

Challenges and solutions for Local Economic Development (LED) municipal institutional arrangements

The case of the Northern Free State

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ABSTRACT

Appropriate municipal institutional structures and arrangements are important for successful local economic development (LED), policy development and implementation. The purpose of this article is to analyse the status quo of the municipal institutional arrangements in the local government sphere. While community involvement is critical, changes are required at the institutional level to ensure effective LED. Successful implementation of development strategies and interventions requires appropriate institutional arrangements in the local sphere. Since 1994, local government in South Africa has been tasked to fulfil a developmental role, which places significant pressure on institutional capacities. Due to a lack of capacity, skills, funding and appropriate policies, local government has achieved limited success with its developmental mandate. The Northern Free State region (also known as Fezile Dabi District Municipality) has been selected as the case study region to test the institutional arrangements for LED at the five municipalities (one district municipality and four local municipalities) within the region. The analysis highlights the effect of the lack of institutional arrangements for LED at the municipal level, and that

LED is as yet not well embedded in municipal practice. Furthermore, this article seeks to identify possible solutions for LED with specific reference to municipal institutional arrangements. Although this article does not claim to give definitive solutions to the problem which could cause municipalities to fail in delivering on their developmental mandate, it nevertheless serves as a starting point for seeking sustainable solutions for LED institutional arrangements. It should be noted that the physical and socio-economic conditions of a specific locality have an impact on the preferred LED institutional arrangements. This article also provides solutions to foster local development optimally, such as dynamic local leadership, effective partnership formation, skills training and an integrated approach to LED.

INTRODUCTION

"It's time for government to take responsibility for its actions. It is a privilege to serve four consecutive terms, and with that privilege comes responsibility. The implementation of the National Development Plan (NDP) will only be possible if the public sector is restructured and a strong and capable public sector is established" (Manuel 2013).

Academics, development practitioners and stakeholders universally recognise the importance of good governance practices for local economic development (LED), alleviating poverty and ensuring sustainable development. Improvement of the governance environment has been given a central place in, for example, the New Partnership for Africa (NEPAD). NEPAD is an initiative that represents the latest attempt by African leaders to ensure sustainable development. A number of prerequisites for sustainable development are listed by NEPAD. Key amongst these is the adherence to good political, economic and corporate governance (Hope 2003:2).

LED planning, within the context of economic governance worldwide, requires the development of holistic LED strategies addressing the socio-economic, environmental and political needs of local communities. LED strategies or interventions can take a combination of many forms, which range from market-led or pro-growth to those that are pro-poor. The former approach aims to enable local economies to adjust to macro-economic reforms and the latter approach "aims to achieve local self-reliance, empowerment, participation and local co-operation" (Rogerson 2002:3).

The international experience demonstrates that local government plays a pivotal role in developing and implementing LED strategies and interventions. Municipalities' strategic position enables them to undertake long-term development planning in collaboration with the private sector and local communities. However, the successful implementation of strategies and interventions depends largely on effective institutional arrangements in the local sphere.

In this article, the municipal institutional arrangements for LED in South Africa will be analysed. The hypothesis is that, if institutional arrangements are strengthened, the implementation of LED strategies will improve. Municipal LED institutional arrangements in the Northern Free State region (Fezile Dabi District Municipality region) will be analysed by means of qualitative research and an attempt will be made at the formulation of a framework for optimal institutional arrangements relating to municipal LED units.

CONCEPTUALISATION OF LED

Globally, no universally accepted definition of the concept of LED exists. A few of the important definitions of LED are listed in this section. Sbisi (2009:5) defines LED as "a process by which public, business and non-governmental partners work collectively to create better conditions for economic growth, employment generation and sustainable development as a whole". Blakely (1994:9) defines LED as "the process with which local government or community-based organisations engage to stimulate or maintain business activity and/or employment". The key role local government has to play in LED can also be found in the definition of Scheepers and Monchusi (2002:82), who define LED as "a process managed by municipalities in accordance with their constitutional mandate to promote social and economic development". LED can assist local communities to realise vibrant, resilient and sustainable communities, allowing general improvement of quality of life (Trousdale 2005:29).

According to the International Labour Organization (ILO 2006:2), local economies need to find solutions and alternatives to improve and strengthen local competitiveness and comparative advantages, to compete on a global scale due to globalisation. The challenge of LED is to find ways to maximise local resources and local knowledge to benefit all inhabitants within a specific geographical area. Trousdale (2005:2) defines LED as a participatory process where local people, from all sectors within a specific area, work together to activate and stimulate local economic activities, with the aim of ensuring a resilient and sustainable local economy. According to Bartik (2003:1), LED is defined as "the local economy's capacity to create wealth for local residents".

LED is the total of all economic activities by all relevant stakeholders within a specifically defined geographical region, working together in partnership to create economic development and ultimately, improvement of quality of life for all residents in the area. The abovementioned definitions reflect the following agreed and accepted global principles for LED as stated by Swinburn and Yatta (2006:5):

- ! The LED process is based on the strategic planning process.
- ! It has a territorial approach focused on a specific geographical area.
- ! LED must be locally owned, designed and delivered.
- ! The process is partnership based.
- ! It comprises integrated government actions.
- ! The primary aim is to create an enabling local business environment.
- ! It has integrated interventions across multiple sectors.

