municipal officials and public representatives informed by capacity assessments and requirements identified by SALGA. These partnerships are part of capacity-building interventions aimed at strengthening and enhancing service delivery within municipalities.

The adoption of the *Constitution of the Republic of South Africa* in 1996 was a major breakthrough for the system of local government in that it brought a new constitutional status for municipalities. This constitutional status required local government to be developmental and thus fundamentally shifting from its traditional role of merely providing public services such as roads, electricity, water and sanitation to members of the communities. Section 153 states that a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and Section 152 of the *Constitution* obliges municipalities to promote social and economic development of the community and participate in national and provincial development programmes. This implies that the sphere of local government is conceived as integral to the realisation of growth and development objectives underpinning national and provincial development frameworks such as the New Growth Path, the National Spatial Development Perspective and the provincial growth and development strategies.

Chapter One discussed legislation that underpins the developmental duties and obligations of local government, namely the, *Constitution of the Republic of South Africa, 1996*, and *Municipal Systems Act, 2000*, as amended. This legislation specifically mandates municipal councils to adopt a single, inclusive and strategic plan for the development of the municipalities within a prescribed period after the start of the elected term of municipal councils. This strategic plan is referred to as Integrated Development Plan (IDP). This plan contains the broader development

priorities and objectives of each municipal council and local economic development is embodied within the Integrated Development Plan.

The implementation of local economic development (LED) by South African municipalities is a legislative obligation with which they need to comply, namely, the *Constitution of the Republic of South Africa, 1996*. In the South African context, the LED is seen as being important for various reasons such as the creation of jobs and new economic opportunities, increasing income levels thereby enabling local citizens to pay for services, and the broadening of the tax and revenue based of a municipality. The LED is also intended to empower the most vulnerable, marginalised and poor sectors of local communities in order to be able to raise sufficient income to meet their basic needs and aspirations. The LED cannot be separated from poverty alleviation projects and programmes initiated and implemented at municipality level such as the Expanded Public Works Programmes, the provision of free basic services and the provision of support for small medium and micro enterprises and cooperatives.

It is deduced from study that local economic development (LED) is multi-sectoral and requires the solicitation of input, resources and ideas from various stakeholders including municipalities in order to ensure local economic growth, job creation opportunities and poverty alleviation. International research correctly indicates that any LED policy intervention is aimed at creating employment opportunities and boosting local economic growth through involvement of all key local stakeholders within a municipality.

Chapter Two conceptualised research methodology for this study. It is deduced in this study that research methodology implies the systematic and meticulous process undertaken by a researcher aimed at examining phenomena through selected data gathering methods which may yield qualitative and quantitative data

for the purpose of analysis and presentation. Research methodology in the discipline of Public Administration is imperative for numerous reasons, namely, it helps to clarify biases and assumptions held by researchers; it also helps to make interconnections between the research findings and research questions; and lastly the choice of research methods is informed by paradigmatic explanations between qualitative and quantitative and the context specific for a particular study. This study adopted a qualitative research paradigm with a view to helping to provide a perspective on what kind of things people are doing; and why they are doing them; what kind of processes are at play and why they are active and what kinds of problems, constraints and contingencies people see in the worlds they occupy.

It is deduced from this study that a paradigm is defined as a commonly acceptable framework within which researchers often work in order to arrive at scientifically validated arguments and conclusions. A distinction between qualitative and quantitative research paradigms has been made and a deduction is made that both quantitative and qualitative research paradigms complement each other in as far as data collection, analysis and presentation are concerned. There is a thin line of demarcation between the two approaches and thus absolute and exclusive separation in practice of the two is improbable within the context of research methodology. Therefore, it is deduced that qualitative research in the discipline of Public Administration operates within the confines of long standing and scientifically tested and documented principles, methods and practices that shape new theory testing, evidence gathering, analysis, presentation and acceptance.

