



# **Country Report Local Economic Development in South Africa**

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Claire Patterson

On behalf of the GTZ Strengthening Local Governance Programme's LED  
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# 1 Introduction and Purpose

Before becoming popular in many developing countries in the 1990s, including South Africa, Local Economic Development (LED) had already been implemented for many years in various forms in industrialized countries.

In the early stages of LED, activities focussed strongly on the marketing of locations to external investors, often linked with incentive systems such as tax breaks and/or reduced costs of public services (such as water and electricity) and infrastructure development. In a second phase, attention shifted to endogenous economic potentials, striving to support the competitiveness of existing firms, promoting entrepreneurship and business start-ups. This was often done via entrepreneurship development and training programmes, business support and business linkage mechanisms, providing access to finance, skills development, rural development and sectoral development approaches.

Since the late 1990s, a more holistic approach to local and regional economic development (LRED) has become prevalent. This third and latest phase of local economic development enhances the individual business support and sectoral development approaches of the second development phase by making the entire business and community environment more conducive to economic development. The focus of the third phase is therefore on providing a competitive local business environment, encouraging and supporting networking and collaboration between businesses and public/private and community partnerships, facilitating workforce development and education, focusing inward investment to support cluster growth and supporting quality of life improvements.

How can LRED best be defined? There are of course numerous definitions for LED, most of which underline two important aspects: first, LED is an ongoing process and second, it is driven by local actors from different societal sectors, which implies collaboration, and even co-responsibility between the public and private sector for the economic development of a region or location.

GTZ, the German Agency for Development Cooperation, defines LED “as an ongoing process by which key stakeholders and institutions from all spheres of society, the

public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms. (Ruecker/Trah, 2007)

In South Africa, LED is a post 1994 phenomenon. Under apartheid, South Africa had a distinct regional planning policy regarding settlement patterns with all residential areas underpinned by racial segregation. As a result, the majority of the population was displaced and lived in marginalised townships. Strong central government control, characteristic of most of the 20<sup>th</sup> century, suppressed the emergence of LED initiatives in towns and cities of South Africa and led to the erosion of local autonomy. With democratisation in 1994 however, came a new vision of development, and the concept of LED attracted more and more attention in government circles and amongst policy makers, to the point of being an explicit government priority today.

The following range of key policies and policy papers have, either directly or indirectly, contributed to the LED debate in South Africa:

- The Constitution (1996)
- White Paper on Local Government (1998)
- Local Government: Municipal Systems Act (2000)
- A policy paper on Integrated Development Planning (2000)
- LED Guidelines to Institutional Arrangements (2000)
- Draft LED Policy (2002)
- Policy Guidelines for implementing LED in South Africa (2005)
- National Framework for Local Economic Development (LED) in South Africa (2006-2011)

However, national policies, as pursued by the Department of Provincial and Local Government and the Department of Trade and Industry DTI in particular, are based on conflicting paradigms and have been pulling in different directions: one towards a focus on poverty alleviation within poor communities, and the other towards engagement with global economic forces through means to enhance competitive advantage. They are based on different policy paradigms, the one rooted in people-centred development and the other in market oriented development. The one tends to be inward focussed, relying on local resource mobilisation and the other outward

focussed, emphasising exports and the importance of foreign investment. Most policy papers are characterised by this tension between those two paradigms and try to bridge these tensions in various ways.

This paper looks at the state of local economic development in South Africa with respect to national and local policy, and explores a number of examples of current support for LED at national level which provide a framework for local economic development practice in South Africa. The paper concludes with a summary of key issues and conclusions.

## **2 National Enabling Perspective**

### ***2.1. Emerging LED: 1994 - 2000***

South Africa today is characterised by a highly dualistic economy, with a sophisticated formal sector of numerous globally-competitive multinational companies, paralleled to a population where up to 40% are unemployed and dependant on welfare grants and the informal sector to survive. This duality in South Africa has been termed as the first (formal) and second (informal) economy (CWCI, 2006).

The basis for the current policy framework for LED was originally set down in the South African Constitution. According to Sections 152 ( c) and 153 ( a) of the former, local government must "promote social and economic development" and it must "structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community". The Reconstruction and Development Programme (RDP) document (ANC, 1994) made implicit references to the notion of LED through the apparent support for community-based development and locality-based initiatives. This was followed by the Urban Development Framework and the Rural Development Framework published by the RDP office. However, during the first five years of the RDP, LED generally took second place to housing and infrastructure programmes. With the closing of the RDP Office, these policies were taken over by the Department of Housing and the Department of Land Affairs.

Development policy then became more practical, targeting measures to promote the first and second economies that directly support and encourage pro-poor LED through numerous support mechanisms. Most significant in this regard is the Local Government White Paper (1998) which defined some of the challenges facing municipalities and provided the mandate to local municipalities to deal with these challenges such as skewed settlement patterns, backlogs in service delivery and spatial segregation. The Local Government Transition Act of 1993, provided some direction to municipalities in dealing with these challenges by introducing the Integrated Development Planning (IDP) process that promotes economic development and addresses spatial and transport planning, infrastructure development and regulation with appropriate funding mechanisms. Under the

Municipal Systems Act of 2000, which replaced the Local Government Transition Act, all local authorities are required to prepare annual and five year IDPs that set out the development targets with detailed projects and programmes (Allan, 2003). An omission of the Act however, was that it did not go on to deal with the powers of non-metropolitan municipalities in terms of many of these issues and despite the constitutional mandate to engage in social and economic development, provincial controls surviving from the previous administration were not conducive to LED (Nel, 2001).

With regard to the role of local government in LED, the White Paper on Local Government (1998) introduces the concept of “developmental local government”, defining it as: “Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.” However the same document makes it clear that: Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities”. The White Paper goes on to state that: “The powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities – in particular meeting the basic needs of the poor – and on the growth of the local economy”. However, it was only in 2000 that government began releasing guidelines that provided direction on LED institutional arrangements and strategies for local government to begin implementing action plans that deal with local economic development.

## **2.2. LED Policy Post 2000**

- LED Guidelines to Institutional Arrangements (2000)
- Draft LED Policy (2002)
- Policy Guidelines for implementing LED in South Africa (2005)
- National Framework for Local Economic Development (LED) in South Africa (2006-2011)

The LED Guidelines to Institutional Arrangements (2000) and the Draft LED Policy emphasize a more community-orientated approach to LED, stressing that LED should be pro-poor orientated and target previously disadvantaged people and

marginalized towns and regions. Ideally, municipalities should support local initiatives, which encourage local job creation while still responding to changes in the national and global economy.