GOVERNANCE AND LOCAL ECONOMIC DEVELOPMENT (LED) IN SOUTH AFRICA

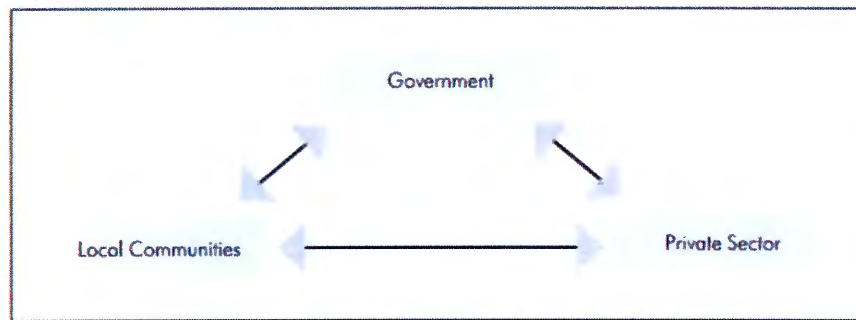
Governance can broadly be defined as "the system of values, policies and institutions by which a society organises collective decision-making and action related to political, economic, socio-cultural and environmental affairs through the interaction of the state, civil society and the private sector. Good governance entails the creation of effective partnerships to ensure political, social and economic priorities, based on broad consensus in society, so that the voices of the poorest are heard in the decision-making process over the allocation of development resources" (Abrahams and Newton-Reid 2008:8; Work 2002:3).

Given the above broad definition of governance, local governance can be defined as development efforts undertaken by any local governance "actor" with only aspects such as the quality of life and well-being of local communities as the central theme. Therefore, what is local about local governance need not be the "actor", but rather the needs, interests and well-being of the local community. Participatory decision-making is a major element of local governance and requires effective decentralisation policies, strategies, legal frameworks, programmes and activities (Kauzya 2003:4).

Improved local governance requires cooperation and partnerships. The service delivery triangle relating to LED consists of three partners, namely: government, the private sector and local communities. Figure 1 provides an illustration of the service delivery triangle for LED.

According to Atkinson (2003:1), since 1994, local government has experienced three waves of development. The first wave was the political

Figure 1: Service delivery triangle relating to LED



Source: Own figure

unification of municipalities, which were separated under apartheid. During this political phase from 1994 to 1997, the focus was more on political transformation than on municipal functioning. The second wave started in 1998 with the concept of developmental local government. Municipal boundaries were amended and a wall-to-wall municipal system was introduced through the *Local Government: Municipal Structures Act*, 117 of 1998, and the *Local Government: Municipal Systems Act*, 32 of 2000. The developmental state was defined within the framework of four principles, namely: maximisation of social and economic development, integrated and co-ordinated development activities, citizen participation and lastly, strong leadership-building capacity. The third wave started after the first fully democratic municipal elections in 2000, when municipalities were reduced from 843 to 284. This wave has since 2000 proven to be difficult to implement, and requires municipalities to fulfil their developmental mandate through LED and service delivery (Atkinson 2003:2). The role of local government has expanded from providers of public goods and basic social services, to include LED (LGSPA, 2009:7).

According to Human, Lochner and Botes (2008:56), the main role for local government regarding LED is the creation of an enabling environment. Other roles include being a facilitator, a co-ordinator through programmes such as the Integrated Development Planning (IDP) process, a stimulator through tools such as incentives, grants, facilities provided at low rental, tourism development and business incubators and a developer by the provision of basic infrastructure to stimulate private sector development such as electricity, water, roads, and sewers.

According to Triegaardt (2007:1), the increased focus on local communities and their participation in all facets of life including decision-making, has opened the path for LED as a tool to achieve development at the local level. The need for this approach came about as a result of the failure of traditional top-down development approaches. The increase in unemployment, poverty and

inequality has highlighted the need to find alternative development strategies to find solutions for development at the local level (Phutiagae 2007:133).

While community participation and action are critical, there need to be changes at the institutional level to ensure meaningful progress. Local government has to have proper institutional arrangements in place in order to implement its development strategies.

SOUTH AFRICAN REGULATORY AND LEGISLATIVE FRAMEWORK FOR LED

Various pieces of legislation and policy form the foundation of good governance and LED in South Africa. The Constitution of the Republic of South Africa, 1996 is the foundation, and provides for a developmental model of local government. Local government is not only responsible for service delivery, but also for socio-economic development of its communities. In terms of Sections 152 and 153 it is stated that "municipalities must provide and manage their administration, budgeting and planning processes to give priority to the basic needs of communities" (South Africa 1996a). In terms of the Constitution, local government needs to fulfil the following functions (IIED 2000; South Africa 1996a):

- ! The provision of democratic and accountable government for all communities.
- ! Ensure sustainable service delivery at all spheres of government.
- ! The promotion of social and economic development.
- ! The promotion a safe and healthy environment.
- ! Encouragement of improved community participation and involvement in matters of the specific local area.

The constitutional mandate has been strengthened by the White Paper on Local Government (1998), which formally introduced the concept of developmental local government. This policy document defines developmental local government as "local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives" (South Africa 1998a). Furthermore, the White Paper also indicates that it is the responsibility of the private sector to create jobs and that government has the role to provide an enabling environment (Triegaardt 2007:3).

The statutory principles for developmental local government are contained in the Local Government: Municipal Systems Act, 32 of 2000. A key component of this Act is the Integrated Development Planning (IDP) process, of which LED forms a core component. Section 26 of this Act stipulates that an IDP

must contain a LED Strategy (South Africa 2000). According to Rogerson (2009:16), the IDP process has assisted the implementation of LED at the local government sphere.