The background to the research problem was also presented in Chapter Two. The growth and development imperatives of the South African government including the sphere of local government are hampered by high poverty levels, unemployment levels, shortage of skills required to propel growth and development, lack of administrative capacity and ineffective implementation of economic development policies. The perennial problems that continue to stifle the

implementation of local economic development policy in South Africa appear to be the following: the need for greater synchronisation of local economic development policy frameworks between the national, provincial and local government spheres; the fragmented and silorised planning approach pertaining to Integrated development plans and local economic development priorities in municipalities; inadequate skills required for the implementation of local economic development policy within municipalities; inadequate data collection in respect to local economies for LED planning and the limited resourcing of LED units, structures and agencies. These problems mainly affect the realisation of fundamental objectives of developmental local government in terms of the need for maximization of social and economic development, and integration and coordination of local economic development activities and efforts within the sphere of local government.

Chapter Three introduced a background of the study of Public Administration. An interrelationship between policy and public administration was succinctly discussed. The chapter also examined LED practice in the Sub-Saharan African region through the research previously undertaken by both the World Bank and the Netherlands Program for evaluating and disseminating LED experiences within the region in 2005. For the purpose of this study, Public Administration is defined as the administrative affairs of the state in relation to service delivery aimed at catering the needs and aspirations of the citizens and for this function to be fulfilled it is imperative for public policies and financial management systems and control to be developed, and personnel and resources to be allocated and managed in the most effective and efficient manner. This implies that Public Administration is geared towards ensuring that public policies formulated by the legislators are translated into action for the benefit of the citizens.

The operationalisation of Public Administration requires policies to be formulated and implemented in order to achieve the strategic goals and objectives of a government. Public policy is initiated by policy makers in response to a societal

problem and changing circumstances the population is faced with at a given period. The policy will contain the important goals to be pursued and the course of action needed to achieve the goals. A public policy becomes implementable provided the elected policy makers have authorised and legitimised it through a formalised policy development process.

The realisation of public policies also hinges on a number of factors that impact on the policy cycle, which amongst others includes implementation. Policy implementation is viewed as an integral stage of the public policy cycle and principally entails the translation of policy objectives into action carried out by implementers at various levels of an organisation. In the context of Public Administration, implementers are appointed based on merit and charged with responsibility of effecting policies endorsed by policy makers with a view to address societal problems or social need. The policy implementers commonly referred to as street level bureaucrats play an important role with regard to policy implementation as they fully commit themselves toward ensuring policy success or sabotage effective policy implementation.

The concept of interorganisational relations is also an integral part of policy implementation. Therefore, recognising the significance of different interorganisational patterns is one step toward effective policy implementation. Skilful implementation managers need to find ways of getting organisations to work together toward policy success. In the South African context, the establishment of inter-governmental relations structures can be viewed as one of the institutional mechanisms aimed at ensuring effective interorganisational policy relations. The chapter also discussed obstacles to effective policy implementation including but not limited to lack of reliable data, political commitment and ineffective problem analysis and identification.

The nature, origins and concept of local economic development is succinctly discussed in this chapter. The introduction of the *White Paper on Local Government* in 1998 clearly provided a framework within which the developmental mandate accorded to local government could be realised. The characteristics of developmental local government are the following: maximisation of social and economic development; integration and coordinating; democratisation of development; and leadership and learning. Local economic development should be viewed as an integral element of developmental local government. For the purpose of this study, local economic development is aimed at assisting municipalities through partnerships with non-governmental organisations, the private sector and local citizens to mobilise resources and combine ideas and skills in order to stimulate local economic growth that translates into tangible employment opportunities and poverty alleviation.

Consequently, municipalities are expected to assume leading, integrating, coordinating and democratising roles. The assumption of these roles should enable municipalities to realise the fundamental objectives of local economic development, namely, job creation, economic growth and poverty alleviation. Bearing in mind that local economic development is not a new concept and practice in South Africa. Local economic development has been put into practice mainly by South Africa's big cities, notably, Johannesburg, Durban and Cape Town and largely narrowed to place marketing. This limited role on local economic development was informed by the top-down national planning practice of the national government before 1994. LED practice has been linked to regional development interventions before the transition to democracy in 1994.

