

CHAPTER 2: A THEORETICAL ANALYSIS OF LOCAL ECONOMIC DEVELOPMENT

2.1 INTRODUCTION

This chapter will provide an in-depth overview of the concept of LED. Definitions of the term by domestic and international institutions will be provided and the background and evolution of the concept will be explained. Furthermore, the importance, principles and objectives of LED will be discussed and its role with regard to national policy will be analysed according to the National Framework for Local Economic Development. The various partnerships involved in the LED process will be discussed and an overview of the steps involved in implementing an LED strategy will be given.

2.2 DEFINING LOCAL ECONOMIC DEVELOPMENT

According to the Department of Provincial and Local Government (DPLG, 2004:1) LED is an ongoing process that is based on initiatives driven by local stakeholders. The aim of LED is to rectify socially and economically unacceptable issues that exist in a locality. The LED process involves identifying and using local resources, competitive advantages and to stimulate economic growth and development in order to address the various socio-economic needs present in the community. A further aim of LED is to create employment opportunities to the benefit of all local residents.

Blakely (1989:58), Zaaier and Sara (1993:129) and Nel and Humphrys (1998:58) describe LED as being a process in which local resources and opportunities are utilised by local authorities and the community at large in order to promote economic growth and development within a locality. The success of the LED strategy can only be achieved if partnership agreements between all local role-players are established and consensus is reached on the social, economic and environmental future of the region.

Abrahams (2005:134) expands on this by stating that LED activity is a partnership between key role-players in a community where local authorities are

either the drivers or facilitators of the LED process. The key feature in locally based economic development is endogenous development policies, which make use of local human, institutional and physical resources.

According to the World Bank (2001:1), LED is the process by which public and private sector partners work toward creating better conditions for economic growth and employment generation in order to improve the quality of life for all. In a related document, the World Bank (2002) asserts that LED can only be brought about by local people working together to change the face of economic growth and sustainability in a locality.

By offering local government, communities, private and non-profit sectors the opportunity to work together to improve the local economy, LED ensures that growth is sustainable and inclusive and that competitiveness of a region is enhanced. LED incorporates disciplines from both public and private sector functions including physical and environmental planning, infrastructure provision, business and real estate development, economics and marketing (World Bank, 2002).

LED emphasises the concepts of partnerships, economic sustainability, job creation and improvement of living standards which takes place at the local or community level. LED creates the need for collaboration between the public and private sectors of a region in order to stimulate economic growth and development. This spirit of co-operation and co-responsibility between community role-players ensures that the key challenge of the LED process, namely, making use of local resources in such a way so as to improve returns from global markets, is overcome (Christensen & van der Ree, 2008:2).

Tomlinson (2003:115) suggests that LED has the following dimensions:

- Existence at policy level through local government's decision to be more investment and business orientated;
- Existence at the institutional level by having a dedicated LED office or department;

- Existence at the project level by operating as a undertaking with a defined focus such as an agricultural cooperative, LED fund project or a private sector initiative;
- Provides support for subsistence programmes which enhance the living standards of the community; and
- Enables the operation of private support centres such as Local Business Support Centres (LBSCs) or local banks with community support programmes.

LED has been recognised as a response to the synchronistic interaction between a variety of features and trends that categorise the modern era of economic development such as (Binns & Nel, 2002:11):

- The decentralisation of decision-making to local government level;
- Globalisation and increased competition, which forces local role-players to respond to the economic opportunities presented;
- Economic change within localities, which would require local leadership initiatives; and
- The dubious results achieved by macro-level planning and regional development interventions.

Ekins and Newby (1996:9) listed the main themes of the emerging agenda for LED as follows:

- Capacity building to ensure that opportunities presented are taken advantage of and that entrepreneurial confidence and skill improves with greater access to supporting institutions and programmes;
- Community-based enterprises and socio-economic solutions which are supported by initiatives that promote the development of skills and services within the informal economy;
- Encourage responsible business development and practice through the provision of a supportive climate for new and existing enterprises in order to minimise harmful environmental and human impacts;
- Access to sustainable employment opportunities through community enterprise and business development; and

- Linking local production with local consumption in order to generate benefits such as sustainable economic growth and the promotion of a sense of community amongst local individuals.

According to the South African LED Network (SALEDN, 2009) the fundamental difference between LED and the more traditional, basic approaches to economic development such as national industrial policy, technology transfer and small, medium and micro enterprise (SMME) support initiatives, is that LED combines all of the previously fragmented approaches to development into a methodical and sustainable model.

The foremost differences between LED and traditional approaches to development are summarised in Table 2.1 (Rodriguez-Pose, 2001:14). In the traditional approaches, decisions regarding the implementation of development strategies are taken by the central government. There is little to no interaction with local authorities. LED strategies are implemented with local support and promote development by utilising the competitive advantages of the region concerned. LED also implies horizontal and vertical co-operation between all local role-players. Horizontal co-operation exists between public and private partnerships while vertical co-operation involves synchronising development efforts across all spheres of government (local, provincial and national level).

According to Rodriguez-Pose (2001:14) traditional, top-down approaches to development focus on specific industrial sectors and rely heavily on financial support from national government in the form of subsidies and incentive packages. LED, on the other hand, identifies local economic potential and utilises local value chains and networks in order to promote sustainable economic growth and development.

Table 2.1: Differences between the traditional and LED approach to development

Key difference	Traditional development policies	Local economic development
<i>Decision makers</i>	Decisions taken by central government (top-down approach).	Decisions taken by local authorities (bottom-up approach).
<i>Level of involvement</i>	Managed by the central administration.	Horizontal (public and private sector) and vertical (different tiers of government) co-operation between local role-players.
<i>Approach to development</i>	Sectoral approach to development.	Territorial approach to development.
<i>Strategies applied</i>	Large industrial projects aimed at stimulating economic activity.	Projects aimed at maximising the development potential of each area in order to stimulate and rejuvenate the local economy.
<i>Programmes that attract economic activity</i>	Financial support by means of incentives and subsidies	Provision of key conditions for the development of economic activity, such as infrastructure provision.

Source: Rodriguez-Pose (2001:18)

2.3 BACKGROUND AND EVOLUTION OF LOCAL ECONOMIC DEVELOPMENT

The process of globalisation has altered the fundamental approaches to local and regional planning (Christensen & van der Ree, 2008:2; Rodriguez-Pose, 2008:10). According to the World Bank (2006:6), as trade between nations increased, local producers faced competition from foreign producers that were able to provide goods and services that were not only cheaper than locally produced goods but were also of a higher quality.