In 1999, the DPLG launched the LED Fund (LEDF) as part of government's overall poverty alleviation strategy. The Fund provided support to municipalities of up to R1,5 million for projects that would lead to poverty alleviation and job creation within their localities. Municipalities would apply to the DPLG for funding of projects such as provision of business facilities, promotion of agri-industry, tourism initiatives, and human resource development programmes. Unfortunately the Fund ultimately failed to deliver long-term sustainable LED and resulted in a number of small, unsustainable projects scattered around the country for a number of reasons. At the time that the Fund was administered, there was a general lack of understanding of what LED was and the capacity to implement it, particularly at local government level. Furthermore, the Fund itself set out a number of conditions to access the funds which were not conducive to sustainable economic development and provided very little support in terms of strategic guidance, interaction, monitoring and evaluation of the projects. The offer of financial assistance to municipalities was an incentive to apply for the limited available funding, yet resulted in poorly thought out business plans and in most cases projects were funded without any prior feasibility assessment. Beneficiaries were often not consulted in the process, which resulted in a lack of ownership of the projects. Instead of creating long-term sustainable LED, the approach often resulted in poorly managed projects, dependant on funds to secure a future (Atkinson/Ingle, 2003).

Then came a new direction to LED through the DPLG's LED Framework (2006) that no longer encouraged dependency on government for funding, but emphasised that local government is not responsible for creating jobs but should rather invest in providing the overall economic and social conditions conducive to creating employment opportunities. Local economic development is therefore about creating a platform and environment to engage stakeholders in implementing strategies and programmes. The Framework emphasizes that municipalities have a key role in creating an environment conducive for investment through the provision of infrastructure and quality services, rather than by developing programmes and attempting to create jobs directly. Beyond this, municipalities should play a connector role in respect of LED drawing upon resources locked in a range of different government support instruments into their localities. For example, municipalities are

able to draw on the support of the Sector Education and Training Authorities (SETAs) to address skills development in their areas as well as to draw on the support of the DTI's Small Enterprise Development Agency and other agencies at the Department of Trade and Industry and national sector departments to assist with the retention and growth of enterprises in their area (DPLG, 2006).

The focus of the LED Framework are on four areas: **(1)** Improving good governance, service delivery, public and market confidence in municipalities, **(2)** Spatial development planning and exploiting the comparative advantage and competitiveness of Districts and Metros, **(3)** Enterprise support and business infrastructure development, and **(4)** Introducing sustainable community investment programs

These four areas are an interesting mix of the more competitiveness or market development oriented paradigm (the first three) and the people centred paradigm mentioned in the introduction. Both paradigms are seen as important in developing a globally competitive economy that promotes competitive advantage as well as still providing pro-poor responses to the emerging second economy. Generally speaking, the approach is now more strategic than before where government played a role of direct intervention.

Government investment at a macro level is guided by the principles contained in the National Spatial Development Perspective (NSDP). The NSDP is a policy advocated by the Presidency which is intended to focus government action and provide a platform for greater alignment and coordination across the three spheres of government which will allow government to make more explicit and rational choices about investment and development spending. The NSDP provides an approach that brings about synergy and complementarities in the spatial effects of government action by different spheres and agencies with a view to maximising the social and economic returns on government development spending. The fundamental aim of the NSDP is to reconfigure apartheid spatial relations and implement spatial priorities in ways that meet the Constitutional imperative to provide basic services to all and alleviate poverty and inequality. This means that whilst investment in basic infrastructure and services should occur across the board, when it comes to economic fixed capital formation, limited resources are applied strategically and investment is channelled into areas that will yield the highest impact in terms of economic output, employment creation and poverty reduction.

The DTI's Regional Industrial Development Strategy (RIDS) of 2006 has been developed in line with the principles of the NSDP in order to help close the gap between regions, which partially reflects the first-second-economy division. The strategy focuses fundamentally on addressing the key obstacles to the functioning of the economy, primarily through infrastructural interventions which will enable all regions better to access markets and resources and to attain the full economic potential. The purpose is to provide a strategy that emphasises the importance of working with the local private sector and existing institutions, programmes and initiatives (DTI, 2006).

Through the Accelerated Shared Growth Initiative for South Africa (ASGISA), launched by the Presidency in 2006, government is committed to reducing unemployment and poverty by half in the second decade of democracy. This requires an economic growth rate of around 4.5 per cent between 2005 and 2009 and an average rate of about 6 per cent between 2010 and 2014. ASGISA was initiated to promote economic sector development strategies while still focusing on efforts to include the marginalised poor in the broad economy, and to improve services in all three spheres of government in order to halve unemployment by 2014. Much has been set in place at the macro economic level to achieve this and although there is still work to be done at the national level, far greater challenges need to be addressed at the local level. However, it is important to note, that LED is part of the five national priority goals set down by the South African government's 5 Year Local Government Strategic Agenda (2006/2011), which are:

- effective and functional local government
- financially sustainable municipalities
- improved infrastructure and services
- improved resilience and vibrancy of local economies and
- Strengthened local democracy.

LED Policy and guidelines are therefore well documented at national level yet the issue of funding for LED remains a matter to be addressed. LED is not yet well embedded in municipal practice, which is shown in many cases by the limited funds allocated to LED by municipalities, and the lack of impact of interventions. Although financial support for LED can be derived from a wide range of sources, a key

difficulty is that the municipality or local development agency<sup>1</sup> often lacks adequate, locally available funds and competencies to drive the LED process independently. The compartmentalization of economic development and lack of coherence is a significant problem. There are pro-poor statements in the policies of many municipalities, but this is often not translated into significant LED budgets, nor the actions of other municipal departments. This impedes the overall scale and impact of council LED policies. In addition, there is an apparent failure to link line function interventions or national government-funded projects explicitly into LED e.g. housing construction and infrastructure. The varying size of LED units, the presence or absence of professional staff and resource differences creates a very diverse profile in terms of what exists and also in terms of actual impact.

### **2.3. Funding LED**

Currently, to access funds for LED, municipalities can either employ funds generated locally to implement municipal-led activities, such as through the levying of rates and taxes, or funding can be derived from higher tiers of government. Generally however, LED has no secure funding sources and often relies on charitable donation and public grants (where available). The role of local and international NGOs and donors is of great importance in accessing and making available funds for local development projects.

The current possible avenues for funding LED activities are summarized in the following table:

<b>Donor Funding</b>	There are a number of donor agencies operating in the country such as the EU LED support programmes, USAID, GTZ, DFID, World Bank etc
<b>Municipal Infrastructure Grant (MIG)</b>	Supports basic infrastructure development
<b>Neighbourhood Development Partnership Grant (NDPG)</b>	Municipalities to organise themselves and apply to the NDPG from 2006 - 2009
<b>National Sector Support</b>	There are a range of funding sources available from various government departments.
<b>Development Finance Institutions</b>	IDC, DBSA, IDT, National Empowerment Fund, NDA

<sup>1</sup> Over 30 Development Agencies have been established to date, however with varying degrees of success

<b>Local Government own revenue</b>	Municipalities to generate revenue from taxes and municipal services
<b>Equitable share</b>	High growth municipalities to support low growth municipalities
	Improve utilisation of provincial equitable share and transfers to municipalities

There is a range of non-governmental support and international donor agencies that provide financial and technical assistance to municipalities and private sector groups such as the European Union, USAID, The World Bank, GTZ and DFID as well as many others.