It was only in 1999 that LED practice gained impetus as a result of the government's efforts to eradicate poverty. International best practice research indicates that local government, in partnership with the local community, is well-positioned to assess local economic development potential of its area and devise

appropriate strategies to realise this potential. Local government being the nearest to local communities is well placed to identify, drive and implement programmes aimed at addressing unemployment, poverty alleviation and developmental challenges facing South Africa. This necessitates that there are a plethora of roles that local government need to fulfil in order to realise local economic development including but not limited to being a developer, stimulator, integrator, facilitator, coordinator, trainer, enabler within the context of promoting local economic development.

The main policy focus of LED in South Africa was realised through the launch of the LED Fund in 1999 by the former Department of Provincial and Local Government now renamed Department of cooperative governance and traditional affairs in order to enable municipalities to access funding geared toward poverty alleviation projects within their localities. The operation of the fund was evidently ineffective and unsustainable due to the social-driven nature of its funded projects and as a result it was collapsed into the Municipal Infrastructure Grant.

The thrust of the argument is that the primary focus of LED is economic with its outcomes being job creation and economic growth whilst its secondary focus is on community development encompassing poverty alleviation. In this regard, where business or market development is the main reason for LED, the objectives of the strategy are aimed at ensuring business survival, attracting investment and increasing local profits. The ultimate goal of a market development strategy is to stimulate additional economic growth in the locality. In market development strategies, the private sector often takes a leading role in drafting and implementing the LED strategy. Whilst, where the rationale for LED is driven by community development objectives, the outcomes invariably lead to poverty alleviation, skills development and others. For South Africa currently faced with the highest levels of unemployment, it is therefore crucial that the content of the LED policy is pertinently articulated.

In the Sub-Saharan African region, LED is evidently associated with self-reliance and survival activities rather than participation in the global economy. By and large, these community development activities are both short-term and not sustainable in the long run, thus, Rodrigues-Pose and Tijmstra (2005) conceptualised a framework that could be employed in order to evaluate LED strategies. This framework encompasses five dimensions, namely, the territorial, governance, integration, sustainability and the enabling environment.

The major thrust of this framework is that LED strategies should be holistic incorporating the following issues: LED strategies should be linked to the territorial economic competitiveness, economic potential of a locality or region and potential growth points should be clearly identified and harnessed. LED strategies should be developed in an inclusive manner and therefore, municipalities, civic, and non-governmental organisations, and the private sector should participate in the formulation of the strategies. LED strategies are dependent on the horizontal and vertical coordination between local, provincial and national governments as well as international institutions. This interconnection of role-players is cardinal for the realisation of LED strategies. LED strategies naturally have impact on the social, economic, and environmental conditions of localities. These strategies should be developed taking cognisance of sustainable development imperatives. The effectiveness of LED strategies hinges on the availability of physical infrastructure such as transportation, education facilities, health facilities, telecommunications, electricity, roads, water and sanitation and human capital including organisational capacity, entrepreneurial culture, risk-taking and creativity.

The other important aspect raised in this chapter is that municipalities should view LED functions and mandate as cross-holistic. This mind-set would enable municipalities to incorporate LED priorities in their long term Integrated Development Plans. At the present moment, as evidenced in Chapter Five, most of the small local municipalities are unable to operationalise LED in their Integrated

Development Plans as LED is considered in isolation from the integrated development planning process that mainly focusses on service delivery and infrastructure issues. As a result, most Integrated Development Plans contain limited analysis on the economic potential and competitiveness of local economies and strategies that could be employed to unlock and harness the economic potentialities of the localities. This situation is also aggravated by the existing policy confusion in terms of the content of the national LED Policy Frameworks and Guidelines which tends to vacillate between the concepts of welfare focus versus economic focus. The absence of policy leadership by the national government with respect to articulation of the main focus of LED tends to generate misunderstandings and misconceptions around local economic development on the part of the implementers.