The International Labour Organisation (ILO, 2009) states that, as a result, the globalisation process has presented regions and nations all over the world with new economic opportunities and possible threats. The economic opportunities lie in expanding trade beyond local, regional and national boundaries through efficient and innovative production techniques that add value to locally produced goods and services. The World Bank (2006:6) notes that the threats lie in the ability of regions within the country to adapt to international competition and the possibility of having to produce output at prices that can compete on international markets (regardless of production costs).

According to Pike *et al.* (2006:4) even remote areas are exposed to competition, which forces local authorities to adjust to changing economic conditions. LED has emerged as an imperative planning focus aimed at decentralising the planning and implementation of development strategies for regions within a country (Rodriguez-Pose, 2008:8; Christensen & van der Ree, 2008:2).

The SALEDN (2009) proposed that the increased focus on LED is the result of globalising an economy at both the national and regional level. With the liberalisation of trade and the deregulation and mobility of financial, product and labour markets, national markets had become even more accessible to foreign competitors. The rapid flow of large quantities of information, with distance no longer acting as an inhibiting factor to trade, has shifted the focus of global markets from a national perspective to a more regional focus on competitive advantages and economic potentials of a territory.

Table 2.2: Stages of local economic development

Stages of local economic development		
Stage	Focus	Tools
First stage (1960 – 1980)	• Attracting foreign direct investment and mobile manufacturing investment; and • Hard infrastructure investments (roads, transport networks).	To achieve objectives set out in mandate local authorities used: • Government grants and tax breaks; • Subsidised loans geared toward attracting local manufacturers willing to invest in local markets; • Subsidised hard infrastructure investment; and • The utilisation of expensive industrial recruitment techniques (usually through apprenticeships).
Second stage (1980 – 1990)	Focus moved towards: • The retention and growing of existing local businesses; and • Still with an emphasis on inward investment attraction, but usually this was becoming more targeted to specific sectors or from certain geographic areas.	To achieve this, local authorities provided: • Direct payments to individual businesses through initiatives such as business incubators and start-up support; • Guidance, training and technical support for SMMEs; and • Hard and soft infrastructure investment.

Third stage (1990 – to date)	The third stage marked the end of the individual focus of most development programmes and ensured that the entire business environment was more conducive to attracting and retaining business opportunities. More focus is placed on: • Soft infrastructure investments; • Enhancing partnership arrangements between the public and private sectors; • Networking and the leveraging of private sector investments for the good of the local community; and • A regime of targeted inward investment attraction to add to the competitive advantages of communities.	To achieve this local authorities are: • Developing holistic strategies aimed at the growth and development of local industries; • Enhancing the local investment climate to support the development of industrial clusters or agglomeration economies; • Supporting and encouraging networking and collaboration through the development of industrial clusters; • Encouraging the training and development of the local labour supply; and • Promoting enhanced standards of living for the local inhabitants.
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Source: World Bank (2002)

Worldwide, LED has passed through three stages of development since 1960. Through each stage of development, LED practitioners have gained a better understanding of initiatives that will promote sustainable local economic growth and development. According to the World Bank (2002) LED is currently in its third stage of development, however, there are elements of each stage of development that are still implemented today.

The first stage of development occurred from the 1960s to the early 1980s. During this period, the focus of LED was on attracting manufacturing and hard infrastructure investment as well as exogenous investment in the form of foreign

direct investment (FDI). The second stage occurred from the 1980s to the mid 1990s. The focus of LED strategies shifted towards the retention and growth of existing local enterprises and opportunities, with an emphasis on endogenous investment. To achieve the goals outlined by their LED mandate, local authorities provided direct payments to businesses and also guidance, training and technical support for SMMEs (World Bank, 2002).

The late 1990s embodies the third stage of development. During this phase the focus is placed on soft infrastructure investments, enhancing public-private partnerships (PPPs) and ensuring that the entire business environment is more conducive to attracting business and making use of existing competitive advantages.

According to SALEDN (2009), the first stage of LED was primed toward the marketing of locations to external investors. This strategy was often linked with incentive schemes such as tax breaks or reduced costs of public services and infrastructure development. Nel and Humphrys (1999:278) indicate that the move toward increased spatial distribution of economic growth and development became more apparent in the 1970s when global economic crises led to the adoption of cost-cutting strategies. These strategies led to the enhanced endogenous growth potential of regions. The trend was for such growth potential to focus on localised development through participation in the global economy. This parallels the recognition that LED is driven by regional specialisation and niche markets.

In the second phase, the attention shifted to local economic potential, striving to support the competitiveness of existing firms, promoting entrepreneurship and assisting business start-ups. This was often done through skills development and training programmes, business support and industrial linkage mechanisms, providing access to finance, rural development and sectoral development approaches (World Bank, 2002).

The third phase provides a more holistic view of LED. It enhances the programmes of individual business support and sectoral development introduced in the second stage by ensuring that the entire business

environment is more conducive to economic growth and development. The focus of the third phase is on providing a competitive local business environment, encouraging and supporting collaboration between the public and private sectors and the local community, facilitating the development and training of local labour, focusing endogenous investment to support business and industrial cluster growth and, more importantly, ensuring that living standards of the local community are improved (SALEDN, 2009).

Abrahams (2005:135) suggests an international shift in the thinking surrounding LED from the traditional approaches, such as boosting local enterprise to new strategies that focus on development from within a locality or community. The shift had occurred in response to global economic restructuring as a result of globalisation which impacts on local economies. This shift in both LED theory and practice has also brought about an adjustment to the role-players involved in LED, making PPPs an essential component for the success of LED.

In South Africa, previous governmental regimes had little interest in promoting LED in favour of the disenfranchised section of the population. The African National Congress (ANC) government formulated such LED policies for the first time in the late 1990s (Nel & Humphrys, 1999:280). However, Richards and Stetten (2000:11) note that, after democratisation, the South African government had, in terms of LED, done little more than constitutionally mandate local government to promote economic and social development. It is only more recently that LED has been pursued in earnest with a variety of government policies that promote and support LED.

2.4 THE IMPORTANCE, PRINCIPLES AND OBJECTIVES OF LOCAL ECONOMIC DEVELOPMENT

2.4.1 Importance of local economic development

The World Bank (2002) has estimated that, by the year 2025, close to half of the poor around the world will live in urban areas. Urbanisation to such a degree, especially in the less developed regions of the world, requires a sustainable development strategy which aims to improve the quality of local

management, planning and to ensure an economically competitive environment. Without these sustainable development strategies in place, there will be a rapid decrease in the standard of living and social, economic welfare for those living in these urban areas.

LED can assist in achieving a variety of economic and social objectives. The utilisation of competitive advantages in underutilised resources or industries creates additional wealth, which expands the local economy to the benefit of the entire region and the nation as a whole. At the same time, those involved receive an increase in their standards of living and quality of life while gaining in both self-esteem and personal development. Sectoral multiplier effects ensure that the additional wealth created through the LED process spreads through all sectors of the local economy (Nel & Humphrys, 1999:279).

