

# The Evolution of Developmental Local Government in South Africa: Issues, Trends and Options\*

SB Koma

University of Pretoria, Pretoria, South Africa

The role of local government in promoting economic growth, job creation and alleviation of poverty has poignantly been expressed in array of policy frameworks formulated by the South African government. This has clearly positioned the sphere of local government to become developmental both in form and content. An important feature of developmental local government is the local economic development policy initiated with a view to address the pressing problems in areas of poverty, unemployment and inadequate resources. This paper seeks to examine the evolution of developmental local government in South Africa from policy, institutional and administrative perspectives. Thus, pertinent and plausible strategies aimed at addressing the bottlenecks hindering the achievement of developmental local government objectives are outlined. The paper is based on the premise that developmental local government is the sine qua non of local economic growth and social development imperatives within the South African context.

*Keywords:* developmental local government, local economic development, policy implementation, integrated development planning, poverty alleviation

## 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 of 1966—the key piece of apartheid legislation, instituted strict residential segregation and compulsory removal of black people to own group areas. 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 of 1966 restricted the permanent presence of Africans in urban areas through the pass system, and reserved a viable municipal

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**Corresponding author:** SB Koma, Ph.D. candidate, lecturer, School of Public Management and Administration, Faculty of Economic and Management Sciences, University of Pretoria; research fields: local economic development, public policy analysis and local government. E-mail: sam.koma@up.ac.za.

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 1960s 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 of 1982 replaced community councils with no appropriate revenue base and hence were rejected by community mobilisation in the mid-1980s (Vyas-Doorgapersad, 2010, p. 45).

The foundations for the local government system were laid in the aftermath of the Anglo-South African Boer War and the creation of the Union of South Africa in 1910. The Act of Union created a unitary state with 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, urbanization increased and the government began to seek ways by 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 black people, 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, 2000, p. 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 of 1993. The Local Government Transition Act did not provide a blueprint for a new local government system but simply sketched a process for change. The process put forward in the Local Government Transition Act was essentially a locally-negotiated transition and resulted in wide diversity forms of local government (Department of Provincial and Local Government, 2008). The Local Government Transition Act provided three-pronged phases, namely:

(1) 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 1995-1996. 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, p. 4);

(2) 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 (African National Congress) dominated

Government of National Unity (GNU) faced a major challenge: the need to rationalise 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);

(3) 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).

### **Legal Framework**

South Africa's process of policy reform and development largely occurred during the period of 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 mostly 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. In the four years since the democratisation of local government, there was an increasing concern that the capacity of the newly established municipalities to achieve this objective had been vastly overestimated (Bernstein, 1998, p. 299). Local government was 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 social services, were failing amid chaotic administration systems and an exodus of technical staff (Kroukamp, 1998, p. 7).

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 integrated development plan (IDP) was born. 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, 2000).

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 of 1998 (Act 117 of 1998) guided the rationalisation of municipal administrations. The legislation provides provincial Members of the Executive Councils (MECs) with the powers 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): they have exclusive legislative and executive authority throughout their area of jurisdiction. Secondly, Category B municipalities (Local municipalities): they 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 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 it 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 thus has happened district municipalities, with the acquiescence of local actors, and the imperative to co-ordinate and streamline development initiatives, have assumed additional powers and functions on their behalf (Mogale, 2003, p. 230). Subsequently, the Municipal Demarcation Board appointed by 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 are currently six metropolitan cities, 46 district municipalities and 234 local municipalities (Burger, 2001). The Municipal Demarcation Board has recently demarcated two new metros, namely, the Buffalo City in East London and Mangaung in Bloemfontein.

*White Paper on Local Government* (1998, pp. 38-42) elucidated that a developmental local government was characterised by four critical development imperatives:

- (1) Maximisation of social and economic growth;
- (2) Integration and co-ordinating;
- (3) Democratisation of development;
- (4) 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 directing them toward 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, p. 7). Local economic development fosters economic growth, encourages economic empowerment and brings 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 within the ambit of mainly 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, p. 39).