An important policy initiative is the 2005 Policy Guidelines for Implementing Local Economic Development in South Africa, which identifies economic growth and poverty eradication as the key overarching goals of LED (DPLG 2005). Noteworthy is the LED framework Stimulating and Developing Sustainable Local Economies, which was released by the Department of Provincial and Local Government in 2006. The framework indicates the importance of the role of municipalities in creating enabling environments by means of provision of infrastructure and services, instead of attempting to create jobs independently. The four key focus areas of the framework are as follows (DPLG 2006a:5-7):

- ! Improving good governance, service delivery and public and market confidence in municipalities.
- ! Spatial development planning and exploiting the comparative advantage and competitiveness.
- ! Enterprise support and business infrastructure development.
- ! Introducing sustainable community investment programmes.

Within the five year Local Government Strategic Agenda and Implementation Plan (2006), LED has been identified as one of the five key performance areas (KPAs) of local government. According to Van der Heijden (2008:6), it is important to realise "that LED, as an outcome, is strongly interrelated and dependent upon the other four KPAs, namely: municipal transformation and organisational development, basic service delivery, municipal financial viability and management and good governance and public participation".

In addition to the abovementioned policies, the following national policy initiatives were released during the period 1994 – 2010:

- ! In 1994, the Reconstruction and Development Programme (RDP) economic policy was released. The RDP gave municipalities the function and responsibility to attract local investment and skills development to counter low productivity and unemployment (ANC 1994; South Africa 1995).
- ! In 1996, the Growth, Employment and Redistribution (GEAR) policy was released as a macro-economic policy, with the purpose of rebuilding and restructuring the post-apartheid economy (South Africa 1996b).
- ! The Local Government Transition Act, 97 of 1996, refers to LED as a municipal strategy for promotion of economic and social development, and includes job creation initiatives (South Africa 1996c).
- ! In 2006, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) macro-economic policy was released with a focus on initiatives to enhance partnerships in the economic development of municipalities.

ASGISA identified municipalities as key role players in economic and social development (South Africa 2006).

- ! The National Spatial Development Perspective (NSDP) was also introduced in 2006 (DPLG 2006a).
- ! In 2010, the New Growth Path (NGP) was released as the new national economic development plan, including "job driver" sectors, with rural development as one of the priorities (Department of Economic Development 2011).

The policies and legislation discussed in this section are by no means the only regulatory and legislative frameworks to consider, but they give a general indication of policies and legislation linked to matters of employment creation, poverty alleviation and economic development.

MUNICIPAL INSTITUTIONAL ARRANGEMENTS

Botes (2002:2) defines LED institutional arrangements as "a range of organisations, structures and networks through which LED can be co-ordinated, managed, implemented and monitored". No fixed optimal model for institutional arrangements exists that would suit all municipalities. The Department of Co-operative Governance and Traditional Affairs (COGTA) developed guidelines in 2008 that may assist municipalities in developing their own institutional arrangements. COGTA (2008:2-14) divides institutional arrangements into internal and external arrangements as follows:

Internal arrangements

LED directorate or unit

A LED directorate or unit is necessary to ensure that a municipality fulfils its developmental mandate. The organisational structure requirements of the LED unit may differ from municipality to municipality, depending on the size of the municipality and locality, the organisational structure of the municipality and the vibrancy of economic development within the municipal area. According to COGTA (2008:9), a LED unit should be responsible for the following functions:

- ! Co-ordinate the implementation of the LED strategy.
- ! Act as knowledge bank and champion on economic issues within the municipality.
- ! Co-ordinate the implementation of LED projects within the municipal area.
- ! Stakeholder management and partnership formation.
- ! Improve access to business advisory services.
- ! Promote investment and marketing.

- ! Mobilise communities and vulnerable sectors such as women, young people and people with disabilities to become economically active.
- ! Mobilise stakeholders and develop a cohesive vision and understanding of LED.
- ! Identify LED constraints and opportunities and develop mitigating strategies.
- ! Provide secretariat services to the local LED forum.

Interdepartmental relations

The LED unit should also work closely with other directorates within the municipality to ensure the alignment of efforts and to avoid duplication of work.

Dedicated LED committee of the municipality

It is recommended that a LED portfolio committee be established to facilitate oversight. LED-related functions of a LED portfolio committee could include:

- ! Provide political direction and oversight over the development and implementation of the LED Strategy.
- ! Mobilise external stakeholders with the objective of encouraging inward as well as local investment in development projects.
- ! Mobilise communities by fostering a cohesive vision and understanding of LED that will encourage active participation of communities.

External arrangements

Broad LED stakeholder forum

A LED stakeholder forum is a group of representatives from local stakeholder groups working together to utilise their knowledge of the area in proposing developments. A functional LED forum facilitates integrated mobilisation of capacity (skills, time, etcetera) and resources (human, financial, etcetera) that may be leveraged in the implementation of the LED strategy. Such a forum serves as a useful platform from which the development process may be driven. The functions of the LED stakeholder forum should include:

- ! Identify economic development bottlenecks hindering development within a municipal area.
- ! Identify interventions to address those constraints.
- ! Provide input on municipal policies, strategies and delivery processes.
- ! Provide relevant direction and assistance to sectoral working groups (Steyn and Associates 2007:34).