The SALEDN (2009) states that LED offers an inter-disciplinary approach on how to overcome several interrelated obstacles, such as a low level of skills, lack of entrepreneurial culture, weak support mechanisms and structures, disabling regulatory environments or a lack of access to financial aid and business development services. LED combines various concepts and tools to improve an area's locational factors by tapping into the comparative and competitive advantages of regions, the potential excess capacity of local natural resources as well as the entrepreneurial, leadership spirit and willingness for change of role-players in the private and the public sector in developing regions.

The International Republican Institute and the National Business Initiative (IRI & NBI, 1998:2-3) and Nel (1998:153-154) both agree that it is especially important for local governments in South Africa to promote LED. The reasons for this are the following:

- LED can heal the inequities of the apartheid era by addressing socio-economic inequalities, promote urban regeneration, job creation and service delivery;
- LED can contribute to local employment opportunities, empowerment of previously disadvantaged communities and wealth regeneration for poor individuals;

- LED can promote economic development and empowerment of community groups and initiatives;
- LED broadens the tax and revenue base of local authorities;
- LED enables local authorities to provide improved services and facilities to the inhabitants of the region concerned;
- LED builds new institutions geared toward sustainable economic development and promotes sectoral linkages between developed and under-developed regions within a nation;
- LED can be a key component of both regional and national development and it can assist with the attainment of the broader macroeconomic objectives set out by the central government; and
- LED can be a locality-based complement to top-down national development schemes.

According to the Swinburn (2006:4), by actively reviewing their economic base, communities gain an understanding of the opportunities for, and obstacles to, growth and investment. Based on the results of those reviews, communities can expand their economic base by formulating and undertaking strategic programmes and projects to remove obstacles to regional development and facilitate endogenous investment. Local conditions determine a region's comparative advantage and, therefore, its ability to attract and retain investment. Even small towns and surrounding rural regions can find niche opportunities by building on potential and existing competitive advantages.

Neighbouring regions compete to attract and retain investment. The World Bank (2006:5) suggests that there is much evidence to show that communities that collaborate with one another enable their economies to grow. This provides further evidence to support bottom-up approaches to regional development.

However, both Swinburn (2006:6) and the World Bank (2006:14) indicate that national macroeconomic, fiscal and monetary policies affect local communities and local economies. The regulatory environment also influences the shape of local business climates, which can either assist or harm LED goals. The general practice in many countries is the decentralisation of national

government functions and increased mobilisation of private industry. These trends all have consequences for LED.

2.4.2 Principles of local economic development

The DPLG (2004:5) has identified the following key principles underlying LED:

- As poverty and unemployment are the main challenges facing South Africa, LED strategies must prioritise job creation and poverty alleviation;
- LED must focus efforts towards previously disadvantaged people, marginalised communities and geographical regions, black economic empowerment (BEE) enterprises and SMMEs;
- Each region should develop its own approach to LED. This approach should be tailor made to the prevailing economic climate of the region concerned;
- LED promotes local ownership and leadership, community involvement and joint decision making between the public and private sectors;
- LED involves local, national and international partnerships between communities, business and government to solve local disparities, create sustainable business ventures and develop local areas;
- LED uses local resources and skills and maximises opportunities for development;
- LED involves the integration of diverse development initiatives in a holistic approach to local growth and development; and
- LED relies on flexible approaches to development in order to respond to changing circumstances at local, national and international levels.

The formulation of guiding principles for LED provides a new method of defining LED and refining the basic objectives of local LED initiatives. These principles are as follows (Meyer-Stamer, 2005:4):

- LED aims at creating favourable locational factors such as improving the local infrastructure, training the labour force and improving the business-acumen and efficiency of local authorities;
- LED aims at promoting business opportunities while reducing unfair competition and business practices for existing enterprises;

- LED aims at making local markets more efficient, matching local demand with local supply and discern, propagate and promote new business opportunities; and
- LED aims at ensuring more efficient use of locally available resources.

The Community Agency for Social Enquiry (CASE, 2001:56), on the other hand, outlines the following principles:

- There should be a clear distinction between LED and community development. LED is concerned with encouraging the development of a competitive business environment while community development is geared toward solving socio-economic disparities and promoting solidarity, support for the disadvantaged and marginalised members of the region;
- Persuade local role-players to invest in projects with an endogenous focus, which can be implemented quickly and would make a vast difference for local enterprises;
- Promote partnership arrangements between the public and private sector. If LED is left to the private sector, a narrow perspective with the profit motive at its centre may be created. On the other hand, LED should not be left to the government as the public sector is not familiar with business matters or the entrepreneurial process. LED must be based on a partnership between the public and the private sector, which targets various socio-economic issues.

2.4.3 Objectives of local economic development

Van Wyk (2004:112) and Davids (2004:5-10) highlight the following as the most important objectives of LED:

- Strong local leadership to ensure the implementation of LED initiatives;
- Clear and concise communication channels between the various role-players in the LED process;
- Provincial, regional and local municipal LED strategies must be integrated into the overall developmental objectives present within a country;

- The success of LED programmes is based on the spirit of co-operation between the various role-players and PPPs;
- Collective visions and values strengthen communities from within and bridges the gap between the poor and wealthy members of the community;
- Creating a forum for local community development ensures that communication channels are opened, an atmosphere of trust and commitment is developed and that ideas are shared amongst the participants in the LED process;
- The development process is formulated for the people by the people;
- Participation by all role-players in the LED process ensures continuous skills transfer and, more importantly, sustainability of the project;
- LED objectives must be relevant to the locality concerned. Socio-economic issues such as income generation projects for women in rural areas, household food security, human capital building programmes, provision of social and community facilities and youth development projects should be tailor-made to the conditions of the region;
- LED programmes should leverage, incorporate and co-ordinate local resources for maximum economic impact. Technology and human capacity building are key requirements in this regard;
- Greater access to funding and finance is required;
- Market entry opportunities should be made available for new enterprises to enter the local economy;
- The prevailing legislative framework regarding spatial, budgeting and procurement policies should be conducive to the success of LED programmes;
- The setting of objectives, targets to be met, success criteria, feedback and appraisal mechanisms should be in place in order for the LED process to be focused, continuous and measurable;
- LED must be sustainable at all levels in order to facilitate economic growth and development;
- LED should alleviate poverty and inequality, uplift rural communities and create opportunities for SMME development;

- Understand the vulnerability of the poor members of a community with regard to how they manage inherent risks in the economy and how these risks affect their assets; and
- Identify and investigate the institutional framework or practices that prevent the poor from entering local economic markets.