The need for greater synchronisation on policy development and implementation pertaining local economic development also appears to be missing. For example, on the one hand, the Department of Trade and Industry is amongst others responsible for Regional Industrial Development (that impacts on LED), and also provides policy support, capacity building in the area of LED planning, partnership building and facilitation of implementation of LED. On the other hand, the Department of Cooperative Governance and Traditional Affairs also has a separate unit dedicated to LED programmes. However, most municipalities tend to interact with the latter department on issues related to LED policy implementation due to its strategic mandate focusing primarily on local government programmes. The delineation of roles and responsibilities coupled with inter-organisational relations for national, provincial and local governments can enhance the efficacy of LED policy implementation. The limited capacities of LED staff in most municipalities glaringly impacts on the implementation of local economic development objectives and this results in the use of private consultants. LED policy implementation hinges on municipal staff that is in possession of relevant skills and competences including but not limited to economic analysis, project planning and management and monitoring and evaluation.

This study therefore recommends that in order for LED policy objectives to be realised with the purpose of advancing the agenda of developmental local government the following issues are salient: Effective intergovernmental coordination and communication across the national, provincial and local spheres of government through the legislated intergovernmental structures, processes and systems are integral to adequate implementation of LED policy. The spheres of government must jettison their silo and narrowed planning processes and ensure integrated planning in line with growth and development frameworks. A fragmented planning approach certainly stifles government's efforts aimed at halving poverty and unemployment rates by 2014.

According to Tshiyoyo and Koma (2011:127), through the *Intergovernmental Relations Framework Act, 2005*, important statutory structures are being set up as vehicles aimed at facilitating integrated planning, coordination of national policy implementation and the sharing of information and best practices across the three spheres of government. The structures operate in the national sphere of government through the president, and ministers, and in the provincial sphere, the premiers of the nine provinces and members of the executive councils are charged with the responsibility of ensuring effective intra and inter-governmental linkages. The executive mayor/mayors of the local and district municipalities are further obligated to facilitate collaborative linkages with a view to share information and best practices between municipalities located within designated district.

One of the prerequisites for LED policy implementation is the possession of appropriate skills on the part of the implementers. It should include amongst others project development and management, development and economic planning and monitoring and evaluation. The intensification of the LED learnership programme coordinated by the Local Government Sector Education and Training Authority (LGSETA) must be fulfilled with a view to fast-track acquisition of skills amongst potential policy implementers. It is also important that higher education

institutions should conceptualise and develop appropriate LED courses and modules and incorporate them into the curricula tailored for both undergraduate and postgraduate students. The curricula should take into account the multi-disciplinary nature of LED in the shaping of the content of the courses and modules. Through this holistic approach, potential students would be exposed to economic, planning, development administration and policy dimensions germane to local economic development. Furthermore, LED implementation strategies should be succinctly conceptualised, planned and explained in business plans which should entail who should do what, how, when, why and for whom? Effective planning and management competences are essential in order to realise LED objectives.

LED units/agencies/forums should have appropriate and sufficient powers, functions and resources to enable them to discharge their responsibilities effectively. Thus, administrative capacity of municipalities should be properly developed and strengthened. The forums should be composed of all major stakeholders within the locality inclusive of business, economic, social and environmental sectors. A long-term and shared vision on how to develop and drive a robust and inclusive local economy with a view to create job opportunities and eradicate poverty should be realized by the forums.

It is imperative that systematic baseline data (for example, socio-economic data) must be gathered before the initiation of a policy project and the ongoing monitoring process must take place throughout the lifespan of the project and even after its completion in order to enable effective evaluation of that project. The obligation placed on the South African government to halve poverty and unemployment rates by 2014 hinges to a large extent on the capacity of municipalities to discharge their constitutional duties to promote social and economic development. To achieve the 2014 target it is, therefore, incumbent

upon the three spheres of government to align growth and development planning frameworks intended to address poverty alleviation and unemployment.