The EU funds projects within the broad objectives of poverty alleviation and local economic development, including institutional capacity building. The EU LED Support programmes in Limpopo, Eastern Cape and KwaZulu Natal provide financial and technical support to local government as well as to the private sector through various application procedures.

The World Bank Group offers a limited number of grants to facilitate development projects to encourage innovation, co-operation between organizations and to increase the participation in projects of local stakeholders. Social Funds directly finance small, local level, community-managed projects which help empower the poor. Current projects in South Africa are enabled by a Technical Assistance Loan, implemented by the South Africa National Treasury with assistance of the Development Bank of Southern Africa (DBSA).

Bilateral technical co-operation between GTZ and South Africa began in 1993. GTZ assistance to South Africa currently focuses on Local Governance and Development, Skills Development, and Good Governance. The GTZ Strengthening Local Governance Programme's Local Economic Development (LED) Component provides financial, technical and institutional support to national government and with their partners empower local and district municipalities to start LED processes and take up local or regional economic opportunities.

The United Kingdom's Department for International Development (DFID) Local Government Support and Learning Network Programme (Logosul), provides funding and technical support primarily to the DPLG and Logosul. All municipal aid is channelled through the DPLG, who in turn selects projects to be funded by DFID, provided that the objectives of the project are in line with that of the logframe agreed

between DFID and the South African Government. The projects implemented in municipalities are directly linked to the implementation of the IDP through technical support and project funding.

In terms of national support towards funding LED initiatives, a number of government departments and programmes provide support to municipalities and partnerships to engage in LED. The Municipal Infrastructure Grant (MIG) through the DPLG provides support to municipalities to supply basic infrastructure development and improve service delivery. The aim of the grant is to provide all South Africans with a basic level of service by 2013, empower local municipalities, decentralise service delivery and alleviate poverty. Municipalities applying to MIG for funding need to comply with a number of conditions in order to receive funding which includes an element of community participation to ensure the project meets the needs of local communities.

The Neighbourhood Development Partnership Grant (NDPG) was established in 2006 by National Treasury with the primary focus to stimulate and accelerate investment in poor, underserved residential neighbourhoods such as townships by providing technical assistance and grant financing for municipal projects that have a distinct private sector element in the project. The NDPG is driven by the notion that public investment and funding can be used creatively to attract private and community investment to unlock the social and economic potential within neglected townships and neighbourhoods and that this in turn will contribute to South Africa's macro-economic performance and improve quality of life among its citizens

There are also many development finance institutions that exist in South Africa and provide financial assistance and support to the funding of LED initiatives. Some of these include the DBSA, IDC, and NDA

The Development Bank of Southern Africa (DBSA) is one of several development finance institutions in South and Southern Africa. Its purpose is to accelerate sustainable socio-economic development by funding physical, social and economic infrastructure. The Bank plays a multiple role of financier, advisor, partner, implementer and integrator to mobilise finance and expertise for development projects. The DBSA has and is continuing to provide funds for the development of LED strategies in district and local municipalities as well as in some cases LED implementation projects. Over the next three years, the Development Bank strategy

envisages the investment of R8 billion in South Africa and the deployment of 150 experts to develop and implement infrastructure projects.

The IDC provide support in cooperation with other stakeholder to improve business confidence in local areas by creating opportunities for investment through the establishment of local economic development agencies (LEDA's). More than 20 LEDA's have been established across South Africa with funding from the IDC.

In 2000, the National Development Agency (NDA) was established through the NDA Act 108 of 1998 with the mandate to eradicate poverty and its causes. Since its inception, the Agency has granted funds to more than 2500 social development projects, including emerging farmers, early childhood development, to cross-cutting projects, like health and HIV/AIDS.

The Independent Development Trust (IDT), was established in 1990 as a temporary grant-making facility. Since 1998, when its mandate was changed, the IDT plays a role in the delivery of the government's socio-economic development agenda in helping to eradicate poverty and boost job creation. The IDT supports and strengthens delivery institutions at community level, with a strong emphasis on job creation through training and making use of emerging community contractors. With support from the international donor community, the IDT also provides institutional capacity building and assists local economic development initiatives in certain municipalities.

Within the private sector, SMME's are often the most severely affected by limited access to funding. A number of financial support agencies exist and provide funding avenues through the various government programmes. Khula Enterprise Finance, Umsobomvu Youth Fund, Apex Fund, Regional Development Banks and NGOs running micro-finance programmes are in place. Commercial banks and Venture Capital companies also provide another avenue for funding for SMME development.

Although many international donor agencies, financial support agencies and government programmes exist to support local economic development, municipalities still struggle to come to terms with their challenging role in response to LED. Often there is limited capacity to understand that the role of municipalities is primarily of strategic intervention and not direct intervention of project implementation. The various financial and support institutions operating in South Africa provide strategic

direction to the implementation of LED, but it yet to filter to local level. The following section presents more detail on some current examples of national government and non-government programmes that provide support, and develop a framework for local economic development practice in South Africa

### **3. LED in Practice**

The policy shifts detailed in the previous section and democratisation that took place in South Africa has led to the emergence of a number of initiatives which are evidenced in the activities of government, Community-based Organisations (CBOs), Non-government Organisations (NGOs), and foreign donor agencies that support LED in South Africa. While there are a number of successful community-based and public-sector driven examples of LED initiatives on the ground which have a significant impact on the relevant local economies, the following section provides a brief outline to some examples of strategic support to LED provided by national and international NGO's and through various departments of the South African government. While there are many more than these examples of strategic support to local economic development in South Africa, the following have been chosen due to their strategic relevance.

#### ***3.1. Department of Provincial and Local Government***

Local Economic Development features prominently in the DPLG, which has a Chief Directorate dedicated to LED as well as several programmes such as Project Consolidate, the Municipal Infrastructure Grant, the Urban Renewal Programme and the Integrated Sustainable Rural Development Programme with strong LED links.

The DPLG LED Chief Directorate provides support in the following areas:

- Development and review of national policy, strategy and guidelines on LED;
- Providing direct and hands-on support to provincial and local government in selected cases;
- Management and Technical Support to Nodal Economic Development Planning;
- Facilitating coordinating and monitoring of donor programmes, and
- Assisting on LED capacity building processes.