2.5 THE LEGAL FRAMEWORK FOR LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

Starting from the few cases of applied LED in both large urban areas and small towns in the early 1990s, accelerating through the increased developmental activities of local governments during the 1990s, the concept of community or locality-based development was implicit in the ANC government's Reconstruction and Development Programme (RDP) developed in 1994 (Tomlinson, 1994:12). The RDP formed the starting-off point for several post-apartheid regeneration policies.

In 1996, the National Constitution (SA, 1996:10) mandated local governments to pursue economic and social development. This concept was taken further in 1998 when the Local Government White Paper was released (SA, 1998:25). This White Paper introduced the concept of developmental local government policies with local government authorities committed to working with communities and groups within the region to find sustainable solutions to the area's social, economic and material problems and to improve the general quality of life and living standards of the community at large (SA, 1996:17).

Mufamadi (2001:3) argues that local government is legally required to take a leadership role by involving and empowering local role-players in the development process, to build human and social capital and to generate a spirit of co-operation and purpose in finding local solutions for sustainability. Local government not only has a central role to play as a policymaker and as institutions of local democracy but are also advocated to become more strategic, visionary, creative and ultimately influential in the way they operate. In this context, the driving force of development strategies is the ability of local government to recognise the developmental needs of cities and towns, and to

deal with the economic and social consequences of those communities furthest away from economic opportunities and urban infrastructure.

Local government is often described as the heart of the development process in South Africa. Given the increased emphasis on LED as a means of regional growth and development by the national government, there is a clear paradigm shift away from local government authorities being viewed as merely agents of service delivery. South African policy and legislative initiatives and mandates clearly sanction the LED process. Nel and Humphrys (1999:155) and IRI and NBI (1998:52) have identified several Acts and strategies that emphasise the need for an LED strategy. These are summarised in Table 2.3.

Table 2.3: Legislative and strategic framework for a local economic development strategy

Year	Act/Strategy	LED efforts
1993	Local Government Transition Act (LGTA) 200 of 1993	• Require municipalities to promote social & economic development; • Integrated economic development should be promoted for entire region; and • Local authorities must develop, formulate & implement an IDP, which requires a paradigm shift in planning & economic development.
1994	RDP	• Vision & objectives associated with LED contained in the broader scope of the RDP; and • Maintained that all spheres of government should establish a co-ordinated & coherent development strategy.
1995	Urban Development Strategy	• Calls on local communities to develop the locality in order to promote economic development.

1995	Development Facilitation Act (DFA) 67 of 1995	• Allows for facilitation of development within a locality; and • Allows for establishment of land development objectives (LDOs), which establishes an approach to land development for each locality.
1996	Constitution (Act 108 of 1996)	• Mandates local authorities to prioritise the provision of basic services; and • Social & economic development of communities should be at forefront of developmental strategies.
1996	Growth, Employment and Redistribution (GEAR) strategy	• Increased employment should be achieved through social & infrastructural development projects.
1997	Rural Development Framework	• Identifies LED as a strategy for development of local municipalities; and • Highlights partnerships & local level discussion forums as a means of ensuring LED strategy success.
1997	Green Paper on Local Government	• Maintains that LED is not separate from daily activities of local authorities and should be incorporated into all programmes & projects.
1998	White Paper on Local Government	• Local authorities should be committed to establishing partnerships with both the community & private sector in order to find sustainable methods of improving overall welfare of a locality.

Source: Nel and Humphrys (1999:155) & IRI and NBI (1998:52)

2.5.1 The National Framework for Local Economic Development

The National Framework for LED in South Africa has been developed as a guide that seeks to assist in the understanding of the LED process and has put forward a strategic implementation procedure that local municipalities, provincial and national government, state-owned enterprises (SOEs) and communities may utilise in order to improve LED within the region concerned (DPLG, 2006:4).

The 2006 National Framework ensures that local economies exploit local opportunities, potential opportunities and competitive advantages, address local needs and contribute to national development objectives and plans (DPLG, 2006:5). Rogerson (2009:18) asserts that the Framework does not dictate the process of development in each municipality but, instead, focuses on what the national government can do to support local authorities, communities, businesses, non-government organisations (NGOs), organised labour and other role-players to realise not only their objectives but also those of the community.

According to the Good Governance Learning Network (GGLN, 2008:82) the Framework has been widely commended as marking a new level of maturity in policy development and signalling a shift in the way in which the challenges of earlier LED efforts are overcome. The new, more creative and flexible approach to LED practice as opposed to the earlier rigid approach which dominated the years from 1996 to 2006 is reflected by the Framework.

2.5.1.1 Principles of the National Framework

The core guiding principles of the National Framework were identified as the following (DPLG, 2006:7; Rogerson, 2009:18):

- The national government, through a developmental approach, has a fundamental role to play in shaping the economy of South Africa;
- Create an environment that is conducive to the creation of both employment and business opportunities, despite overall economic and social conditions of the locality;

- LED is the result of several actions and interventions taken by the local authorities of a region as well as the constant improvement of national developmental priorities and complete integration of local development programmes into the broader national goals of development;
- Endogenous investment from the national government or private sector will only be effective if the competitive advantages and potential opportunities of a locality have been identified and utilised;
- Promoting vigorous and inclusive local economies requires co-ordination and co-operation between all levels and spheres of government. The focus should be on the application of the principles advocated in the National Spatial Development Perspective (NSDP);
- Locally developed solutions and strategies must be used in order to support national frameworks for sustainable development in both rural and urban localities;
- The national economy competes in a globally integrated world economy where potential threats must be minimised and potential opportunities must be exploited;
- Private enterprise forms the lifeblood of the economy and has a central role to play in the development of robust and inclusive local economies through partnership agreements with other local role-players;
- Involving all citizens of a locality in the development process ensures that opportunities for stimulating local economies and level of skill with the region are increased; and
- Local initiatives, entrepreneurial energy, creativity, effective leadership and sustainable skills will unlock the dormant potential in local economies.

2.5.1.2 Objectives of the National Framework

The guiding principles discussed in Section 2.5.1.1 specified seven core objectives for the Framework (DPLG, 2006:8):

- To shift towards a more strategic approach to the development of local economies and overcome the challenges that arise from local authorities attempting to manage projects that are not viable for the region;

- To support local economies in identifying and realising their optimal potential and ensuring that all local communities become active participants in the economy of the country;
- To promote the importance of efficient local economies in growing the national economy;
- To fight poverty more effectively through local level strategies, procedures and actions;
- To improve local community access to national economic initiatives, support programmes and infrastructure and relevant market information;
- To improve the co-ordination of economic development planning and implementation across all levels and spheres of government and between both public and private sector role-players; and
- To create a greater level of awareness regarding the importance of localities and regions in their role as possible points of investment facilitated by supportive national policies.

