

# PAYING LIP SERVICE TO LOCAL ECONOMIC DEVELOPMENT (LED)? – A CITY OF TSHWANE METROPOLITAN MUNICIPALITY CASE STUDY

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## ABSTRACT

South Africa has been a democracy for ten years in 2004 and it has been eight years since government endorsed local economic development (LED) as part of its strategy to transform institutions and society. The blue print for LED is applicable on all spheres of government, from provincial governments right down to municipalities. It seems that uncertainty exists as to what LED is all about. To add to the lack of clarity, LED objectives duplicate national government objectives for the economy, which fall within the specific functional areas of national government departments. This article explores the progress made with LED, by the City of Tshwane Metropolitan Municipality (CTMM). Assuming that it may serve as a proxy for LED activities by other municipalities, the article offers a critique on the LED programme at CTMM, with important suggestions on how LED may be improved. The most important is that municipalities should make a conscious effort to engage communities in their LED programmes and follow at least an international model such as the one suggested by the World Bank. Municipalities should also attempt to utilise valuable resources effectively by not duplicating programmes in the functional areas of economic development by national departments.

## INTRODUCTION

Local government was handed the task by national government, through their provincial governments, of effecting local economic development (LED). This was a gradual process that started with, *inter alia* the formalisation of guidelines on LED during 1997 with the publication of *Integrated Development Planning: A handbook for community leaders* (Planact, 1997). This was followed by the publication of *The local authority's role in economic development* (IRI & NBI, 1998). The duty of provincial government and

municipalities to provide support to local governments in their LED initiatives, is obligatory (*Municipal Systems Act*, 2000, [Act 32 of 2000]) (Republic of South Africa, 2000a).

According to the finance minister, Trevor Manuel (SSA, 2005), "a recent report for South Africa concludes that the absolute number of people in South Africa that live in poverty has increased from 20,2 million in 1995 to 21,9 million in 2002. The report also argues that the proportion of the population living with less than \$1 per day has increased from 9,4% in 1995 to 10,5% in 2002". SSA (2005) further reports that the current rate of unemployment, measured in March 2005 is 26,5%.

The Deputy Minister in the Department of Provincial and Local Government, Nomatyala Hangana (2005) recently stated "As it does from time-to-time, Cabinet reflected on the implementation of government's Programme of Action during its mid-year *Lekgotla* held in July. A critical element in the discussions was the issue of the organization [sic] and capacity of the state and its preparedness to implement this programme. In this regard, the *Lekgotla* noted specific challenges faced by the local sphere of government. Diagnostic assessments undertaken through Project Consolidate are pointing at institutional development, financial viability, service delivery, **local economic development** and good governance as areas of weakness in our armory."

President Mbeki (2005), during the mid-year Cabinet *Lekgotla*, discusses at length the shortcomings of government (especially in the local government sphere) in addressing government's objectives for South African society, among them strategic plans of government that include the Integrated Development Plans (IDP) of provincial and local governments. Within these IDPs are included the LED plans of municipalities. It is agreed by the Deputy Minister and the President that government service delivery is not taking place at the agreed pace due to capacity constraints within government.

## **AIMS, RESEARCH METHODOLOGY AND ORGANISATION OF THE ARTICLE**

### **Aims of the research**

Given the background in the introduction to the study, it is clear that attempts by national, provincial and local government to effect LED seems to be failing. The study aims to address the research problem, *why* LED seems to be failing, by evaluating the City of Tshwane Metropolitan Municipality's (CTMM) LED programme against a globally accepted yardstick. The aim of this evaluation, in turn, is to critically evaluate these findings and offer suggestions on how LED programmes could be improved nationally.

### **Research methodology**

The research for this article is based on participatory research design. The basic theories and practical approaches of the development support communication/ participatory communication (DSC/PC) paradigm (Malan, 1996) were taken as guidelines for the analysis and

evaluation of the communication process. The participatory research model was used. It is built on the “multiplicity in one world” paradigm (Servaes, 1989) and the basic aim is to involve the people, in the study, co-operatively in the planning and research process, with the planner or researcher as a facilitator and participant (see also Melkote, 1991:240).

In this case the researchers participated in scheduled workshops with the research and development section of the LED division of the City of Tshwane Metropolitan Municipality (CTMM). However, it was decided to initially observe the communication process with limited involvement to avoid influencing the process.