### **Integrating and Co-ordinating 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. Co-ordination is about aligning the activities of different sectoral organisations and gearing

them toward achieving the local development activities (Maserumule, 2008). The importance of co-ordination and integration in government is underscored in Section 41(i) (h) of the Constitution of 1996, which provides all spheres of government and organs of state within which each sphere must co-operate 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, co-ordinating their actions and legislation with one another. To give effect to this constitutional provisions, the Intergovernmental Relations Framework Act of 2005 (Act 13 of 2005) was promulgated, which establishes a framework for co-operation. It promotes and facilitates intergovernmental relations. Poor co-ordination 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 co-ordination and commitment is through the process of integrated development planning (Bekink, 2006, p. 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 of 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 and the Municipal Systems Act were promulgated. The Municipal Structures Act of 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 of 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 meeting and hearing by the council; consultative sessions with community organisations and report-back sessions. The Municipal Systems Act of 2000 further 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) observed that, as a result of the phenomenon of globalisation, municipalities were becoming central to economic developments; they were increasingly taking the role of focal points of economic growth and were amenable to myriad of influences that emanated 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: think globally, but act locally (Maserumule, 2008). Most local communities over the world 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. Municipalities must become visionary and strategic, and by the way they operate, and they have a crucial role to play as policymakers, planners, innovators and providers of basic human necessities. There are many ways by 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 co-operate to realise a shared vision; responsive problem-solving and a commitment to work 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 and 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, p. 42).

### **Developmental Outcomes of Local Government**

*White Paper on Local Government* (1998) has identified certain key outcomes that were relevant to all municipalities within the realm of development local government imperatives and goals:

(1) 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, and 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;

(2) 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 more sustainability in the provision of services and a reduction in commuting costs of many households. All these aspects are beneficial in terms of overall social development. It is further of importance that the challenges facing urban areas and rural areas, although mostly 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 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);

(3) 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, 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, p. 46). The implementation of local economic development by South African municipalities is not optional, voluntary or unconditional. It is not by their own choices, 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. As argued by Malefane and Mashakoe (2008, p. 5), the Constitution of the Republic of South Africa of 1996 was the most important piece of legislation that guided 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. An important feature of developmental local government is the local economic development (LED) programme 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, p. 145).

According to Bennet (1988), local economic development was a sub-national action that occurred 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 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, p. 50) identified some of the market failures of concern as follows: physical site externalities (including environment, appearance, security, and desirability); physical infrastructure that covered utilities, transport and communications; and supportive economic and social environment and human capital.

Given this, Bovaird (1988, p. 53) provided 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 Mokate (1999, pp. 192-193), the concept of local economic development was brought about 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. Equally, Malefane and Mashakoe (2008, p. 474) asserted that the challenges facing cities included amongst others, decaying central business districts, rural areas that were lacking basic infrastructure and neighbourhoods

and townships with few economic opportunities. In all these cases, economic growth and job creation are essential.

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: 1960-1980 (agricultural investments, local and international), 1980-1990 (multi-sectoral investment attraction), 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 strategy 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<sup>1</sup>.

According to the World Bank<sup>2</sup>, local economic development has passed through stages of development. As already indicated, it is now in the third stage of maturity. Table 1 summarises the elements of the three stages.

Table 1

*The Elements of the Three Stages*

Stage	Focus	Tools
1960s-early 1980s	Investment; Mobile manufacturing attracting foreign investment; Making hard infrastructure.	Massive grants; Subsidised loans for inward investment of manufacturers; Tax breaks; Subsidised hard infrastructure; Expensive low road industrial recruitment techniques.
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.
Late 1990s onwards	Entire business environment; Soft infrastructure; Private/public partnership; Inward investment of local areas.	Holistic strategies aimed at growing local firms; Providing a competitive local business environment; Supporting and encouraging networks and collaborations; Encouraging workforce development and education; Inward investment to support cluster growth; Developing an attractive business environment; Supporting quality of life improvements.

Mokale and Scheepers (2006, p. 134) noted that LED meant more than economic development in poverty alleviation as it connoted a process of improving the economic dimensions of lives of communities in a municipal area. The purpose of LED 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. LED 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, p. 160). The importance of LED for the reduction of poverty and inequality is captured in the

<sup>1</sup> World Bank Group. (n.d.). *LED (local economic development)*.