2.5.2 The Integrated Development Plan

The legislative guidelines for running a developmental local government are contained in the 2000 Municipal Systems Act (SA, 2000). A key component of the Act is the promotion of an IDP, within which LED is regarded as a crucial component (Harrison, 2001:182). As stipulated in the LGTA, an IDP houses all plans regarding social, economic and environmental development, therefore, any LED projects or programmes would be housed under the IDP of the local authority concerned.

The Education Training Unit (ETU, 2008) describes IDP as an approach to planning that involves the entire local municipality and community in finding solutions to the various socio-economic problems of a region in order to achieve sustainable economic development. The IDP should be seen as a tool to bridge the gap between the current state of development within a region and the level of sustainable development and service delivery envisioned by all local role-players. The DPLG (2000:15), on the other hand, states that the IDP can be seen as a participatory approach to integrate all micro and macroeconomic strategies of a locality with the aim of providing support for the optimal allocation

of scarce local resources between the public and private sector in a manner that ensures sustainable economic growth, equitable distribution of wealth and the economic empowerment of the poor members of a community.

Todes (2004:849) and the World Bank (2006:104) indicate that the IDP provides an excellent framework against which local government can meet its developmental responsibility of increasing the quality of life for all members of a local community. The IDP is seen as a perfect vehicle for eradicating poverty and inequality within a region and promoting democracy in rural and urban areas. The IDP should identify the infrastructure and services needed given the current conditions within a locality. Local competitive advantages and the resources available for development should also be identified.

By co-ordinating and integrating all social, economic and environmental development programmes, the IDP creates synergy between LED and other development initiatives instituted by the national government. PPPs must be encouraged in order to ensure not only the success of LED programmes but also the overall IDP of local authorities. Close co-ordination between all local role-players is required and the various roles and responsibilities of each participant should be stipulated in the IDP (World Bank, 2006:104).

2.5.2.1 Reasons for the establishment of an Integrated Development Plan

Both the World Bank (2006:110) and the ETU (2008) consider the following to be the most important reasons for the development of an IDP:

- By identifying and prioritising needs within the community, local authorities ensure the effective use of scarce local resources and utilisation of possible competitive advantages;
- The causes of disparity amongst local communities are identified through the IDP process and local authorities are then able to solve problems at the source rather than just allocating capital expenditure for dealing with symptoms;
- The IDP assists in ensuring service delivery for areas identified as severely impoverished and least serviced;

- Endogenous investment is attracted to localities with a clear developmental plan;
- By engaging local communities and groups in the development process the IDP ensures that democracy is strengthened and institutional transformation takes place. Transparency and inclusiveness ensures successful PPPs; and
- The IDP encourages synergy between all levels and spheres of government and promotes co-ordination between the public and private sectors of a locality. By assisting in the development of partnership arrangements between all role-players, the IDP ensures that realistic and attainable development goals are established.

2.5.2.2 The Integrated Development Plan process

According to the World Bank (2006:106) the first step in the IDP process is planning. As seen in Figure 2.1, this requires identifying inherent problems within a locality, formulating objectives and proposing strategies to overcome developmental obstacles. This will ensure the proper management of the planning process and requires co-operation and co-ordination between the role-players responsible for the IDP, and those responsible for LED within the local municipality.

The second stage of the IDP cycle involves allocating both human and financial capital to the implementation (third stage) of the actual IDP. Harrison (2001:183) indicates that performance indicators and success identifiers are established in the first stage of the IDP and are deployed during the project execution stage of the IDP cycle. In this way, local authorities can monitor the IDP for any potential drawbacks and can adjust the plan to match changing socio-economic conditions within a locality (as seen in Figure 2.1).

Figure 2.1: The IDP cycle



Source: World Bank (2006:109)

As the IDP process is participatory in nature, it takes a local municipality six to nine months to complete an IDP. The IDP process is closely related to the municipal budget cycle (World Bank, 2006:106 & ETU, 2008). Once the IDP has been completed it is submitted to the municipal council for approval. The municipal council will then determine whether or not the IDP identifies the inherent problems affecting the area and also whether the proposed strategies and projects would contribute to addressing these issues. As the IDP is developed with the local community as its focus, the local municipality must provide the public with an opportunity to comment on the draft IDP. Once amendments to the IDP have been made in accordance with the suggestions of the public, the municipal council once again considers the approval of the IDP.

According to Todes (2004:851), even though each local authority produces its own IDP, its development is done in co-ordination with that of the district IDP. The purpose of the district IDP is to produce a holistic development strategy for the district and to ensure vertical and horizontal alignment of all local IDPs in the district. The entire IDP process is overseen by the provincial planning department to ensure that the plan meets both constitutional and legislative requirements.

Every IDP has a lifespan of five years and is reviewed once a year in order for necessary changes to be made in accordance with changing social, economic and environmental conditions within a locality. Coincidentally, the lifespan of the IDP is directly linked to the term of office for local councillors. Once a new council is elected it can either adopt the existing IDP or develop a new one (Harrison, 2001:185).

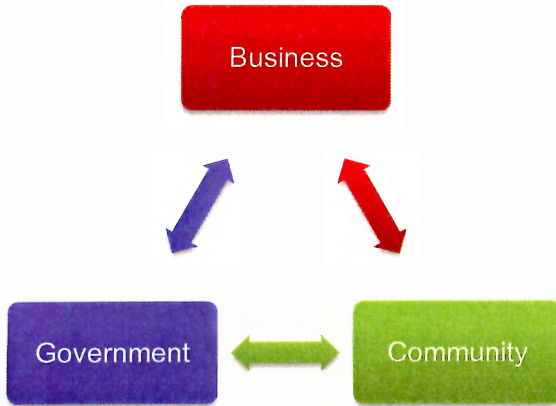
2.6 THE ROLES AND RESPONSIBILITIES OF THOSE INVOLVED IN LOCAL ECONOMIC DEVELOPMENT

According to the Urban Foundation (1994:5) an important component of all LED strategies are public-private partnerships where the conceptual focus is on a formal agreement on issues of development and economic growth between local government and the private sector.

Sustainable LED requires business acumen and a level of performance based on guiding business principles and entrepreneurial dynamics that local government does not possess. The excess capacity necessary to drive LED initiatives is also not available to local authorities (World Bank, 2006:60). On the other hand, local business could not maintain the balance that must be maintained between the social, economic and environmental goals of a local municipality. PPPs ensure that the inherent strengths and responsibilities of all role-players are co-ordinated in such a way that sustainable development within a locality is achieved.

As seen in Figure 2.2, the public and private sector interact by offering advice in areas where the other has little experience. Communities are able to ensure that they receive the services and employment opportunities that would make the best possible use of their skills and promote sustainable development and growth for the region concerned (World Bank, 2006:8).