The research was entirely qualitative and the main phases were a literature study, observation and analyses of communication flows and processes by means of participatory research with the major role players at CTMM's LED division. Even though the communication process was left open for participative responses by the respondents, a list of questions were prepared to initiate this participative process.

The major advantage of this research method for purposes of this study lies therein that all possible responses were elicited and not merely limited, as would have been the case with a fixed questionnaire. Furthermore, as all major role-players at the CTMM LED division participated in the research, a survey of this kind infers a more than adequate scientific sample size.

## Organisation of the article

The following section discusses briefly the view of national government on LED. Service delivery through LED follows. Before looking at how LED is actually drawn up and implemented by the CTMM one section discusses the World Bank model on LED which, as shown in the article, is a well-accepted yardstick to be used in the evaluation of LED within the CTMM. This is then followed by a discussion of the research results in and a critical discussion and suggestions for improvement in LED.

## NATIONAL GOVERNMENT POLICY ON LED

National government is required by national legislation to provide a broader policy and legislative framework in guiding decisions of both provincial and local government. Municipalities should ensure that all their activities fall within the ambit of national legislation. Municipal planning should also be developmentally oriented (IRI & NBI, 1998:3). In particular, the National Coalition for Municipal Service Delivery (NCMSD) has stated the following objectives in order to benefit local government nationally, namely:

- municipal resources leveraging
- building of partnerships (municipalities, private sector, NGOs, CBOs)
- coordinating approaches in addressing local government challenges as well as optimising national and provincial government linkages with municipalities (Voice: 2002, 6).

National government does not normally monitor and establish standards to which municipalities should comply, but the necessary functional support is necessary to ensure that

municipalities are positioned to meet set standards (*Local Government: Municipal Systems Act, 2000*, [Act 32 of 2000]) (Republic of South Africa, 2000a). Therefore, with regard to LED policy, national government has to ensure that municipalities are provided with the required resources to undertake LED activities. *The White Paper on Municipal Service Partnerships, 2000* (Republic of South Africa, 2000b) provides the following policy guidelines for municipalities in executing LED strategic actions:

- creating a conducive environment for facilitating LED objectives
- assisting the municipal councils with the development of the requisite capacities to make informed and appropriate decisions on service delivery (LED initiatives)
- establishing and implementing a monitoring framework to provide ongoing evaluation and refinement of municipal service partnership (MSP) policy (including LED initiatives)
- provide targeted capacity enhancement for municipalities to assist in MSP implementation (including LED initiatives).

These policy guidelines are vague at best. National government is currently concerned that municipalities are not achieving their service delivery goals<sup>2</sup> in terms of national economic and social objectives. It might however, be argued that national government, having undergone a historic transformation of institutions, should have realised the considerable capacity constraints that exist in local government. It has been a number of years now that the Auditor-General's report on local government has pointed to the shortcomings in local government<sup>3</sup>. The main problem is the lack of trained and financially capacitated staff to efficiently put the scarce financial resources of the Treasury to productive use and achieve government objectives for local communities.

According to the Integrated Developmental Planning (IDP) Guidepack (1999/2000:20), LED is part of the broader IDP support system of a municipality, which includes focus areas such as the institutional framework, spatial integration and better service delivery. Haycock (2001:43) views LED as part of public entities' functions, which include research and development, infrastructure development and regulations. Therefore LED is not an isolated means of developing the local economy, but forms an integral part of the IDP of a municipality in outlining service delivery goals. National legislation on creating an environment where municipalities can effectively manage LED initiatives is necessary. According to Bailey (1999:4) the stimulation of the local economy through LED initiatives and the creation of jobs according to local needs and preferences are unequivocal.

Bailey does not explicitly list what he considers to be LED initiatives. However, he does mention what is perhaps more important to realise at this juncture are local needs and preferences. As will be seen in later sections, LED can only be successful if local communities participate fully in such initiatives.

## SERVICE DELIVERY THROUGH LED

**T**his section outlines LED from a service delivery point of view, as interpreted mainly by government institutions in South Africa. A clear mandate of a municipality is to ensure that service recipients are provided with the required services. According

to the *White Paper on Municipal Service Partnerships* (Republic of South Africa, 2000b), [ "...substandard services are a hindrance to the investment opportunities by business and industries in which job opportunities for local residents are adversely affected. Therefore municipalities, in their service provision, have various options to consider for sustainable service delivery. In this instance, a municipality can either provide a service utilising internal resources or outsource the provision of a service to an outside service provider". Although outsourcing could be done on the basis of public private partnerships, the White Paper on MSP (Republic of South Africa, 2000b) refers to all outsourcing as municipal service partnerships (MSP).]