<sup>2</sup> Retrieved from <http://www.worldbank.org/urban/led>.



following principles provided by the Department of Provincial and Local Government (2001) now renamed Department of Co-operative 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. 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 1920s and 1930s and continued into the post-World War II period. 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 1950s, 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, 2000, p. 103).

Toward 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 to meet basic community needs (DBSA, 2000, p. 103).

### **Role of Local Government in Promoting Local Economic Development**

Local governments have always knowingly or unknowingly contributed to local economic development. They have for example, invariably supplied jobs to locals, purchased goods and services from the local area, developed infrastructures and regulated the development of land (Department of Provincial and Local Government, 2000c, p. 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, 2000a, p. 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 for example 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, p. 224). Thus, Odendaal (2000, p. 224) identified the following roles that could be assumed by local governments aimed at promoting local economic development:

(1) Facilitating role

Facilitation implies assisting, promoting and helping local governments with the local economic development process (Sykes, 1982, p. 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, 2000b, pp. 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, 2000b, p. 25);

(2) Co-ordinating role

The multi-dimensional and multi-sectoral nature of local economic development suggests that local governments also have an important co-ordinating role to fulfil. The co-ordination 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, p. 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 co-ordinate 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, 2000b, p. 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, p. 56; Malefane & Mashakoe, 2008, p. 475). The integrated development plan identifies local economic development as a cross-cutting and inter-disciplinary part of municipal operational planning (Malefane, 2005, p. 131). Local economic development is an integral part of the broader strategic plan (IDP) in a municipality. Due 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 IDP. Further, an IDP which does not reflect, or incorporate nor make meaningful reference to future economic activities would be incomplete and a recipe for the failure of development (Malefane & Mashakoe, 2008, p. 477).

In theory the co-ordinating 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 co-ordination 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, p. 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 co-ordination of local economic development (Odendaal, 2000, p. 226);

### (3) Stimulating role

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 toward 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. Rogerson (1999, p. 33) referred to place marketing as the selling of places in the form of image of a particular geographically defined place, so as to make it attractive to economic enterprise;

### (4) Developing role

The developing role of local authorities will be 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, 2000a, p. 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, 2000a, p. 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, p. 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 and 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, n.d., p. 5). When 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 a LED co-ordinator 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 a LED consultant, establish a LED management team or request members of the community to serve on community-based committees dealing with local economic development (Applied Fiscal Research Centre, n.d., p. 5).

The extensive research undertaken by Malefane (2009, p. 164) on municipal structuring for LED implementation revealed that evidence from a variety of municipalities tended to be varied amongst municipalities. 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) contended that the current structuring of LED implementation within municipalities was ineffective, it was not flexible, it was too specialised, control-based and therefore failed 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 around major and dominant sectors of the local economy, and there is no mix. The system has had no influence on 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, p. 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, 2000a, p. 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. They are 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, 2000a, p. 15);

(5) Enabling, training, integration and democratising role

According to Sykes (1982, p. 316), local governments enabled 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 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 example 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. With 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, p. 230).

The second step is to empower local governments through training but also to train and develop the skills of local communities in the process of local economic development. Training should also be an integrated component of the integrated development plan of a local government. One of the key components of the integrated development plan should be a skill 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 as the third step toward the creation of a conducive environment for the promotion of local economic development (Odendaal, 2000, p. 231). Integrated development plans are useful tools to combine all activities related to local economic development together and into a whole. Integrated development plans are powerful tools to pull all the strategies of all stakeholders together to ensure an integrated, co-ordinated and streamlined local economic development process (Odendaal, 2000, p. 231).

### **Policy Implementation Strategies**

#### **Intergovernmental Co-ordination and Communication**

Effective intergovernmental co-ordination 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.

#### **Adequate Skills for LED Policy**

One of the pre-requisites for LED policy implementation is 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 co-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.

### **Design of LED Policy Implementation Strategies**

Implementation strategies should be succinctly conceptualized, 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 realize LED objectives.

### **Strengthening LED Units/Agencies/Forums**

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.

### **Collection of Baseline Data and Monitoring**

It is imperative that systematic baseline data (for example, socio-economic data) must be gathered before the initiation of a policy project, and 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.

## **Conclusions**

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.

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