Figure 2.2: Local economic development partnerships



Source: World Bank (2006:8)

The DPLG (2000:34) provides three general guidelines for defining roles within the LED process:

- Local authorities should focus on creating favourable conditions for the success of private sector initiatives. By addressing inherent market failures, local government ensures the success of strategies implemented to enhance market access;
- Both the private sector and local community should voice their opinion with regard to development and must commit to the process of employment creation; and
- Each role-player in the LED process should operate within the scope of their abilities. A spirit of co-operation is achieved by reached by enabling existing market mechanisms and LED initiatives to complement each other. This ensures that the process of economic development within a locality is allowed to evolve with changing economic conditions.

2.6.1 Roles and responsibilities of local government in the local economic development process

One of the main functions of government is to allocate resources in such a way so as to create an enabling environment for economic growth and development. This is done through the provision of basic infrastructure and services, designing an economic environment that is conducive to business practices or

the co-ordination of the broader LED process. Local authorities should take the initiative to form partnerships with the private sector and local communities in order to gather support for and participation in the LED process (World Bank, 2006:61).

The World Bank (2006:62) indicates that in localities with excess capacity and highly competent administration the public sector takes on the role of market development facilitator. Through this role, local authorities are able to address market failures within the local economy and ensure that possible barriers to the LED process are removed.

According to Makumula (2006:46) local authorities play a role in LED merely by existing as a branch of the national government. Local municipalities employ people from the community, purchase goods and services from local suppliers, develop basic infrastructure, regulate the development of available land within a region, and influence the social and economic environment of the locality through the policies and the programmes they support.

Table 2.4 outlines the possible roles that could be played by local authorities at any point in time. One of the most important roles for local authorities to play is that of stimulator. By stimulating the local economy through the LED process, sustainable development can take place within the locality. The DPLG (2003:62) notes that without the co-ordination efforts of the local authority the industries and sectors at the centre of many developmental strategies would remain unresponsive. Almost all efforts to develop a local economy would require input, participation and support from local government.

Table 2.4: Possible roles taken by local authorities in the local economic development process

Role	Description
<i>Co-ordinator</i>	• Ensuring that LED initiatives are co-ordinated with other developmental programmes of local municipality; • Main tool in this regard is the IDP; and • Ensure overall synergy of LED process with national and provincial development initiatives.
<i>Facilitator</i>	• Creating an attractive investment environment; • Smooth the business start-up process by removing possible barriers to entry; and • Ensure the success of LED by initiating contact between local role-players.
<i>Stimulator</i>	• Provide financial and technical support to SMMEs; • Establish incentive schemes to attract participants to the LED process; and • Identifying possible opportunities and competitive advantages that could be exploited.
<i>Entrepreneur or developer</i>	• Local authorities can enter into joint ventures with private sector participants or NGOs, thereby strengthening the business climate through capacity building.

Source: DPLG (2003:62).

Ekins and Newby (1996:23), the World Bank (2006:63) and the DPLG (2003:64) have outlined responsibilities with regard to local government's role in the LED process. Local authorities should:

- Ensure the prioritisation of social and economic development in the IDP;
- Conduct studies that identify the strengths and weaknesses of localities, thereby assisting the IDP in its development function;
- Promote collaboration and co-operation between all levels of the local municipality in order to ensure success of the LED process;

- Establish LED forums within the local community to ensure that the resources and efforts of all role-players are centred around a unified developmental vision;
- Establish and maintain an economic database to aid the decision-making process and act as an early warning system within the local municipality;
- Identify and utilise new economic opportunities;
- Create a sustainable and enabling environment for local businesses through the basic service and infrastructure delivery;
- Improve the living standards and market access of community members within the locality;
- Establish clear and concise communication channels between all LED role-players in order to establish networks and partnerships agreements;
- Motivate communities to participate in the LED process in order to achieve sustainable and measurable economic growth and development; and
- Establish sectoral linkages and clustering of economic activity through the promotion of agglomeration economies.

2.6.2 The role of communities in the local economic development process

It has become essential for communities to be actively involved in managing their own development. Community-based planning (CBP) linked to the developmental strategies of local authorities provide an opportunity for community involvement in the development process (Khanya, 2002). For successful LED process to be community-driven the following stipulations must be met (DPLG, 2003:65 & World Bank, 2006:64):

- A community must have a core of local, capable and respected leaders who are prepared to commit time priority and belief to LED;
- A community needs to identify and foster such leadership. The active engagement of women and young people in the leadership group is essential;
- Community leaders need to have or acquire the necessary skills, knowledge and attitude necessary to manage economic change;

- Leaders must operate in a transparent manner and be democratically accountable;
- Leaders must be willing to report, listen and ensure the support of the community;
- Leaders should provide inspiration and participate in developing new layers of leadership;
- The community must adopt a practical development agenda which focuses on realistic and sustainable goals, long term plans and achieving some small visible achievements by getting people involved, a key to empowerment; and
- The goals must be realistic and address the community's needs. To achieve this, there needs to be constant evaluation and adjustment of the action plan.

Abrahams (2005:14) states that with partnerships, communities should challenge the decisions taken by the local government concerning development of the local economy and the resolution of local market failures. The success of LED projects requires the active participation of the local community in the LED decision-making process. Sustainable economic growth and development may be achieved through this interaction. The focus on community involvement in the LED process links the entire process to the RDP and to other legislative and policy documents propagated by the DPLG and the Department of Land and Agriculture such as the Rural Development Framework (RDF), the Integrated Rural Development Strategy (IRDS) and the Urban Renewal Strategy (URS).

2.6.3 The role of business in the local economic development process

The World Bank (2006:65) identified the following roles for businesses in the LED process:

- Co-operation with local government and the community at large to ensure success of the LED process;
- Participation in growing the economy of a locality;

- Increase production capacity within the scope of existing environmental constraints;
- Co-operate with local authorities in the creation of a favourable investment climate;
- Agglomeration economies should be promoted to enhance local competitiveness to the benefit of the entire economy;
- The development of advisory forums and linkage mechanisms between large and small businesses, thereby encouraging the development of SMMEs; and
- Large businesses could assist in the development of small business by sub-contracting some part of their production process to the smaller industries within the local economy.

The entrepreneur paves the way for innovation. Acs *et al.* (1994:35) and Stanworth (1973:17) state that the role of SMMEs in the LED process changes according to prevailing local economic condition. SMMEs are successful when their establishment is a voluntary effort in which participants exploit the competitive advantages of a locality rather than as an act of desperation due to a lack of available opportunities (Reynolds, 2000:35). McClelland (1961:25) also highlights the positive psychological aspects of entrepreneurship and places emphasis on the often creative responses of entrepreneurs to changing economic conditions.