The synchronisation of the national spatial development strategy, provincial growth and development strategies as well as LED are integral to ensuring that policy implementation is well coordinated in the national, provincial and local spheres of government. The other critical elements that should be taken into account include but are not limited to skills development, enhancement of administrative capacity, project planning and implementation in the municipality sphere. This recommendation is also advanced in the LED policy implementation model presented in Chapter Four.

Chapter Four also discussed the trajectory of economic development policies in South Africa from 1994 until the present and, thus, the Reconstruction Development Programme (RDP), the Growth, Employment and Redistribution Policy (GEAR), the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the New Growth Path (NGP) were comprehensively and critically examined. The democratic government that assumed political power in 1994 inherited a weakened national economy as a result of array of factors, including the global economic crisis, global competition especially in the manufacturing sector, disinvestment and job loss largely affecting unskilled labour due to the use of capital intensive technologies. Thus, the present South Africa's economic performance and situation should be located within the broader historical background of the economic trajectory and economic development policies that are in place. The policy shifts spearheaded by the government since the dawn of democracy indicates the complexity inherent in the formulation and implementation public policies that affects economic development.

The triggers for change related to economic development policies appear to be myriad and can be summarised as follows: the Reconstruction and Development Programme (RDP) sought to achieve both social and economic imperatives at the same time and thus the economic dimension of the policy was not clearly articulated from the outset. Consequently, the RDP was mostly associated with infrastructure development and social development projects such as housing, provision of water and sanitation. The global economic crisis that occurred in the mid-1990s appears to have surpassed the implementation capacity of the government through the RDP in order to cushion the effects of the economic crisis on the South African economy. At the same time, ineffective inter-departmental and inter-governmental relations and conflicts have also contributed to the weakening of the RDP and the closure of the RDP Ministerial Office attest to this.

The formulation and adoption of the Growth, Employment and Redistribution (GEAR) policy should be premised upon this background and context. The GEAR policy had clear-cut targets and indicators for fast tracking economic growth and job creation. The limitation of this policy lay with the setting of ambitious and unrealistic targets and this is manifested through the failure of the policy to achieve its set targets in 2000. The introduction of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) attests to this above-mentioned point. The fundamental objective of ASGISA was to amongst others primarily accelerate the achievement of growth and employment creation as a result of the disappointing performance of the GEAR policy.

ASGISA targets were set in line with the Millennium Development Goals (MDG) for 2015. However, the lifespan of this policy was short-lived largely because of the new political leadership that assumed political power in 2009 after the national democratic elections. Thus, the New Growth Path is a macroeconomic development policy initiated by the new political leadership. The New Growth Path was also a response to the global economic recession that started in the late

2009 and took root in 2010. The government believed that the policy contained the necessary measures aimed at mitigating the impact of the global economic crisis on the South African economy in terms of slowed economic growth, job loss and reprioritisation. These critical issues also had an impact on local economies as municipalities faced reduced revenues due to job loss, stagnant economic growth, high number of business liquidations and increasing poverty levels within localities. The relationship between national economic development policies and local economic development policy is thus significant.

The purpose of this chapter was to examine the interrelationship between the national economic development policies and the local economic development policy objectives. It is evident that in order for local economic development objectives to be realised, it is imperative that important macroeconomic fundamentals are put in place aimed at curbing inflation, generating robust and sustainable economic growth rates and investments, and addresses high unemployment rate. This link is cardinal in as far as the implementation of local economic development policy is concerned. Municipalities should be actively involved in developing and shaping local economies through ensuring that appropriate enabling environment is created with a view to attract inward investment, business friendly regulatory framework, accessible, efficient and effective infrastructure including but not limited to transportation, roads, water and electricity provision, small business support facilities, and skills development and training facilities within their localities.

It can be deduced that local economies are informed by multiple factors that are necessary for their sustainability and prosperity within localities. Thus, the availability of skilled and educated local citizens, as well as natural resources and assets are the key drivers for propelling strong and inclusive local economies that result in high incomes for individuals and revenue for municipalities, the forging of strategic partnerships and networks including both the public and private sector

stakeholders and the delivery of basic services and public infrastructure that benefits the entire localities.