Working groups

The municipality may also establish working groups according to the economic pillars and sectors identified in its LED strategy. These groups deal with sector-

specific issues such as agro-industries, agriculture, and green industries, as referred to them by the LED stakeholder forum. The functions of the proposed working groups should include:

- ! The identification of aspects that prevent sectoral development.
- ! The identification of specific action plans to resolve constraints regarding development.
- ! Ensure broad consultation with the LED stakeholder forum.
- ! The development and implementation of intervention strategies.
- ! The establishment and strengthening of partnerships to facilitate LED activities.

Traditional authorities

COGTA (2008:7) proposes that municipalities with large rural areas that fall under the jurisdiction of traditional authorities should develop mechanisms to allow traditional authorities to participate in the development of LED strategies and projects.

Ward committees

The role of a ward committee is to enhance participatory democracy in local government. The specific roles of ward committees are to:

- ! Make recommendations to the ward councillor on any matter affecting the ward with regard to municipal service delivery and development projects within the ward.
- ! Serve as an official specialised participatory structure.
- ! Create a formal unbiased communication channel and co-operative partnerships between the community and the municipality.
- ! Serve as a mobilising agent for community action, in particular through the integrated development planning process and the municipality's budgetary process (COGTA 2005:7).

Community development workers (CDW)

They are special public servants deployed in communities to help people to access government services and poverty alleviation programmes. Their roles are to:

- ! Assist communities in explaining their needs to municipalities.
- ! Facilitate the participation of the public in projects.
- ! Support existing community structures.
- ! Identify service delivery blockages in their communities (Leon 2007:3).

Principles for improving LED institutional arrangements

According to Botes (2002:5-6) the following could serve as principles regarding institutionalising LED effectively in the local government sphere:

- ! It is vital to develop a model for improved LED management within local government.
- ! It is important to acknowledge and promote the idea that institutional development should supersede the narrow conception of a project approach to LED.
- ! Sufficient resources (financial, human, social infrastructure, etcetera) should be allocated to the LED function at the municipal level.
- ! Appropriate integration of LED as a core function of local government.

CASE STUDY: NORTHERN FREE STATE

The Northern Free State region has been identified as the case study region to determine the extent to which LED has been institutionalised in the local government sphere. The selection of the study area serves a dual purpose: firstly, due to its dual character including rural and urban areas in the Metsimaholo local municipal area and secondly due to its strong economic linkages with the Gauteng Province. The region consists of the Fezile Dabi District Municipality and four local municipal areas within the region, namely: Mafube, Metsimaholo, Moqhaka and Ngwathe local municipalities.

In an interview with Dr A. Venter, LED Manager of Fezile Dabi District Municipality on 12 April 2013, current challenges regarding LED within the local municipal areas in the region were discussed (Venter 2013). The District is playing a co-ordination role and assists the local municipalities in the area with training and capacity building. The four local municipalities are currently confronted with political instability and capacity challenges. LED units are either non-existent or not fully operational, and existing LED strategies do not comply with the methodological, theoretical and practical implementation requirements of strategies. Possible provisional solutions to the challenges are: LED skills development, capacity improvement and revised implementable strategies. Improved co-operation and co-ordination between the District and local municipalities must be facilitated.

Table 1 analyses the main features, municipal departments, LED units and portfolio committees per municipality in the study area. The five municipal structures in the study area have similar compositions, with the larger municipalities such as Fezile Dabi District Municipality, Metsimaholo Local Municipality and Moqhaka Local Municipality having the highest number of departments and committees.

All LED officials at the four local municipalities, as well as the district LED officials, were visited during May and June 2012 for interviews. Table 2 below is a summary of the findings at the four local municipalities and the district

Table 1: Overview of municipalities and municipal structures in the study area

Name of municipal area	Municipal departments and LED unit	Portfolio committees relevant to LED
Fezile Dabi District Municipality	Municipal departments include: Office of the N V Q D C B M N B O B H F S n C B O F T P S Q P S B U T F S A D F T P N N V O L Z I F B M B C E F O A P O N F O U C P K D U N B O B H F N F O U B C E Q V O D X P S T B C E I B T U Z I F B M F D P O P N D E F M A P O N F O U B C E U P V S I N I S I F B & % V O U is located in the last mentioned department.	5I F B & % I P S V S I N I P S U E M P Committee
Mafube Local Municipality (Mafube means "dawning of a new day")	Municipal departments include: Office of the municipal N B O B H F S n C B O F T P S Q P S B U T F S A D F T O S B T S U O V S F P N N V O L Z I T F S A D F T V N B O T F W A N F O U P X O Q B O O C H B O E B & % I B C E 1 4 I S W I P O I B T O F F O I N B E F C S W F B & % V O U I O W F I B T U N F O U P O F E F C B S I N F O U	Community services and - & % I P S U E M P Committee
Metsimaholo Local Municipality (Metsimaholo means "big water")	Municipal departments include: Office of the N V Q D C B M N B O B H F S n C B O B M F S A D F T P D B M T F S A D F T P S Q P S B U T F S A D F T B & % B C E I P V I O H B C E infrastructure services. Provision has been made for U F B & % V O U I O W F I B T U N F O U P O F E F C B S I N F O U	- & % I P S U E M P Committee
Moqhaka Local Municipality (Moqhaka means "crown")	Municipal departments include: Office of the N V Q D C B M N B O B H F S n C B O B M F S A D F T P N N V O L Z B C E I N F S F O Z T F S A D F T P S Q P S B U T F S A D F T B O E O S B T S U O V S F T F S A D F T I S W I P O I B T O F F O I N B E F C S W F B & % V O U I O W F I P N N V O L Z and emergency services department.	- & % B C E I * O V I T U N F O U Portfolio Committee
Ngwathe Local Municipality (Ngwathe means "Renoster River")	Municipal departments include: Office of the N V Q D C B M N B O B H F S n C B O B M F S A D F T P N N V O L Z B C E I N F S F O Z T F S A D F T P S Q P S B U T F S A D F T B O E O S B T S U O V S F T F S A D F T I S I F B & % V O U B S N T part of community and emergency services.	- & % B C E I * O S B T S U O V S F Development Portfolio Committee