LED initiatives may include service partnerships, whereby local business is empowered by being provided municipal services or supply contracts. Municipalities also have the responsibility to ensure that business activities are generated and people are empowered to start their own business. It is important that every IDP of a municipality is accompanied by an LED plan before approval by the council. As can be deduced from the section that follows, the realisation of LED, insofar as the generation of new business activities in the local economy is concerned, remains the most important objective for any municipality. It could also be noted that no observable impact has been seen in the area of new business generation within CTMM.

In *The local authority's role in economic development* (IRI & NBI, 1998), LED is defined as a locally-driven process designed to identify, harness and utilise resources to stimulate the economy and create new job opportunities. "LED occurs when the local authority, business, labour, NGOs and – most importantly – individuals strive to improve their economic status by combining skills, resources and ideas".

In *Integrated Development Planning: A handbook for community leaders* (Planact, 1997), LED is described as focusing on the development of local areas as opposed to regional or national development. This form of development is generally undertaken by local councils which are eager to promote the development of their area. The report continues by explaining that LED may also involve trying to encourage entrepreneurs, the informal sector and small business, through offering, for example, low interest finance to empower community organisations and providing skills training. Further, IRI & NBI (1998:7), list nine tools and strategies that municipalities can use to support LED. They are:

- small, medium and micro enterprise development
- regulations and by-laws
- land, buildings and other public assets
- public/private partnerships for infrastructure and service delivery
- business retention, expansion and attraction
- human resource development
- promotion and marketing
- regional linkages
- plugging the leaks

According to Reddy *et al.* (2003:176) intergovernmental engagement in mobilising capacity and stakeholders is necessary. The following are the general challenges that necessitate the need for LED activities: stabilisation of economic strategies, service delivery enhancement,

transparent government, society engagement, ingenious community participation and reviewing and forming new intergovernmental relations.

The World Bank model of LED provides a standardised framework that is useful for evaluating LED programmes across the globe. It, therefore, serves as a yardstick against which any LED programme could be measured.

## WORLD BANK LED MODEL

**L**ED, initially so coined by the United Nations Development Programme (UNDP), is a formal policy option of the World Bank development programme. It is this worldview of LED, now led by the World Bank which is generally acknowledged. The purpose of LED, according to the World Bank (2005) "...is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. 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".

"According to the World Bank (2005), "...ideally, the development of an LED strategy should be an integral part of the broader strategic planning process for a sub-national region, city, town or rural area. Sound LED strategic planning ensures that priority issues are addressed and scarce resources are well targeted. The five-stage approach incorporates: Organizing [sic] the Effort, Conducting the Local Economy Assessment, Developing the LED Strategy, Implementing the LED Strategy and Reviewing the LED Strategy. The funding of an LED strategy is also a key consideration. The five-stage LED strategic planning process should be tailored to correspond with other local planning processes." The World Bank's (2005) view of what these five stages entail, is now briefly quoted:

### ***Stage One: Organizing [sic] the Effort***

A community begins the LED strategy planning process by identifying the people, public institutions, businesses, community organizations [sic] 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 organizations [sic] 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 can contribute to the LED 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. Other issues that not to be tackled in the early stages include establishing LED staff teams and appropriate political processes.

### ***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 neighboring [sic] communities and other regional, national or international competitors.

### ***Stage Three: Developing the LED Strategy***

As part of the LED strategy, a shared economic vision for the community and LED goals, objectives, programs 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 it is to be achieved, who will be responsible and the timeframes associated with the implementation of the LED strategy. Most importantly, the LED 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 program of the local authority, and appropriate elements taken on by other stakeholders (business associations, utilities, educational institutions, etc.). The aim is to leverage strengths, overcome weaknesses, exploit opportunities and deal with threats.

### ***Stage Four: Implementing the LED Strategy***

Strategy implementation is driven by the LED 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 LED 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 LED Strategy***

Good monitoring and evaluation techniques help to quantify outcomes, justify expenditures, determine enhancements and adjustments, and develop good practices. This information also feeds into the review of the complete LED strategy. The 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 ever changing competitive environment."