Through these interventions, resources, local role-players and interest groups are mobilized for the sake of achieving economic growth and creating jobs to reduce poverty. The DPLG's 5-year plan outlines three key priorities:

1. **Mainstreaming hands-on support to local government to improve municipal governance, performance and accountability.** This priority receives the most attention in the DPLG's strategic plan. It is divided into several key performance areas of Municipal Transformation and Organisational Development; Basic Service Delivery; and Local Economic Development. Within LED, activities include:
  - Strengthening coordination between spheres of government on economic development;
  - Give municipalities hands-on support to ensure that LED plans are aligned with IDPs;
  - Focus on development in small towns and rural areas with declining economies;
  - Help municipal regions identify and take advantage of their own comparative advantages (unique factors that would make them economically competitive and bring economic development.);
  - Deployment of economists and development experts in specific municipalities to help implement community investment programmes;
  - Finalise an urban development framework by October 2006. One of the aspects of this, is making urban land markets work for the poor;
  
2. **Addressing the structure and governance arrangements of the State in order to better strengthen, support and monitor Local Government** which relates mainly to improving relationships between the three spheres of government: national, provincial and local, and improving the ability of provinces to support and monitor local government.
  
3. **Refining and strengthening the policy, regulatory and fiscal environment for Local Government and giving greater attention to enforcement measures.** This relates mainly to a review of policy and legislation, such as reviewing the two-tier municipal system (district and local municipalities), and changing the law to make it compulsory for all municipalities to adopt the ward committee system (currently it is optional). An important area relates to development planning – with the aim of ensuring that municipal Integrated Development Plans fit into planning at provincial and national level. This should give more weight to the IDPs, as municipalities are currently often faced with the challenge of achieving the goals outlined in IDPs when they are contradicted by provincial and national priorities.

The Chief directorate is also the champion of the Government's Joint Programme of Action where initially the Department of Trade and Industry, Department of Minerals and Energy, and Department of Agriculture have been identified as key departments to engage with to provide content and instruments to give effect to combined and cooperative LED strategies. Various other government departments will be invited to participate once the programme is more established. The governance purpose of the DPLG with respect to LED means that it has an interest in ensuring that coordinated and sustainable LED in different localities is achieved. Through the Joint Programme of Action, the DPLG is encouraging effective coordination that focuses on the implementation of specific and measurable activities. The Chief Directorate is also planning to establish a Knowledge and Information Centre for LED with the financial assistance of the European Commission.

The programme Project Consolidate of DPLG second Special Development Facilitators (SDFs) to those municipalities which have problems in fulfilling various mandates. The programme was launched in April 2005 as a hands-on programme of support and engagement for local government. A range of stakeholders and partners in the form of business and professional organizations, State Owned Enterprises, Non-Governmental, Development and Donor Agencies support Project Consolidate. Some of these stakeholders include the First National Bank, the Business Trust, AHI, IDT, INCA Capacity Building Fund, GTZ (Germany), KFW (Germany), DFID (UK), Standard Bank, the South African Planning Institution (SAPI), ESKOM, Rand Water, USAID, Land Bank, Arrivia.com, NBI and the Old Mutual Group. A number of the Special Development Facilitators assist municipalities with their Integrated Development Plans, including LED strategy development and implementation.

The Integrated Sustainable Rural Development Programme (ISRDP) and the Urban Renewal Programme (URP) were announced by President Thabo Mbeki in February 2001, during his State of the Nation Address. The aim of these programmes was to conduct a sustained campaign against rural and urban poverty and underdevelopment. It is estimated that these nodes (urban and rural) are home to more than 10 million people. The common features of these nodes are that they are areas of severe neglect, where poverty is at its most endemic. The programmes, which have a strong LED link, have a ten-year life span.

### **3.2. Department of Trade and Industry**

Local government, within the framework of integrated development plans, pursues economic development mainly through functions such as land use planning, service delivery, development and regulation. The Department of Trade and Industry, retains a shared responsibility for economic growth and job creation opportunities. The core thrust of the Integrated Small Enterprise Development Strategy (2006) aligns to the LED National Policy Framework and has four critical elements of policy and planning, enterprise development, women's empowerment, and improved coordination with provinces.

The Regional Industrial Development Strategy (RIDS) has been framed in order to give effect to these goals and to help close the gap between regions which partially reflects the first-second economy division. The strategy focuses fundamentally on addressing the key obstacles to the functioning of the economy, primarily through infrastructural interventions which will enable all regions to better access markets and resources and to attain the full economic potential of which they are capable. The purpose is to provide a bottom-up rather than a top-down strategy, emphasizing the importance of working with the local private sector and existing institutions, programmes and initiatives. RIDS proposes to work through special purpose vehicles operating on the basis of strategic partnerships between the public and private sectors.

The purpose of RIDS, is to respond in broad terms to issues of spatial differentiation in economic welfare levels. A key challenge is both to simultaneously support lagging regions and to assist leading regions to capitalize on their inherent strengths and potential. However, it also recognises that the majority of South Africa's population is poor, and that this applies to the core regions as much as to the lagging regions. RIDS further identifies the importance of developing human capital (especially education and health services) in order to provide rural populations with competitive skills to maximise their incomes. Through such action, it is anticipated that quality of life will be improved, based on the leveraging of appropriate talent, resources and innovative capacities in the different regions of the country

### **3.3. Local Government SETA**

As a result of the skills shortage in South Africa and the need to empower the previously disadvantaged majority, the Skills Development Act (1998) provides a framework for the development of skills in the workplace. Amongst other things, the Act makes provision for skills development by means of a levy-grant scheme, and the establishment of 23 sector-specific Sector Education and Training Authorities – or SETAs – to administer the scheme's funds, and manage the skills development process. The SETAs were established in March 2000 and are responsible for the disbursement of training levies payable by all employers in the country. SETAs replace and extend the work of the previous industry training boards and are accredited by the South African Qualifications Authority.

The Local Government SETA is one of the 23 Sector Education and Training Authorities established on the grounds of the Skills Development Act. One particular area that the LGSETA focusses on is training interventions and Learnerships in LED. From August 2002 on the LGSETA embarked on a process to develop the LED qualifications Framework with the final objectives to implement a range of LED Learnerships and to provide all necessary tools and material for a nationwide roll out.

In order to have a sound basis for the development of operational Learnerships and Skills Programmes the LGSETA initiated the establishment of partnerships between the SETA, employers (municipalities) and local / regional training providers (FET Colleges, Technikons and Universities). The LED Learnerships are developed by the LGSETA with the support of the Department of Provincial and Local Government (DPLG), the South African Local Government Association (SALGA) as well as a wide range of other relevant stakeholders. The LED Qualifications Framework at National Qualifications Framework (NQF) Levels 4, 5 and 6 should result in the sound training of LED practitioners to provide them with the necessary knowledge and skills required to be successful LED facilitators and to provide them with a learning/career pathway in LED. These three qualifications will ensure a comprehensive understanding of LED and its application in the South African context. Local government officials will be better able to fulfill their new role as facilitators of LED. Each Learnership has an average duration of one year.