Source Fezile Dabi District Municipality (2012) and (2011) and authors' own compilation.

municipality in the study area. The analysis has been divided into institutional structures, key planning documents, problems and backlogs in the area, and developmental potential and opportunities in the area.

The following key aspects are listed per municipal area in the study area:

Fezile Dabi District Municipality

The district municipality's roles are to ensure investment in the region and to ensure region-wide collaboration. Regional governments can serve to facilitate

Table 2: Local government institutional and policy assessments

Key Issue	Moqhaka LM	Ngwathe LM	Metsimaholo LM	Mafube LM	Fezile Dabi DM
Institutional structures	<p>" 8%VQLEPFT 0PUFYJUTUPOZUXP officials responsible 8%7 PINBSFLCH takes place. Only a few small community projects are attempted. Ward committees 8%PCF8BUPOBM%1 process ongoing. CDW process well managed. A local business chamber exists 8%JUTSPCHXJW good relations with municipality. " 8%PSN does not exist. Good links with district municipality exist.</p>	<p>" 8%VQLEFYJUTU consisting of an 8%NBOBHSXJWUXP8% officials. A number of community projects are implemented. Ward communities are operational with CDW. Council committee for 8%BCE*OSTS/DVS operational. Business chambers exist in Parys and Heilbron and are very active. " 8%PSN does not exist. Good links with district municipality exist.</p>	<p>8%VQLEPFT not exist – only PCF8%P8DFS Ward committees and CDW operational. Council committee 8%PCF8BUPOBM Business chambers in area operational and active. " 8%PSN does not exist. Good relations between provincial departments and district municipality</p>	<p>" 8%VQLEPFT0PU FYJUTU CF%18% manager exists. Plan to appoint tourism and agricultural officers. 51 F8FT8COM NFOU PCB8%PSN is in process. Ward committees with CDW operational. No local business forum/chamber exists. Good relations with provincial departments and district municipality.</p>	<p>" 8%VQLEFYJUTUCWJ needs extension. " 8%BCE*V8SIN committee is operational. " 8%JUTSDU8% forum does exist. Good relations with provincial departments and all local municipalities.</p>
Key planning documents	<p>-8%T8BUH-ZFG dated 2008. SDF done in 2011. *%18%BUFE SDF to be completed in 2013. Services master plans outdated. No marketing or investment plans exist</p>	<p>-8%T8BUH-Z dated 2008. *%18%BUFE SDF to be completed in 2013. Services master plans outdated. No formal marketing plan exists.</p>	<p>*%1PG -8%Q8OCPU implementable. SDF exists. Service master plans not in place. No marketing plans.</p>	<p>*%1PG -8%Q8OCPU SDF of 2010. Services master plans not in place. No marketing plans. No community development plans.</p>	<p>*%1PG -8%T8BUH-ZI BT8CFO updated in 2012. SDF updated. 3F8PCBMFSWFT plan not in place. 51 F8F8V88NFOUPCB marketing and tourism plan is in process</p>

Key Issue	Moqhaka LM	Ngwathe LM	Metsimaholo LM	Mafube LM	Fezile Dabi DM
Problems/ backlogs	<p>*OSBTSDVSF□ backlogs. -PDMCPMUBMPOhDU□ -BDLPGISPOH□ local leadership. -BDLPGBCBDIZ□ and skills. -BDLPGVADFOU□ OVB-FUBS-8%□ Service delivery could improve.</p>	<p>Foreign business owners. -BDLPGOVH-FU□ CS-8%□ Completion of business plan. Space for industry development. Commonages development. Council not having regular meetings.</p>	<p>-BDLPG-8%TLJMT□ capacity and leadership. -8%QBOCPU□ implementable. -FBEFSTJQIPOhDU□ -BSF-FPPSBSTXJW□ housing backlogs.</p>	<p>-BDLPGILJMT□ and capacity. No housing plan. No marketing actions. Poor signage. Poor economic linkages. -BDLPGOBNUBUPO□ Housing backlogs. Foreign traders. SMME development. No land (audit).</p>	<p>*OVADFOUOVH-FU□ CS-8%□</p>
Potential / opportunities	<p>Good locality for business and industrial development. *QUBFNBBSFUO□ of area. / □GFXBZJNJFE□ use development [POF□CEVTSBM□ Agro processing. *CEVTSBMJUF□ available. Kroonpark – tourism. Airport planned. *SB-BUPOCPKDU□ Skills development node.</p>	<p>Partnerships (development forum). *QFOJWFT□ Marketing strategy. Skills development. -PDMIZ/ □3□□□ 5PVSINJQIPXOTJQ□ SMME funding. Factory space □PQOFT□ FJQPO□ *CEVTSBMCS□ Agricultural support node.</p>	<p>5PVSINJEPVMAQNFQJ□ BIMACH7BBMJS□ Manufacturing cluster development. *CEVTSBMCSLT□ Skills development node.</p>	<p>Agricultural projects. *OSBTSDVSF□ 5PVSINJEPVMAQNFQJ□ Services capacity. *OBIDQSFBU□ □ Development at Villiers along N3. 7BBMJS□ Agricultural development node.</p>	<p>*NCBPWEPMVSBM□ support and co-ordination.</p>