2.7 LOCAL ECONOMIC DEVELOPMENT STRATEGY

Swinburn *et al.* (2006:4) states that LED should always be guided by a good strategy. Ideally, the LED strategy will be a component of a much broader strategic development plan, namely the IDP, which would include programmes and projects relating to the social, economic and environmental goals of a locality. The LED strategy, however, provides developmental projects with a defined focus of strengthening the local economy and creating excess local capacity.

As illustrated in Figure 2.3, there are several components to an LED strategy that need to be co-ordinated by local authorities. The Urban Institute (2003)

notes that the issues involving cultural preservation, environmental sustainability and the creation of educational opportunities are somewhat unrelated to the other components present within a LED strategy. However, by providing educational opportunities to the community, local authorities are assured that the next generation of entrepreneurs and leaders are become knowledgeable future decision-makers. This training needs to be conducted within the cultural context of the communities concerned to create a lasting impact on future generations.

Environmental sustainability (as seen in Figure 2.3) is essential for the preservation of the limited natural resources that a particular region is dependent on. Without access to the main input in a region's industrial process, there would be no need for an LED strategy as the towns in the surrounding areas would not be able to withstand the economic pressures associated with lost revenue. Despite having a very broad focus, these components ensure the further success of the LED strategy (Urban Institute, 2003).

Figure 2.3: Components of a local economic development strategy



Source: Urban Institute (2003)

2.7.1 Stages in the local economic development strategy

The World Bank (2001 & 2006:50) has identified that any typical LED strategic planning process would move through five stages. These stages can be seen in Figure 2.4 and will be discussed in the subsequent sections. As the LED process should be flexible, the stages can parallel each other, however, this would be dependent on the needs of the locality. If problems are encountered during a particular stage, it may not be as a result of any projects implemented in that particular stage but could, in fact, be the result of the appropriateness of a previous stage. Stages in the LED process may need to be refined in order to resolve these issues and any issues that could occur as a result of changes to the local environment.

Figure 2.4: Stages in the local economic development strategy



Source: World Bank (2006:50)

2.7.1.1 Stage one: Organising the effort

Swinburn *et al.* (2006:4) states that the creation of a successful LED strategy requires the involvement of all relevant local role-players at the planning stage of the process. The World Bank (2001) indicates that the strategic planning process begins by identifying all role-players that would impact the local economy. This task is usually performed by the local authority.

Once the relevant role-players have been identified a team that would monitor and manage the LED process should be established and collaboration between the public and private sectors, community and various groups present within a locality should be promoted. The skills, experience and resources that each role-player brings to the LED strategy effort will contribute to the success of the strategic planning process (DP LG, 2004:32). Swinburn *et al.* (2006:5) states that maintaining and managing the various partnerships agreements is often seen as one of the most challenging factors in the LED process.

2.7.1.2 Stage two: Assessing the local economy

The World Bank (2006:52) proposes that identifying the inherent strengths and weaknesses of a local economy would lead to a LED strategy that is realistic to the current environment within a locality and that is achievable despite the social, economic and environmental issues present within an economy. A preliminary review of all existing partnership agreements, developmental trends, and the identification of industrial clusters would enable the LED process to refine its goals and determine the effectiveness of certain strategies.

Swinburn *et al.* (2006:5) states that the information collected in the analysis may accentuate the need for specific projects that would enhance and expand the economic base of the locality. The analysis should also take into account any comparative information regarding neighbouring localities and communities, providing further opportunities for exploiting regional competitive advantages.

The strengths, weaknesses, opportunities and threats (SWOT) analysis is the best tool for identifying and evaluating any components (highlighted in Table 2.5) that would hinder or promote the LED strategy established by local role-players. The LED strategy can then be formulated to take full advantage of any excess capacity that exists in the locality. The results of the SWOT analysis would provide a clear and concise path for all programmes within the LED strategy to follow and any possible threats to the strategy could be mitigated or eradicated before any impact on the local market can be felt (Houbon *et al.*, 1999:128).

Table 2.5: Components of a locality that would require assessment

Components of a locality that would require assessment	
Strengths	Comprised of local assets such as: • Skill level or competence of workforce; • Educational and research institutions in the locality; • Proximity of raw materials to manufacturing or processing site; and • Proximity to transport infrastructure (length of value chain).
Weaknesses	Possible obstacles to growth include: • Socio-economic factors such as extent of poverty, health of workforce, level of crime within locality; and • Available infrastructure and support systems.
Opportunities	Competitive advantages or possible sources of growth, such as: • Development of regional transport infrastructure; • Rejuvenation of expansion of local markets; • Training of workforce; and • Willingness of local role-players to engage in development opportunities.
Threats	Any factor that could hamper the success of LED strategies: • Loss of markets due to factory or plant closure; • Skilled labour force moving to other areas; and • Productivity loss in existing essential industries.

Source: Houbon *et al.* (1999:128) & Swinburn *et al.* (2006:5)

2.7.1.3 Stage three: Creating the local economic development strategy

The creation of the LED strategy cements the partnership between the various role-players involved in the strategy formulation process. Each participant is well informed with regard to the challenges that could arise from constructing a shared vision of economic development for the locality. The steps required to achieve this vision have been established and all role-players are aware of their responsibilities in the process. All goals, objectives, projects and programmes have been constructed with the general welfare of the community in mind. The time frames associated with each project have been assessed and the human and financial capacity of the locality has been measured against the budget of the local authority (World Bank, 2001).

Figure 2.5: Success factors for the local economic development strategy



Source: SALEDN (2009)

The LED strategy is likely to incorporate the infrastructural, spatial, agricultural and business development needs of the community into a cohesive roadmap for economic growth and development (Van Wyk, 2004:112). The LED strategy should contain certain components that would ensure its success (SALEDN, 2009). As seen in Figure 2.5, the strategy should have a shared vision of development which provides a guideline for the economic future of the locality. Goals and objectives that set the targets and standards for development should be determined and must be measureable against success criteria.

Programmes, projects and action plans form the basis of the LED strategy. Each of these should be prioritised according to the overall economic vision for the locality.

2.7.1.4 Stage four: Strategy implementation

The implementation plan is driven by the various programmes and plans housed within the overall LED strategy. Specific details regarding the hierarchy of tasks, responsibilities of role-players and targets to be must be determined before the strategy is implemented. In doing so, the local authority can maintain directional clarity and can ensure that the various projects of the LED strategy do not compete for resources (World Bank, 2001).