### **3.4. EU LED Support Programmes**

The European Union is South Africa's largest source of donor funding. The R1 billion Annual Development Co-operation Budget spans areas as diverse as education, water and sanitation and the entrenchment of a human-rights culture, and Local Economic Development. The EU is a major player in international co-operation and development aid. The EU's support to the South African government in terms of local economic development has been focused on three provinces: KwaZulu Natal, the Eastern Cape and Limpopo Province.

The Gijima KZN Programme is a six-year programme designed to support the provincial Department of Economic Development (DED) of KwaZulu Natal and a broad range of stakeholders to more effectively implement LED to achieve equitable economic growth in the province. The programme was initiated in 2003 and will receive funding of Euro 37 million over the six year period. Gijima KZN particularly focuses on harnessing creativity at a local level through a demand-led approach with the centrality of a partnership approach. The programme objectives are to:

1. Promote pro-poor local economic development
2. Build the capacity of local government in managing LED
3. Increase local competitiveness through the building of partnerships

The programme is designed around a number of funds under which applicants can apply for financial assistance. The first fund is the Business Enabling Fund (BEF) which assists provincial and local government to create an enabling environment for local economic development by clarifying the legislative and regulatory requirements and strengthening the enabling role and performance of provincial and local government.

The primary emphasis of the second fund, the Local Competitiveness Fund (LCF), is to encourage partnerships which facilitate private sector investment in sustainable local economic development projects. The LCF provides partnership groups with support to establish integrated projects to encourage a base of infrastructure and services to provide a platform for increased competitiveness

The objectives of the third Fund, the Networking & Co-operation Fund, is primarily to establish a provincial Monitoring, Learning and Research Facility (MLRF) which is

currently in place; as well as to provide LED institutional support and marketing and communications for the programme.

The Limpopo Local Economic Development Programme is being implemented through a partnership between the EU and the Limpopo Department of Local Government and Housing (DLGH). The EU's funding contribution is 34 million Euro and supports a wide range of projects in rural areas of Limpopo. The main objective of the programme is to support pro-poor economic growth through an integrated approach through five core areas of:

- Supporting Sustainable Community Economic Development;
- Strengthening local competitiveness of SMMEs
- Enhancing the LED environment
- Strengthening LED capacity
- Management, monitoring and coordination

The programme supports LED projects through three funds:

1. The Local Government Support Fund (LGSF) supports local governments by improving the local business environment and developing local capacity around LED.
2. The Marginalised Community Fund (MCF) supports small scale initiatives in poor rural areas and helps to integrate marginalised communities and the mainstream economy
3. The Local Competitiveness Fund (LCF) supports a range of competitiveness activities linked to SMME and cluster development (such as business plans and feasibility studies)

In addition to the three funds, the Limpopo LED programme is also undertaking a LED Capacity Building Programme and the establishment of a Limpopo LED Centre with R8,6 million, which will form part of the Turfloop Graduate School of Leadership at the University of Limpopo.

The EU LED Programme in the Eastern Cape, known as the Thina Sinako Programme, is a five-year programme which began in 2005 and is financed by the European Union amounting to €30 million. The programme is a partnership between the EU and four participating departments which include the Office of the Premier, Treasury, Housing, Local Government and Traditional Affairs, and Economic

Development and Environmental Affairs. The Office of the Premier is responsible for the overall programme coordination. The value of this Programme lies in its support of the larger Provincial Growth and Development Plan 2004-2014 (PGDP) to significantly reduce poverty and unemployment In supporting the PGDP. The Thina Sinako Provincial LED Support Programme aims to stimulate innovation in how LED is promoted, facilitated and supported.

The Thina Sinako Programmme rests on three key pillars:

- Grant funds for practice-driven demonstration of LED innovation and learning
- Institutional development and capacity building for long term LED efficiency and sustainability
- Learning and networking to create awareness and sharing of experiences and best practices.

The Thina Sinako provides financial support through three funds.

1. The Local Government Support Fund (LGSF) supports municipalities to create an enabling environment for enterprise establishment and growth through initiatives that align with the PGDS as well as national policy. Furthermore the programme aims to improve systems for economic governance and strategic management and improve capacity in local government to understand and manage LED initiatives.
2. The Local Competitiveness Fund (LCF) has been designed to help local role players to capitalise on the opportunities identified in the PGDP and the emerging Provincial Industrial Development Strategy. The key principle of the LCF is to support market-led development to ensure the creation of sustainable employment within vibrant local economies. In particular, the focus is on supporting the development of LED initiatives that use the competitiveness of the area of the Eastern Cape within which they are located.
3. The Financial Innovation Fund is divided into two Windows. The first provides support to small and medium enterprises that are part of partnership groups supported under the LCF. The second Window of the Fund is a standard grant fund, that targets financial service providers in South Africa to support

the development of innovative lending and borrowing products, processes or services. This part of the FIF is intended to contribute to the implementation of the Financial Sector Charter, by improving access to finance by categories of people who have historically been excluded from such access, improving efficiency and effectiveness in the provision of financial services, and promoting the use of the competitive advantage of areas where such advantage has not yet been tapped

The three EU assisted LED programmes have reached a number of milestones in terms of capacitating the various provincial and local government departments by providing improved institutional arrangements and integration of systems to more effectively lead, facilitate and support local economic development. Through the support of these three programmes, there are a number of examples of successful LED projects on the ground within each province where local stakeholders are engaging in LED across all sectors of the economy.

### ***3.5. Learning Monitoring and Research Facility***

The Learning Monitoring and Research Facility (LMRF) programme, funded by the European Union through the Gijima KZN programme, is currently in its inception stage. The programme was contracted to a consortium led by the Amsterdam based Royal Tropical Institute (KIT), together with the Rural Urban Integration Consultants CC and the Centre for Development Support from the Free State University, as consortium members.

The LMRF has its roots in the Gijima KZN LED Programme and the LED related activities of the provincial Department of Economic Development, but will evolve into an independent knowledge centre for LED learning in KZN and change from a fully public funded unit in 2006 to a mixed funded unit in 2009. The LMRF is a knowledge centre that generates, analyses and disseminates knowledge and assists in building up practical expertise relevant for sustainable local economic development. It does so through research, training activities and providing advisory and information services. The LMRF promotes experiential learning at LED policy, strategy and project (enterprise) levels. In addition to such 'horizontal learning' LMRF also stimulates 'vertical' learning ensuring that the actors at various levels exchange knowledge and ideas. Key sources of learning are the results of LMRF's monitoring and action research activities. These results are made available in formats appropriate for the various target groups, in terms of information needs and preferred communication channels.