Source: *OSNBUPOHBUFSFEVASHOQBSWFTXJWE-8%NBCH-FSTPGDBTBWJFIMDBNVOQCBMFTVESH: BZBCE-ACF□□□QJWRTVEZBFBZ%□ FZFSZ 8 6□

LED efforts by acting as an intermediary between national, provincial and local government. Provision of infrastructure and environmental improvements are important (Swinburn et al. 2006:2).

The following broad objectives are listed in the 2011/2012 IDP of the District municipality (Fezile Dabi District Municipality 2012:21), namely: municipal transformation and institutional development, financial viability and financial management, basic service delivery and infrastructure investment, LED planning and implementation and good governance and community participation.

The District had a LED strategy compiled in 2009, which was very broad by nature with no specific projects for implementation or spatial linkages. The strategy listed eight economic focus areas including good governance, creation of an enabling environment, human resource development, industrial development, small medium micro enterprise (SMME) development, community empowerment and development, rural development, agricultural development and tourism development (Fezile Dabi District Municipality, 2011:55). This outdated strategy has subsequently been replaced by a new strategy which will be implemented from mid-2013 onwards.

Moqhaka Local Municipality

According to the COGTA (2010:6) turn-around strategy for this municipality, the challenges were listed as ageing infrastructure and lack of funding for maintenance, lack of technically skilled officials, poor public participation, no performance management system (PMS), poor relationships between political and administrative leaders, poor financial management systems and lack of LED strategy and a LED unit. Solutions to improve the situation include municipal infrastructure grant (MIG) funding, deployment of technical support by the Development Bank of South Africa (DBSA), finalisation of a public participation policy, national assistance with financial management and assistance from COGTA with the establishment of a LED unit (COGTA 2010:11).

In terms of the 2011/2012 IDP, the LED priorities are tourism development, agriculture, mining, manufacturing and commercial transport. Poverty alleviation strategies include food gardens, SMME development and co-operatives (Moqhaka Local Municipality, 2010:35). The LED objectives for the area are active farming development projects, including agro-processing projects, development of SMMEs and entrepreneurs, promotion of industrial development, tourism development, poverty alleviation projects, mining development and food security schemes (Moqhaka Local Municipality, 2010:150). The key strategies included in the LED strategy are spatial integration strategies, infrastructure development, institutional structures, strengthening of the local economic base,

SMME support and development, improving the business environment and improved quality of life (Moghaka Local Municipality, 2010:58).

Mafube Local Municipality

In terms of the COGTA (2010:11) turnaround strategy, the following challenges were listed for the municipal area, namely: poor maintenance of roads and infrastructure, lack of a housing database and housing development, a poor management system for community development workers (CDWs) in the area, high turn-over levels of staff, poor financial management and lack of an LED unit with development strategies. Solutions are listed as support by DBSA and MIG funding to development infrastructure, funding to support ward committees and CDWs, assistance for the municipality with salary packages for top employees, national government assistance with improved financial control and COGTA to assist with the creation of a LED unit (COGTA 2010:16).

The Mafube Local Municipality's LED strategy was compiled in 2012 (Mafube Local Municipality, 2012:93). The main strategies are listed in Table 3.

Table 3: Main LED strategies at Mafube Local Municipality

Strategies	Sub-strategies
Pro-growth and development initiatives (formal economic sector)	&YQPSUBEWDFI QPEVQEFVWQON FOUJOWTUN FOUJ BUBBLPOBCE SFUQPOJOSTISMOVSEFVWQON FOUJ skills development and marketing.
Pro-poor and empowerment initiatives (informal economy)	' PPEITFD/SIZITVQCPUSASBMDPNNVOLFTIBSTBOE DBGNDP:PCFSBJWFI&18 1:CPKEDTIBHSDWISF 4. . &EFVWQON FOUJLWIEFVWQON FOUJ
SPVSNIBOE DFBWFIJEVTSFT	-BCPVSOFOVFIJEVTSZBOEDWISBMDJWLFIT

Source: BOCF&PDM VQDCBMZ BOCF&PDM VQDCBMZ

Metsimaholo Local Municipality

The COGTA (2010:25) turnaround strategy lists the following challenges for the municipal area, namely: poor maintenance of roads and infrastructure, no services master plans, lack of a housing database and housing development, a poor management system for CDWs and ward committees in the area, high turn-over levels of staff, poor functionality of portfolio committees, poor financial management, lack of planning data and lack of a LED unit with development strategies. Solutions are listed as support by DBSA and MIG funding to development infrastructure, funding to support ward committees and CDWs, assistance for the municipality with salary packages for top employees,

national government assistance with improved financial control, and COGTA to assist with the creation of a LED unit (COGTA 2010:28).