The five-step World Bank LED model is used to evaluate the LED programme at CTMM. An outline of how CTMM established LED policy is first given. Benchmark evaluation criteria include implementation guidelines taken from the World Bank model. It is necessary to briefly quote the implementation criteria benchmark for evaluation purposes, as it is here that municipalities are found most wanting.

## **Implementation criteria: LED**

A community needs to decide what LED programmes and projects it will adopt to achieve its LED vision, goals and objectives. Options are many and varied and may be as simple as providing a directory of services. More detailed programme areas may include improving the local business investment climate, investments in hard strategic infrastructure, investments in sites and premises for business, investment in soft infrastructure, encouraging local business growth, encouraging new enterprise, promoting inward investment, sector (and business cluster) development, area targeting/regeneration, integrating low income or hard-to-employ workers]

## **HOW LED IS DESIGNED AND IMPLEMENTED AT CTMM**

**T**his Section outlines the LED programme at CTMM, as informed by the participatory research outcomes already described. It should be noted that in order for the participants in the participatory research process to remain completely objective, they were not given any indication that the World Bank model would be used to evaluate their own assessments of the programme. The participants in the research were also not given any information about the World Bank LED model, with the sole purpose of obtaining an unbiased and true reflection of the state of the CTMM LED programme.

## **Led framework**

Essentially, CTMM like all other municipalities in South Africa obtains directives from the National Department of Provincial and Local Government (DPLG) and/or from the various other national departments. The directives spell out broad guidelines on how policy should be adopted and implemented. To ensure that such policy directives are adhered to when LED activities are undertaken, DPLG also provide training and workshops for eligible municipal officials. It is acknowledged however, that training and workshops lack sufficient training materials in respect of the HOW TO instead of the WHAT TO do. Also, most of the staff currently undergoing such training are heading sections within CTMM while other officials are only now being recruited.

CTMM realises that specific needs of the community for each municipality should determine a particular municipal LED policy framework. That is, though DPLG and national departments provide guidance on how LED activities should be undertaken, LED policy should be adapted in accordance with the circumstances of particular communities.



Each municipality should structure its needs accordingly and provide a tailor-made LED policy for its citizens' activities.

## **Establishing LED policy within CTMM**

CTMM's Local Economic Development Division, falls under the umbrella of the Department of Economic Development. Its sections are to promote LED activities within the CTMM boundaries. These sections are: Policy and Research; Enterprise Development; Promotion of Trade; Small and Medium Enterprise and Support; and Agricultural Development. These sections are each provided with a focus area of responsibilities as well as targeted LED activities that are required to stimulate the local economy. According to the LED Strategic Framework this structure was endorsed by the Tshwane Business Week conference held in 2003 and CTMM council in June 2003 (CTMM, 2003).

The Enterprise Development Division's subdivisions are, Small and Medium Enterprise; and Informal Trade and Formal Trade. A comprehensive policy for the Informal Trade subdivision is however, still in the drafting process. Some of the practical problems that are experienced by this subdivision are that more people want to sell on the streets but insufficient space is available to accommodate vendors. The Enterprise Development Division's LED objectives; within the LED framework make provision for the following policies CTMM:

- informal trade policy
- street trade by-laws
- policy on the review of license fees
- policy on the review of the stand permit fees
- the promotion and support of skills development
- the promotion and establishment of small and medium sized enterprises (SME's) and
- making available and accessible business support services (CTMM, 2003).

In establishing LED policies, the above mentioned are taken into consideration in order to ensure relevant tailor-made policies for the CTMM. To achieve the policy objectives, specific targets are set. These are mentioned below, i.e.

- reducing the failure of SME companies by 20 percent by the year 2005 and by 50 percent by the year 2010;
- facilitating the establishment of 1000 SME companies per annum by 2005 and 2000 per annum by 2010;
- accelerating the conversion rate from start-up to established businesses by 5 percent per annum; and to accelerate sector-related employment by 5 percent by 2005 (CTMM, 2003).

Targets are vital in ensuring that the monitoring team namely, the Tshwane Business Week Conference, which is held annually, could evaluate the progress of activities and the extent to which policies are realised. LED policy implementation at CTMM is put under the spotlight in the section that follows.