For LMRF, monitoring results leads to information and knowledge that may either be used directly in the political or policy decision making process or may lead to identification of action research priorities or the formulation of research questions. A LED monitoring system also caters to the upward and downward accountability needs of a project or programme. By facilitating the process of linking accountability with learning indicators, LMRF aims at increasing the efficiency and effectiveness of knowledge and resource flows.

### **3.6. LED Network**

The LED Network was founded by several leading South African LED Experts and launched in May 2006 with financial and technical support from German Development Co-operation to represent the needs of all LED practitioners in South Africa. Today, the Network has about 200 fee paying members from the public sector (LED officials in local government), private sector, NGOs and public and private sector institutions interested in LED. The aim is to promote good practice of LED by providing practitioners with access to continuously updated knowledge, experience, practical approaches and instruments that work to achieve the development of the local economy

In South Africa the local government has the mandated responsibility for LED, but lacks both control and direct influence over many of the factors necessary for the success of LED efforts. This constraint demands the active and quality participation of other stakeholders, including the business sector and other civil bodies in LED processes. Local government's facilitating role requires an understanding of the business sector and its needs and factor conditions. The LED Network strives to bridge this divide by promoting discussion and exchange between the various kinds of LED practitioners to build a body of knowledge of what works when, which approaches can be used, and how to mobilise other local stakeholders to actively engage in LED processes. The Network functions at a provincial and national level and arranges networking, exchange and training events where LED practitioners can develop their technical skills at provincial and national level.

The LED Network's website is a prominent point of reference in LED and is organised around provincial chapters and communities of practice. Members of the network have access to a fast growing library that contains publications on LED, approaches and instruments, strategies and other relevant LED information. Members are invited to share their case studies, methods and experiences in the LED network.

The objectives of the LED Network are:

- Increase public awareness and understanding of good LED principles and approaches.

- Build a nationwide network of LED Practitioners that are able to guide and support LED using the latest principles, proven instruments and facilitation techniques available.
- Provide mechanisms, activities and discussion opportunities to improve the capacity and skills of LED Practitioners.
- To engage constructively around LED issues to benefit public officials.

This will be achieved by creating a platform for discussion and sharing of experience on the complexities and current challenges in Local Economic Development. As the concept of LED matures in South Africa, issues like Private Sector Mobilisation, HIV/AIDS, Social Capital, Competitiveness, Strategy, Red Tape Reduction and other issues are increasingly topical. All these put an additional demand on local municipal resources and capacities. Consultants and facilitators play an important role in supplementing the skills and experience of local stakeholders and must be informed on the latest principles, developments, tools and techniques in LED

### **3.7. Local Economic Development Agencies**

The Industrial Development Corporation (IDC) focuses on improving business confidence and creating opportunities for investment, while strengthening risk management controls. Co-operation agreements with various regional development institutions are in place in an effort to leverage external resources, benchmark activities and widen networks to extend the reach and presence of the IDC, both locally and internationally.

The concept of a Development Agency is an approach for generating jobs in local communities using local knowledge and mechanisms. It involves strategic planning and research, using available tools and resources, and building partnerships between different spheres of government, the private sector and the not-for-profit sector. The Agency Development Support (ADS) department of the IDC is tasked with advancing and leveraging the development and job creation potential inherent in various geographic areas, particularly those falling outside the industrialised centres, via the establishment of development agencies. The primary objectives of these agencies are:

- To promote and develop economic potential on a local and/or regional basis by building on the unique competitive strengths of each region's economy and assets;
- To leverage public and private resources for development opportunities;
- To foster the innovative thinking and entrepreneurial activity which support and drive economic growth; and
- To manage the spatial organisation of the area in a socially efficient manner, through the use of public land and targeted private projects in particular.

To date 20 development agencies have been established with IDC funding across the country, of which some have already started delivering projects. The IDC is now looking to pilot the establishment of township development agencies and initiatives according to the Urban Regeneration Development Plans of the various municipalities.

Some examples of the existing agencies are:

- The **Nkonkobe Development Agency** in the Eastern Cape, which has been instrumental in initiating and facilitating the revival of the Kat River Citrus Project.
- The **Blue Crane Development Agency**, which facilitated the expansion of a flower project for export purposes and the establishment of a new airport in Somerset East as well as the assembly of an ultra-light aircraft project.
- **Enterprise Ilembe** in KwaZulu-Natal assisted with the facilitation of an aquaculture project at Amatikulu Fisheries, which has attracted an amount of R36 million from the KwaZulu-Natal Growth Fund, and also assisted with the identification of nodal points for industrial estates in the Ndwedwe local municipality area of jurisdiction, including a processing facility for small commercial farmers. Enterprise Ilembe has also delivered a local community chilli project and secured an international market to which it is already supplying.
- **Hibiscus Coast Development Agency** will facilitate urban renewal programmes and beachfront master plans for the major towns along the south coast of KwaZulu-Natal, in conjunction with the Hibiscus Coast Municipality.
- The **Mandela Bay Development Agency** collaborated in the key Strategic Spatial Implementation Framework or master plan developed to facilitate the identification of capital projects that could serve as a catalyst for private sector development. This included the Freedom Statue, which represents the fight for freedom to be built in Port Elizabeth. It will also include a museum and a display area for artists.
- The **Northern Cape Development Agency (NCEDA)**, which has various projects ready for implementation and financing, including Mystic River Win Trust in Kakamas, Riemvasmaak Community, the Kalahari Kid Goad Project, Goodhouse Paprika Project and the Desert Raisins Project.

A development agency is essentially an entity with public interest and accountability but uses private sector tools and strategies. It is a delivery tool owned by the municipality to co-ordinate and manage public resources, potential investors and regional investment opportunities in accordance with the identified development objectives. Funding to establish a development agency by the IDC is provided under three grants:

- The Pre-Establishment Grant is capped at R800 000

- The Establishment Grant is capped at R2.5 million
- The Operational Grant is capped at R5 million per annum for a maximum of 3 years

LEDAs were first established in South Africa during the 1990's. Between 1999 and 2003, a partnership between the DTI and international stakeholders led to the establishment of four Local Economic Development Agencies (LEDAs) in four South African provinces. The international players included the United Nations Development Program (UNDP), United Nations Office for Project Services (UNOPS) and the Italian government, who provided the funding. The four LEDAs were later incorporated into the new Small Enterprise Development Agency (SEDA), which was launched on 13 December 2004 by the DTI to support small business. Other agencies, fitting into the SEDA mandate and also functioning under the DTI banner, like Community Public Private Partnerships (CPPP), NAMAC and Ntsika have been incorporated into SEDA as well, creating a service delivery network for small businesses throughout South Africa. A number of the first development agencies were not successful, failing for reasons such as a lack of project coordination, consistent service delivery, public participation and capacity within municipalities

A Development Agency is not necessarily applicable to every municipality and requires a number of factors to be in place in order for it to work. Experience has shown that the success of a development agency depends on the presence of the following elements:

- Partnerships amongst stakeholders;
- Entrepreneurial approach but with maintenance of public interest;
- Strategic vision of potential development of the area;
- Community/local support and participation;
- Mobilisation and leveraging of resources available in the area.