The latest LED strategy was compiled in 2011 for the municipal area. The strategy lacked the inclusion of relevant socio-economic data. The various sub-strategies were also vague and could not be converted to implementable projects. The municipality has already identified this shortcoming and has appointed consultants to update the strategy to make it a workable document, which could be implemented. The 2011 LED strategy identifies six general LED themes which need to be the focus of the strategy, namely: increased investment, creating clusters, promoting entrepreneurship, sector development, neighbourhood renewal and marketing of the area (Metsimaholo Local Municipality, 2011:6). The strategy expands on the general trend by the listing of three programme areas as mentioned hereunder (Metsimaholo Local Municipality, 2011:9-15):

- ! Programme area 1: Business competitiveness.
- ! Programme area 2: Skills and human development.
- ! Programme area 3: Community economic regeneration.

Ngwathe Local Municipality

In terms of the COGTA (2010:17) turnaround strategy, the following challenges were listed for the municipal area, namely: poor maintenance of roads and infrastructure, no services master plans, lack of a housing database and housing development, a poor management system for CDWs and ward committees in the area, high turn-over levels of staff, poor functionality of portfolio committees, poor financial management, lack of planning data and lack of a LED unit with development strategies. Solutions are listed as support by DBSA and MIG funding for development infrastructure, funding to support ward committees and CDWs, assistance for the municipality with salary packages for top employees, national government assistance with improved financial control and COGTA to assist with the creation of a LED unit (COGTA 2010:22).

The 2007 LED strategy recommended the following key LED interventions: the building of institutional capacity in the LED unit, job creation through infrastructure development, inclusion of the disadvantaged communities in the local economy, creation of an enabling local economic environment, investment and promotion of tourism and heritage development and skills development and assistance to SMMEs. Economic sectors of importance are enumerated as manufacturing, mining, construction, tourism, agriculture and SMME development (Ngwathe Local Municipality, 2007:45).

SOLUTIONS AND LESSONS

In this section, general lessons and solutions regarding LED arrangements will be discussed.

General

LED initiatives in the local sphere have emerged as a major tool in economic development, both in urban and rural areas (Rogerson 2009:27). LED practices have been based on a project-based approach (Van der Heijden 2008:10). Municipalities have tried various projects such as culture-tourism, agro-processing, business incubators and skills development programmes. Most of the projects failed due to the unsustainable nature of the projects. Poor participation led to lack of ownership of projects and resulting failures (Rogerson 2009:28). For most municipalities, LED projects meant small community development projects with no real impact on improvement of quality of life and reduction of poverty (Van der Heijden 2008:3).

Local leadership

Local leadership is critical and essential for LED success. The term local leadership includes members of the triangle of local stakeholders: government, local communities and the private sector. Government leaders are expected to take the lead in coordination and facilitation, while other leaders from the community and business must also contribute. A local champion is a similar term referring to local role players making a difference with regard to LED.

Partnership formation

A potential dynamic driving force behind LED initiatives is partnership formation by local stakeholders. Business had not been included in the planning and implementation of development strategies in the past. Poor partnerships led to limited LED success. Only small community development projects had been attempted.

Local developmental projects driven by local business and local communities have more chance to succeed than projects attempted by government alone. Local people need to play leading roles in local initiatives. Local regional development occurs through local coordination. Local partnership formation leads to improved self-governance by communities.

Integrated approach to LED

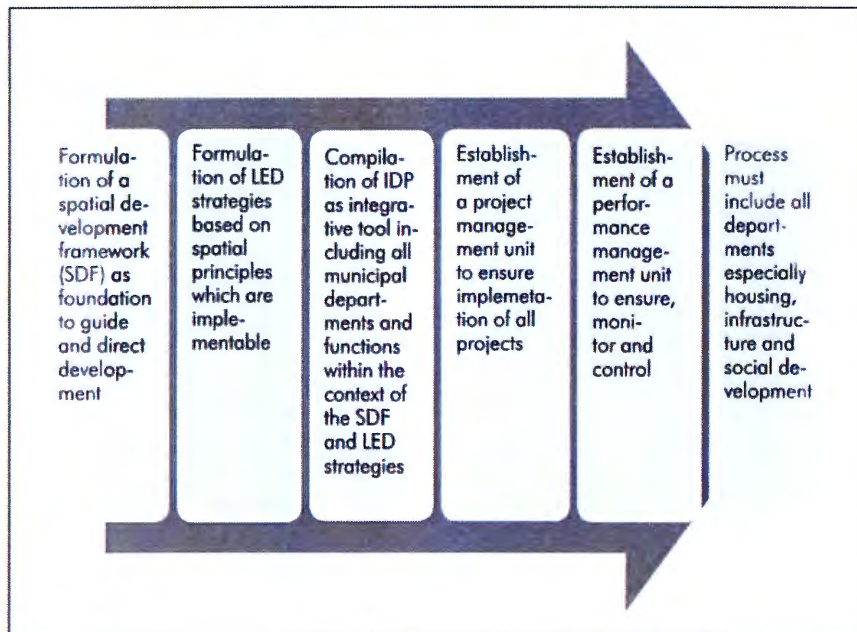
The lack of an integrated approach to LED curtails the provision of diversified economic opportunities to communities. Only those LED projects that affect a single municipal entity are attempted to be implemented. This type of implementation has resulted in small townships and rural community development projects, with limited economic impact.

The following principles are recommended to improve integration (Malefane 2009:167):

- LED implementation must be cross-cutting, with all departments of the municipality involved in the process.
- LED needs to respond to and address social, economic, natural, physical and other needs of communities.
- LED performance needs to be embedded in all Departments and implemented by all senior managers.