## **LED policy implementation by CTMM**

The use of LED activities within the CTMM is relatively new. CTMM is still developing its actions as far as LED activities are concerned. This is because DPLG is still in the process of providing training and workshops on LED activities to municipal officials. However, CTMM has established a monitoring mechanism for the progress of LED activities, namely, the Tshwane Business Week (TBW). TBW is a forum for all stakeholders within CTMM who are involved in LED activities to discuss progress and challenges and showcase (exhibit) business products during the conference.

## **Capacity constraints**

In its quest to ensure that LED activities are effectively and efficiently facilitated, there are several constraints experienced by CTMM that require attention. These are briefly outlined in the following sub-sections.

### ***Budgetary/financial constraints***

Determining how much will be spent in the next financial year should primarily depend upon the citizens of the municipality's needs. The communities' needs should be assessed during needs assessment campaigns. CTMM argues that both the community and the municipality should participate in compiling the budget to ensure that all needs are considered before planning commences. However, in practice, it is difficult to get communities to participate in planning the budget when the latter are not yet part of a process to participate in proper needs assessments.

### ***Human resource constraints***

Ensuring that experienced as well as the required number of municipal officials are available for the execution of tasks has been a challenge for CTMM. CTMM is understaffed in several areas of its operations, including the LED division. In some instances staff are overloaded with duties, for example, the Policy and Research section employs only three people. The section requires more personnel to ensure effective functioning. This is evident from the section's inability to achieve targets set for the year 2003.

### ***Technological resource constraints***

Advanced technological equipment play a major role in ensuring that services are effectively delivered. The 21<sup>st</sup> century requires that municipalities be positioned in such a way that they are able to purchase and utilise modern technological equipment. CTMM has yet to fully adapt to the application of new technology in the workplace.

## **RESEARCH RESULTS**

**B**efore discussing the research results, the reader is reminded of what is to be achieved with LED. In this regard, the definition of what it entails forms the basis of the evaluation. The aim of the article is not to research all the different interpretations of the

World Bank model. Instead, in order to keep the evaluation as simple as possible, the World Bank model is taken for its intended purpose, which is to provide guidelines. These guidelines are used as criteria for evaluation purposes and the LED programme at CTMM is not judged in terms of the degree to which it adopted the individual guidelines set by the World Bank model; instead, the evaluation is more on a procedural level.

**Table 1: Summary Research results – CTMM LED activities**

World Bank proposed guidelines as Criteria	Found: Yes/No	Comment
<i>The five-stage LED strategic planning process.</i>	No.	Evidence is found of an attempt to plan according to the steps. However, community participation and implementation are lacking.
<i>Implementation</i>		
1) A community needs to decide what LED programmes and projects it will adopt.	No.	Little evidence exists of steps taken to involve communities.
2) Improving the local business investment climate.	No.	Vague goals were set to achieve this; no evidence of concrete actions taken.
3) Investments in hard strategic infrastructure.	Yes.	Not part of LED but part of normal service delivery; also only in selected municipal wards.
4) Investments in sites and premises for business.	No.	These are mostly by the private sector.
5) Investment in soft infrastructure.	Yes.	Some evidence exists that capacity is being strengthened.
6) Encouraging local business growth.	No.	
7) Encouraging new enterprise.	No.	Earlier programmes to promote new enterprise are still running; LED programmes not yet implemented.
8) Promoting inward investment.	No.	Previous programmes still running.
Sector (and business cluster) development.	Yes.	In terms of IDP, certain projects were launched. Implementation lacking.
Area targeting/regeneration.	Yes.	However, not integrated with LED; part of national policy.
Integrating low income or hard-to-employ workers.	Yes and No.	MSPs were implemented; however, only two such partnerships existed at the time of the research.

Table 1 summarises the research results in terms of criteria for the evaluation of LED as represented by the World Bank model benchmark discussed in the article.