### **3.8. German Agency for Technical Cooperation (GTZ)**

The DPLG/GTZ Strengthening Local Governance Programme's Local Economic Development (LED) Component and its partners believe that one of the best ways to assist in overcoming the multiple challenges to local and regional economic development is to introduce an efficient, effective and low-cost approach to empower local and district municipalities to start LED processes and take up local or regional economic opportunities. Considering the challenges with regard to LED capacity on the local level, LED support institutions, specialists and facilitators are required to assist local municipalities to mobilise stakeholders, to assess the competitive advantages of their locality and develop and implement action plans. The role of national and provincial policies and strategies are to give unambiguous and clear guidance, assist in the capacity development required and provide local municipalities with the necessary financial resources to go about LED.

In this context, the LED Project specifically addresses the following four interrelated issues:

1. LED approaches and instruments. Here the main issue is to assist with the transfer of know-how, experiences and good practices from around the world, adapting international strategies and instruments to local circumstances or, in some cases, creating new solutions that particularly address South Africa's situation. The LED component has supported the introduction and dissemination of a number of different approaches and instruments such as Participatory Appraisal of Competitive Advantage (PACA), Genesis (a regional economic strategy development approach), Red Tape Reduction, Local Business and Investment Climate Surveys, Business Retention and Expansion and COMPASS (a strategy formulation and monitoring and evaluation tool) in South Africa.

2. Definition and understanding of LED, policy and guidelines. This issue is, in particular, concerned with the need for a common understanding of what is and isn't LED, who the key actors are and how to go about it. The Programme assists the economic cluster of the South African government on selected issues in developing policies and strategies. Policies and strategies need to be informed by experiences gained in programmes and projects on the ground. The present phase of the Programme is assisting partners, such as the Department for Provincial and Local

Government (DPLG) and the South African Local Government Association (SALGA) with the building of knowledge and the development of guidelines to be distributed to all local and district municipalities in South Africa.

3. Institutional and human capacity building and support and implementation mechanisms. Capacity building initiatives take place on various levels. Policy and decision makers on national, provincial and local level are exposed to LED concepts, approaches and instruments via LED training workshops, presentations and exposure tours to German LED initiatives. Stakeholders of the public and private sector and civil society at the local level are offered a series of capacity building events in collaboration with InWEnt, a German development agency specialising in capacity building.

The major capacity building initiative of the Programme, however, is to qualify South African LED experts in LED concepts, tools and practical approaches to support local and district municipalities in their LED processes. Creating a market of LED facilitators is based on the experience that local communities frequently need some external catalytic input and support to identify and exploit available opportunities and overcome limitations with regard to capacity and competence to engage in LED processes.

4. Dissemination and application of lessons learned. Local Economic Development is an ongoing process in constant need for creative and catalytic inputs that are often hard to generate from within a given locality. It is thus important to disseminate creative ideas and lessons learned and ensure that these are applied in internationally and/or nationally financed local and regional economic development programmes. To this end the programme supports the South African LED Network, the upcoming Local Economic Development Network Africa (LEDNA) and the DPLG's new Knowledge and Information Centre in the dissemination of LED Know-How.

SLGP's LED component also provides direct hands-on support to the development and implementation of LED strategies in selected Local and District Municipalities in the Eastern Cape and Mpumalanga.

The Project is at present collaborating in various ways and intensities with:

The Department of Local and Provincial Government (DPLG); The Department of Trade and Industry (dti); Mpumalanga and Eastern Cape Provincial Governments; a number of district and local municipalities; The Development Bank of Southern Africa (DBSA) and its Vulindlana Academy; The South African Local Government Association (SALGA); The Industrial Development Corporation (IDC) and the South African LED practitioners' network. The German Development Service (DED) also contributes to the project in form of German Development Workers.

### **3.9. InWENT**

InWEnt Internationale Weiterbildung und Entwicklung (Capacity Building International, Germany) is a joint undertaking of the German Federal Government, governments and industry. InWENT offers a number of courses that address specialists, executives and decision-makers in industry, politics, administration and civil society in partner countries and Germany.

LOCATI – Local Competitive Advantage Training Initiative - is an innovative LED training programme introduced in South Africa by InWEnt in 2004. LOCATI courses are taking place on an ongoing basis in several provinces of South Africa, including KwaZulu Natal, Eastern Cape, Mpumalanga, Limpopo, Gauteng as well as Lesotho, with participation from a broad range of LED stakeholders from local government, business and civil society. LOCATI has also been undertaken as part of the European Commission LED support programmes in both the Eastern Cape as well as KwaZulu Natal.

The specific goals of LOCATI are to:

- Stimulate local economic development initiatives;
- Support local stakeholders in their efforts to develop local economies that can contribute to employment creation;
- Leverage the potential and competitiveness of local enterprises;
- Enhance the locality's value and attraction of external investors;
- Professionalize the management of local development and organize strategic linkages for LED.

### **3.10. Khanya**

The Khanya African Institute for Community-Driven Development (Khanya-aicdd) is an African centre of expertise that aims to promote sustainable livelihoods and community-driven development to address poverty in Africa. Efforts are focussed on action-learning processes that link government, communities, civil society and business, by providing advice, facilitation, action research, implementation, sharing of experience and training while drawing from global development thinking.

The LED practice of Khanya-aicdd aims to promote innovative approaches to local economic development which build on the assets and opportunities in local communities and which strengthen the strategic and support capacity of institutions/organisations (from local to national government, CBO's, NPO's, corporate sector) whose interventions impact on the local economy. Local Economic Development is seen as a process in which various functions, services, people and resources come together to stimulate vibrant local economies. With the onset of new opportunities Khanya-aicdd looks forward to strengthening LED in SA and in the region. The main thrusts for the year and activities for 2006-7 include:

- 1). Ongoing action research around LED, developing LED methodology:
  - A World Bank and DBSA-funded study, implemented by Rhodes University, Khanya-aicdd and University of Witwatersrand. This included a number of case studies of pro-poor interventions, as well as a survey of urban and rural municipalities in the country, culminating in a national LED Conference organised with SA's national ministry and the DPLG.
- 2). Implementing LED with municipalities:
  - Collaboration with Motheo District to develop a feasibility study and business plan for an Economic Development Agency (EDA). This incorporated the learnings from the Pro-Poor LED study and is feeding into policy debates
- 3). Seeking opportunities to develop and manage a business advice centre to test out SMME development models.
- 4). Regular publications on LED including LED newsletter and briefings:

- Eight newsletters and four briefings have been produced, funded by the EU's CWCI programme, as well as InWEnt and GTZ.