Local municipalities could make a larger impact on local economies by utilising LED as an integral part of their overall planning as part of service delivery

Figure 2: Integration of the LED function at the local government sphere



Source: Own figure

(Human et al. 2008:53). An integrated use of LED by local government was introduced in the White Paper on Local Government (South Africa, 1998a) as well as in the Local Government: Municipal Systems Act 32 of 2000. Figure 2 is a summary of the integrative process as proposed.

Skills training

Introductory LED skills training for all councillors and senior officials to create improved awareness is proposed. CDWs are a key component of LED implementation. These officials need to be more involved in the LED units and require specialised training. Ward committees, in conjunction with CDWs, need to be fully operational and have to be trained in the basic concepts of rural development and LED. Municipal LED portfolio committees need to be functional with regular meetings and should be driven by the municipal LED unit.

The compilation of marketing plans for each of the local municipalities in the study area is required. The focus should be on competitive advantages (agriculture, mining, manufacturing and tourism) to attract, maintain and expand businesses. The formulation of incentives regarding, inter alia, land and tax rebates linked to IDZs are required. Annual early warning system (EWS) surveys are needed to determine the needs and perceptions of local businesses.

Local government must assist in the improvement and strengthening of external business structures, such as business chambers in the area. It must also facilitate the establishment of a community organisation forum for the region, including all NGOs, in order to support community projects.

RECOMMENDED INSTITUTIONAL LED ARRANGEMENTS FOR LOCAL GOVERNMENT

A progressive policy and legal framework does not guarantee successful LED. For LED processes to be effective, appropriate institutional arrangements must exist within municipalities in order to convert the laws, policies and strategies into meaningful interventions in collaboration with all relevant stakeholders.

The following options for urban and rural municipalities should be considered when developing institutional arrangements for LED:

District and metropolitan municipalities

It is proposed that the district and metropolitan municipalities consider establishing the following levels of institutional arrangements for LED:

Internal arrangements

! LED directorate:

It is proposed that the LED unit should be an entity or directorate on its own, with a direct communication channel to the Municipal Manager. The unit requires a director who must be able to analyse and interpret economic development and strategic management effectively. Managers should support this director for each unit – for example the tourism unit, enterprise unit and policy and research unit. The number of units will be determined by the economic realities and potential of the specific municipal area. A development coordinator and sector-specific development officers should support each manager.

! Inter-departmental relations:

The establishment of an inter-departmental working group among the various directorates/departments is essential to ensure the alignment of efforts and to avoid duplication of work.

! Dedicated LED committee of the municipality:

Given that the LED component is developmental by nature, it is imperative to have a dedicated LED committee of the municipality, which is not combined with other municipal functions, but focuses solely on LED issues. Experience has shown that when LED is combined with other municipal functions it is neglected and also receives very little political oversight.

External arrangements

! Broad LED stakeholder forum:

It is recommended that a broad LED stakeholder forum be created, which is represented by all role-players and stakeholders (government institutions, private sector, NGOs, CBOs and communities).

! Sector working groups:

The number of economic pillars in the LED strategy will determine the number of working groups, which will be responsible for sector specific issues as referred to them by the broad LED forum.

! Economic Development Agency:

The work of the LED Directorate can be complemented by an Economic Development Agency, which would be driven by a board with a CEO. The metropolitan or district municipality, as a shareholder of the agency, may hand over the operations of LED or a part thereof to the agency. The role of the agency is not to set their own agenda, but to ensure that the economic development vision of the district is implemented. The agency should have a commercial approach to its activities. In the short- and medium-term, it will need government grants, but in the longer-term it should become financially self-sustaining by claiming a percentage commission on its economic generation activities (Cohen 2011:4).

Local municipalities (within the jurisdiction of a district municipality)

Internal arrangements

! LED unit:

Given the financial and capacity constraints of rural local municipalities, it is proposed that a LED unit be established within a directorate. The staff component should be a manager and LED officers – the number of officers depending on the size of the municipality.

! A dedicated LED committee of the municipality:

It is recommended that local municipalities establish a dedicated LED committee of the municipality to facilitate oversight across all relevant departments in the municipality, taking into consideration the transversal nature of LED.

External arrangements

! LED forum:

It is essential for a local municipality to have a LED forum. This forum may be combined with the business chamber of the specific municipality in order to save costs and to prevent the duplication of tasks.

CONCLUSIONS

Local government is expected to play an active developmental role in order to ensure effective local governance which is people-centred, and with a focus on quality local participation. The well-being of the local communities should form the foundation of any developmental strategy. This developmental role has created pressure on both institutional and human resource capacities of local government. The strengthening and extension of capacities for effective local governance needs to be holistic and integrative in nature. Included in this process should be capacity building for communities, NGOs, CBOs and the private sector. The capacity of the three spheres of government should also be improved. Holistic capacity building is crucial to enable municipalities to implement economic development strategies and interventions. The focus of this article was to explore the institutional arrangements for municipalities to plan and implement LED strategies and interventions successfully, using Fezile Dabi District Municipality as a case study.

It could be concluded that LED processes are not yet well established in municipal practice, which is shown by the lack of LED units and other institutional arrangements within the four local municipalities. It is evident

that these local municipalities within Fezile Dabi District Municipality do not have the necessary finances, resources and skills to execute the LED function. The main objective of this article was to suggest appropriate institutional arrangements at the local level to assist with the creation of an enabling local development environment.

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