From the evaluation based on participative research, within the research and development section of the LED division of CTMM, shortcomings of CTMM in dealing effectively with LED based on the benchmark five-stage LED strategic planning process include:

- Moving to the stages in the strategy process, first, organising the effort cannot be criticised for not being undertaken. However, should one progress to stage two, namely that of conducting a local economic assessment, no evidence is found that communities were consulted and thorough needs assessments completed in respect of any of the local communities in the CTMM area before completion of the strategic plans for LED as contained in the IDP. Instead, as with the old-age syndrome of telling communities what is good for them, CTMM planned for LED in accordance with what the council views as important for LED in the area.
- As for developing the LED strategy (stage 3), a shared economic vision for the community and LED goals, objectives, programmes, projects and action plans can only be developed if stakeholder groups are given the opportunity to define what is to be achieved, how it is to be achieved, who will be responsible and the timeframes associated with the implementation of the LED strategy are determined. No evidence is found that CTMM engaged all major stakeholder groups in developing the LED strategy. Also, the fact that CTMM is experiencing a lack of staff capacity and is now recruiting LED practitioners points to the fact that CTMM did not assess LED strategy and action plans against the staff resource capacity to carry them out, as well as the budgetary constraints.
- The fourth stage of the LED strategy is implementation. Strategy implementation should be driven by the LED action plans. This presupposes that action plans are in place and the required capacity exists to put these plans in action. This is not the case at CTMM. Specific action plans seem to have been handed down to the LED sub-division (cluster) heads. However, neither the capacity to execute these plans, nor the understanding of how it is to be implemented are present. Although a monitoring mechanism was created, it is unclear what is to be evaluated if implementation of the action plans has not been completed. From the specific implementation steps outlined in Table 1, it is observed that vague goals were set to accomplish the LED vision and goals. CTMM is finding it difficult to consolidate national development programmes by the various national government departments and is unable to illustrate how these programmes are taken up in LED action plans. It is unclear from the evaluation how national policy from the different government departments is coordinated among the various LED sub-divisions (clusters).
- The final stage of the strategy, namely that of reviewing the LED strategic plans, has not been attended to due to the fact that LED has not fully been implemented.

## **SUMMARY, CRITIQUE AND SUGGESTIONS FOR IMPROVING LED**

### **Summary**

This research was undertaken in an attempt to evaluate CTMM's role in LED. The World Bank model provides a yardstick for the evaluation of LED internationally. This model is

therefore outlined and accepted as the benchmark against which CTMM's understanding and interpretation, and also its execution of LED within CTMM's legal obligation to do so, is evaluated. Some obvious differences are found in interpretation of what LED entails.

## Critique

Some general concluding comments are made before suggesting improvements to the existing LED programme by municipalities. Some of the critique stem from general observations made during the research and are not necessarily part of the evaluation against the World Bank benchmark outlined in Table 1 above.

- There is difficulty in understanding and aligning directives from DPLG and national government departments with the needs arising at the local government sphere in regard to LED and the IDP for CTMM in its respective wards.
- CTMM realises the importance of obtaining community participation in the process of establishing what their needs are and therefore introducing it in both the strategic and action plans. CTMM verbalised this importance during the research by stating that community participation should be obtained. Evidence suggests that even if this may have been the case in some wards, needs were ascertained long after the IDP for the CTMM was completed (with the LED strategy included therein). The only logical conclusion is that communities were not participating in the process from the start, indicating a top-down approach to LED strategy determination in contrast to the bottom-up approach suggested by the World Bank. It should however be noted that this may not be the case with all municipalities. Some examples exist where communities are engaged to participate in planning LED strategies. Two of these are briefly listed in Table 2.
- Confusion exists between the deliverables of LED and of the CTMM in general. It should be understood that CTMM cannot undertake LED alone, it has to be undertaken with participation by communities. There should be a clear distinction between service delivery and facilitating LED.
- Most of the duties that CTMM pay lip service to in their LED programme, e.g. small business development, is merely a duplication of national policy for which agencies already exist. The targets set by CTMM in increasing the success of small business ventures is unattainable as they have no control over the management of these businesses. They also do not have control over market forces. It should be added that provision of soft infrastructure to facilitate policy implementation of national government departments is a benchmark globally.
- On policy implementation, the municipality, by its own admission, is still not delivering as LED activities are concerned. This is because DPLG is still in the process of providing training and workshops on LED activities to municipal officials.
- Capacity constraints exist, mainly because LED is not well understood and few officials have been trained in LED. There seems to be no real commitment on the part of CTMM to resolve the problem as is evident from the fact that almost eight years after LED was first introduced into IDPs, no significant work has been done in respect of the

development of communities, other than the delivery of basic services to communities previously excluded from it.