5). Promote regular debate around LED issues through learning events building on the LED Research/LED dissemination, and building coalitions to influence policy:

- The national LED Conference – which launched the long awaited National LED Framework
- A rural practitioners workshop to debate emerging findings about pro-poor LED in rural areas and small towns;
- Sitting on the National LED Forum comprising key national, provincial and local LED stakeholders which drives and coordinates LED policy and practice nationally;
- Presentations at KwaZulu Natal LED Women's Conference and the Motheo District Growth and Development Summit

6). LED training is run in various municipalities

### ***3.11. Business Retention and Expansion***

Business Retention & Expansion (BR&E) is any strategy or programme designed to reduce barriers that hinder expansion and growth and addresses issues that cause business closure and enhance competitive advantage. There are a number of programmes in existence that would be described as BR&E such as the Dube Trade Port, the Department of Labour's Turn Around Solutions programme and Business Development Centres. More often however, BR&E initiatives are seen in a regional or local context within the framework of LED.

Business retention and expansion strategies have been in place in North America since the 1970's. A community-based approach to finding out what prevents local businesses from expanding was taken and eventually a model of good practice was developed in 1986. This then became a basis for an accredited training and certification programme for the professional association for BR&E practitioners, Business Retention & Expansion International (BREI).

After initial attempts in 1998 in Pietermaritzburg, South Africa became involved in international practice of BR&E programmes in 2003 when Trade and Investment KwaZulu Natal (TIKZN) launched the first locally-driven BR&E pilot programme in three municipalities of the province. The pilot programme yielded some positive results which saw other municipalities in the province becoming involved and running their own BR&E strategies such as eThekweni. More recently, BR&E has received attention from the Department of Trade and Industry through their Draft Regional and Industrial Development Strategy (RIDS). Other organisations and professional bodies such as GTZ and the LED Network have also shown interest in seeing business retention and expansion feature more prominently in national policy as a means of promoting job creation in South Africa.

Over and above those previously mentioned, there are many other institutions and organisations operating in South Africa who have programmes in place with a direct or at least indirect link to local economic development, particularly in the form of foreign donor and support agencies. A couple of examples are:

The ComMark Trust, funded by DFID, supports and promotes policies and institutional and operational initiatives to help develop and improve the way the commodity and service markets work in Southern Africa to benefit the poor. ComMark focuses on the key sub-sectors that clearly have the potential to make the biggest impact on pro-poor growth and poverty reduction.

The USAID Local Government Support Programme is part of the Provincial Project Consolidate Program and provides support to Municipalities in three Provinces across the country to develop in general the capacity for service delivery of local governments, in some cases including specifically their capacity to initiate LED processes.

The Irish Aid programme in South Africa seeks to address the needs of previously disadvantaged and marginalised communities. In 2007 Irish Aid finalised a 5 year programme to provide bilateral assistance of over €65 million to South Africa from 2008 to 2012. The goal of this programme is to contribute to the reduction of poverty and inequality through support for government and civil society. The programme will focus on the areas of HIV and AIDS and pro-poor service delivery in Limpopo Province.

## 4. Comments and Conclusions

From the examples presented in the previous section, it is clear that LED in South Africa is viewed as a national priority by government. There is abundant legislation that provides the environment for LED to be a strategically-planned process through all levels of government. There are also numerous developmental organisations like the Development Bank of Southern Africa, the Industrial Development Corporation, GTZ, European Commission and others who provide capacity and support to national, provincial and local government to implement effective LED.

Current support and practice in LED reflect a lot of international good practice, viewing LED as an ongoing process, requiring an enabling environment, participation by all stakeholders, good governance and political commitment, capacitated stakeholders and facilitators, ongoing learning and funding. Retaining existing businesses, although still fairly new, is featured through various business retention and expansion programmes and strategies. There are numerous examples of local economic development extending beyond the urban environment, with programmes such as the EU LED Support Programmes specifically targetting rural areas. There are interventions that target hard infrastructure such as the Municipal Infrastructure Grant, those that target governance issues and policy and strategy development and those that specifically target knowledge dissemination and capacity building of stakeholders as well as experts and facilitators.

Support for LED is provided particularly at national and provincial level. However, there is a degree of fragmentation within various government departments as to how to approach LED. The dual nature of the South African economy has at times resulted in conflicting paradigms with regard to national LED policy. It is apparent that there is a need to be “pro-poor” in responding to the developmental needs of local economies in South Africa, where mobilizing local resources and poverty alleviation strategies are important. While at the same time, the global needs of the market economy cannot be ignored, and policy should indeed respond to market-led forces that enhance the competitive advantages of South Africa. Current policy acknowledges this, but the challenge is to combine and coordinate the two approaches to best achieve the objectives of growth and poverty reduction in South Africa.

National LED policy recognises the importance of local government in facilitating LED at local levels. The challenge there, however, is that very little capacity, competence and understanding of LED exists. Furthermore, although the policies exist, there are no implementation guidelines for local municipalities to follow. There are a number of vehicles at national level from government and foreign donor agencies providing support to local authorities, but the challenge still remains within municipalities where there is limited understanding of LED and their role to promote it. Many local authorities see no distinction between poverty alleviation and economic development, and often see LED as the former. In addition, municipalities have low budgets to perform LED and with no implementation guidelines to follow, the challenge to implement effective LED in South Africa at the local level, is compounded.

Within various stakeholder groups, a common understanding and direction towards local economic development generally exists, but for real, effective LED to take place, a partnership approach is needed. This is where social cohesion becomes important and where in South Africa, it is lacking. Currently the private sector mistrusts government, and government (particularly at local level), is cautious of engaging in development with the private sector, which ultimately hinders development. Until now, there has been inadequate involvement from the private sector in LED, which is largely seen as a municipal function; and where the private sector did get involved it has in many cases resulted in duplication of efforts and lack of synergy. The private sector and civil society have an important role in economic growth and should be encouraged to engage in a collaborative effort. Municipalities play an important role in facilitating those partnerships to ensure investment in their localities as recognised by the existing LED Framework. Bridging capital and a degree of consensus and social cohesion between the different stakeholder groups is needed. Until this is addressed, LED will always be driven by local government with little or no input from the private sector.

Even though South Africa has numerous policies relating to LED, and is indeed one of the few countries in the world that even has LED policies, there are still some issues that need to be addressed as highlighted above, before effective LED results will be seen. It is argued that local actors are encouraged to take control of LED within their localities, but they need to work from a common base and understanding of the position of their localities in a globalising world. If LED is to fight poverty, the ability to do so will be determined by the overall framework conditions. The quality of macro-economic conditions, the institutional landscape, the functioning of markets,

the enabling business environment and quality of education are all defined to a large extent at national level. LED in South Africa needs to translate the existing sophisticated legislative framework to the local level for effective delivery and it is critical for these fundamentals to be in place and coordinated in order for LED to be successful.

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