In order for the government to achieve the objectives set out in the New Growth Path policy, there is a plethora of issues that should be taken into account, notably, the achievement of higher growth rates, expansion of the pool of entrepreneurs, the enhancement of skills development programmes for the unskilled labour and unemployed youth, attraction of private investment for implementation of public infrastructure programmes, and the streamlining of integrated planning with a major focus on employment creation and poverty alleviation across the three spheres of government, effective communication related to public service delivery plans and the capacitation of the state in relation to spending on public infrastructure and service delivery projects.

Chapter five reflects on the research findings and discussion based on the case study of the Emakhazeni local municipality situated in the Mpumalanga province of the Republic of South Africa. The discussion of results is categorised based on three broad themes, namely, LED policy Content and Context; LED policy Stakeholders and LED policy implementation and as a result a policy implementation model suited for the local sphere of government was discussed in this chapter. Flowing from this model, it is deduced that in order for LED policy objectives to be achieved it is imperative that there is synchronisation of national development policy frameworks, namely, the National Development Plan, National Spatial Development Perspective, New Growth Path and Provincial Growth and Development Strategies, the Integrated Development Plan and LED policy. The municipalities should ensure that a participatory process involving various LED policy stakeholders is undertaken in order to generate and combine ideas, views and resources for the purpose of stimulating and sustaining local economies. The implementation of the LED policy should be accompanied by various elements, notably, adequate financial resources; adequate staffing; integrated service

delivery planning; enterprise development; adequate LED skills; and public investment in infrastructure.

6.2 Limitations of the study

The scope of this study is limited to one local municipality which is a Category B municipality in terms of the *Municipal Structures Act, 1998*, and thus excludes Category A, or the metropolitan municipalities and Category C municipalities, that is, District municipalities. The research findings are therefore primarily confined to a local municipality. The other limitation of this study includes the bureaucratic delays for approval of ethical clearance from two provincial departments for Local Government in both the Limpopo and Mpumalanga provinces respectively and thus affected the scheduling of focal group interviews to be carried out in the two provinces. The intention had been to draw a comparative analysis between the two spheres of government, that is, the provincial and local governments. The study is generally focused on LED policy formulation and implementation and has not examined the impact of the policy *per se* in terms of its contribution to economic growth, employment creation and poverty alleviation.

6.3 Suggestions for further research

Given the endowment of mineral resources that the South African developmental state possesses (and this aspect is covered in chapter 1), the study recommends that further research should be conducted to explore and examine the impact of local economic development within the mining towns and communities in relation to boosting local economies, the creation of employment and poverty alleviation. The potential value of this research would help to generate new knowledge in respect to the impact of LED policy in South Africa primarily in the towns and communities with abundant mining operations.

6.4 Summary

This chapter has provided the important deductions and recommendations emanating from the research objectives and research questions underpinning this study and this further covered the overall five chapters. The limitations of this study and finally the suggestions for further research are discussed in the chapter. Chapter One provided a historical overview of Integrated Development Plan and Local Economic Development in South Africa. The concept of a developmental state within the context of South Africa was examined and also the evolution of the system of local government was presented. Chapter Two discussed research methodology within the context of the discipline of public administration and provided a distinction between qualitative and quantitative research and the rationale behind the adoption of qualitative research approach for the purpose of this study. The overview of Public Administration and Public Policy is broadly discussed in Chapter Three. The definition of developmental local government and its characteristics is discussed in the same chapter. The trajectory of national economic development policies, namely, the Reconstruction and Development Programme, the Growth, Employment and Redistribution Policy, Accelerated Shared Growth Initiative for South Africa and New Growth Path and the interrelationship with the LED policy objectives are examined in chapter Four. The analysis of the case study underpinning this study and presentation of research findings flowing from a field research undertaken in the Emakhazeni local municipality situated in the Mpumalanga province is discussed in chapter Five.

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