**Table 2: Municipalities following stepwise LED procedures to engage community participation**

Name of municipality	Community participation: Yes/No
Free State Municipality (DPLG)	Yes, fine example of community-based planning at ward level and linking it with IDPs
Western Cape DPLG	Evidence of Western Cape government taking decisive steps to implement community participation arrangements for category B and C municipalities

Source: DBSA, 2004

## Suggestions for improving LED

Important policy implications follow from the findings of this study. Suggestions on how LED may be improved are discussed below.

- LED is not well understood by municipalities. For this reason, it is recommended that on a national level, municipalities align themselves insofar as LED is concerned. Bearing in mind that LED is essentially a way of life – something that should be instilled within communities and in which local communities should participate in continuously. It is suggested that a central coordinating authority be created. There is a need throughout South Africa to gain a common understanding of LED. This is only achievable if LED practitioners and specialists are employed to standardise a common view of and procedures for its implementation among all municipalities.
- The common understanding of LED and its procedures can only be achieved in a sustainable manner if an independent central agency for LED information dissemination and training of all municipal LED managers and practitioners is established. The Development Bank of Southern Africa (DBSA) who is already charged with such a responsibility within its Development Fund in the functional area of capacity building at suitable municipalities (its major client base in South Africa) is a suitable candidate for this purpose.
- Because LED is currently a small component of IDPs of municipalities, even though it is a requirement of the benchmark model to be integrated with strategic plans, it does not come to the fore as a prominent strategy in its own right. For LED to be taken seriously, it should therefore be drafted as a separate strategy using a standardised stepwise participative procedure such as the one suggested by the World Bank. This can only be done in a cohesive and coherent way if a common understanding of LED and its procedures had been instilled within all municipalities.
- Where communities did not participate fully in the planning and design of LED strategies, or where there is doubt whether there is sufficient community involvement (as

opposed to consultation with communities), new LED planning should be pursued. LED planning should then be reviewed annually.

- As LED is essentially a needs-driven approach to economic development, sustainable LED requires a sustained involvement of communities in LED. To ensure sustainability in the long run, municipalities should therefore train its officials through the proposed central training agent, dedicated personnel (LED practitioners) that would participate in LED with the community on an on-going basis. It is not certain whether the 500 community workers that government is currently training (Mbeki, 2005) are aimed at fulfilling this task. It is also not clear what training these 500 community workers receive. If these 500 community workers are trained to become LED practitioners, it is a step in the right direction.
- All programmes and policies aimed at promoting enterprise and life-sustaining skills should remain with the institutions and their agencies where they belong and is best understood. Municipalities should therefore refrain from duplicating existing services to the business sector in the promotion of business. To this end DTI and other national departments should align the duties of its agents. The task of municipalities should be limited to soft infrastructure provision such as one-stop business centres where access is provided to these services. Current Multipurpose Community Centres (MPCCs) is best suited for this purpose and would avoid further duplication. Added to this, a precondition to the successful deployment of national government policies to community level would be to consolidate national government programmes aimed at communities. Project Consolidate (Mbeki, 2005) is a step in the right direction. It can however, only be successful if information on the consolidated programmes is disseminated to communities. This in turn, depends on the degree to which communities are to participate in LED planning in future.

The most important suggestions flowing from the above are that municipalities should make a conscious effort to engage communities in their LED programmes or else all efforts by municipalities to effect real change in communities would be viewed with suspicion by these very communities; An international model such as the one suggested by the World Bank provides effective guidelines for LED, provided that it is followed, at least procedurally. Currently the focus is still mainly on IDPs, while LED is misunderstood and is not making a real difference in the lives of communities it serves.

Lastly, resources are scarce. Municipalities should not fall prey to the wasting of scarce resources on the duplication of functions that are not their business. They should, align themselves in terms of LED, gaining a common understanding of LED. As long as municipalities fail to come to grips with the importance of full community participation in the planning and implementation of LED, they would overlook what is potentially the most important tool in the creation of sustainable livelihoods for the poor in South Africa (and addressing their needs) – **sustainable** local economic development.



## NOTES

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- 2 Recently much publicised, especially by President Mbeki (See <http://www.info.gov.za/speeches/2005/05072711151001.htm#local>).
- 3 See <http://www.gcis.gov.za> and <http://sars.gov.za>.

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