Swinburn (2006:12) proposes that in order to gain momentum and build confidence in the LED strategy, projects that can be implemented in the short-term should take precedence as they would produce immediate results. Generally, however, implementation of the LED strategy has a timeframe of between one to three years and

2.7.1.5 Stage five: Reviewing the local economic development strategy

The World Bank (2001) states that monitoring, evaluation and review of the LED strategy is essential in determining whether or not the goals and objectives established in stage three have been met. Impacts on the social, economic and environmental status of the locality should be determined and the extent of participation in the overall strategy should be acknowledged. Should any programmes or projects be deemed unsuitable then a replacement should be implemented or resources should be channelled to more effective programmes.

2.7.2 Local economic development strategy options

Based on the outcomes of the SWOT analysis conducted in stage two of the development of the LED strategy, the local authorities must determine the focus of the programmes and projects central to the strategy. Swinburn (2006:13-15) has identified the following options available to local role-players:

- Investment in hard infrastructure, which includes transport and telecommunications infrastructure and utilities such as electricity, water and sanitation;
- Investment in soft infrastructure, which includes support systems, skills development and training, networking between role-players and easier access to finance;
- Encouraging new enterprises and enhancing local market access and growth through the provision of appropriate support systems;
- Improving and promoting the local investment climate through incentive programmes for endogenous investment;
- Targeted approach to development through sectoral or business cluster development, which is aided by the development of linkages between firms and economic sectors in a locality through an integrated, intermodal transport network; and
- Training and integration of unskilled and impoverished communities into the mainstream economy of the locality, thereby decreasing poverty and inequality and enhancing development, growth and overall living standards of the community.

The World Bank (2006:56) provides a number of interventions that would meet the goals established by a LED strategy. These are summarised in Table 2.6.

Table 2.6: Projects that would achieve local economic development strategy goals

Strategy	Aim	Interventions
<i>Development of local infrastructure</i>	Facilitate the creation of an environment suitable for sustainable economic growth and development.	• Provision of basic services; • Efficient infrastructure maintenance; and • Development of policies that promote and enhance business development.
<i>Expanding local market access</i>	Promote a spirit of entrepreneurship in the local community and assist local businesses in improving overall market share through higher added value in production.	• Training and development of local entrepreneurial capacity; • Provision of guidance, support and technical advice; • Development of under-exploited sectors of the local economy; and • Incentive schemes for promoting endogenous investment.
<i>Development of local human capital</i>	Increasing levels of development for the community at large through training and skills acquisition programmes that would enhance local productivity and facilitate the expansion of local industries.	• Training and skills development in the major economic sectors of the locality.
<i>Poverty reduction and enhancement of welfare</i>	Ensure the reduction or elimination of poverty and inequality to increase overall welfare of community.	• Support SMME development through financial incentive schemes and provision of support systems; and • Ensure LED strategy is aimed at overcoming weakness and threats inherent in the locality.

Source: World Bank (2006:56-57)

2.8 SUMMARY AND CONCLUSIONS

The theoretical underpinnings of local economic development were discussed in this chapter. This was done through a literature review aimed at emphasising the importance of LED to local communities. The chapter focussed, amongst others, on the following issues:

LED is defined as an ongoing process that is based on local initiatives with the aim of rectifying any socially and economically unacceptable situations within a specific locality. The entire process is managed by local role-players and involves identifying any underutilised local resources and competitive advantages in order to stimulate economic growth and development to address the needs of the community at large.

The success of any LED strategy is determined by the relative strength of the relationships between the community, private sector and local authorities. All key role-players should be willing to work toward creating better conditions for economic growth, income and employment generation and increased welfare for the local community. Through these PPPs, the growth achieved can be sustainable and inclusive, thereby enhancing the competitiveness of a locality.

LED is different from other conventional top-down approaches to development due to the horizontal and vertical co-operation which takes place amongst all local role-players. In traditional approaches to development, the central government would determine the development initiatives to be implemented and these initiatives would fall short on achieving any significant positive impact on economic development. LED identifies local economic potential and utilises value chains and industrial clusters to promote sustainable economic growth and development through collaboration with all relevant stakeholders within the community.

LED has evolved as a result of increased globalisation pressure on regions within a country. In order to experience economic growth, regions can no longer rely on national development schemes in order to increase accessibility of international markets. There has been a decided shift in focus of global

markets from a national perspective to a more regional focus on increased competitive pressure, competitive advantages and exploitation of underutilised resources. As a result of this, LED has moved through three specific stages. The first stage focused on attracting and mobilising investment. The second stage moved toward growing existing local businesses and targeting specific economic sectors for investment. The third stage heralded the arrival of modern LED practice, which ensured a more conducive environment for investment. PPPs were established and an era of endogenous or inward investment was welcomed.

LED can assist in achieving the economic and social objectives of any locality. Through the utilisation of competitive advantages, wealth creation and increased economic welfare, LED can ensure sustainable economic growth and development for the locality concerned. More importantly, it can act as a locality-based complement to the traditional top-down approaches to development.

The entire LED strategy should operate on specific principles to ensure achievement of underlying social and economic objectives. Some of these principles include prioritisation of job creation and poverty alleviation through targeted strategies aimed at alleviating the economic conditions of previously disadvantaged groups within the country. As such, all local role-players must be involved in the LED process to identify these groups and ensure that the aim of all LED initiatives is the promotion of endogenous investment in those industries where excess capacity exists or where the greatest economic impact can be achieved.

The concept of locality-based development was first introduced in the ANC government's RDP and then later formalised in several pieces of legislation. Local authorities are now legally mandated to empower local communities and ensure that economic growth and development occurs in their particular locality. The National Framework for LED has been developed as a guide for all local authorities and has instituted a strategic implementation procedure that can be followed in order to improve LED within the region concerned.

As part of the legal mandate for development, each municipality must create an IDP which formalises all LED initiatives to be implemented in the locality concerned. The IDP should be seen as a bridge between the current level of development within a region and the sustainable development envisioned by all local role-players. The IDP ensures that local resources and competitive advantages are utilised effectively. The IDP planning process is inclusive, meaning the local community, private and public sectors should determine the process of development and growth initiatives to be developed in the locality. Endogenous or inward investment is promoted and realistic and attainable goals are established.

The LED process requires input from all local role-players. The process cannot be managed by local authorities alone as they lack the business acumen and level of performance based on guiding business principles and entrepreneurial dynamics. However, the private sector would be unable to maintain the necessary balance between the various social, economic and environmental goals of a local municipality. Local authorities should create an enabling and attractive environment for investment that would ensure the success of private sector initiatives. Possible roles for local authorities include co-ordinator of developmental activities and initiatives, facilitator and stimulator of economic growth and development and entrepreneur or developer of LED initiatives.

Communities and local businesses have a responsibility to ensure that all excess capacity is created in the local market and that any competitive advantage is exploited in order to meet the LED objectives established through extensive communication with local authorities. Local role-players also have a duty to communicate with local authorities and voice their concerns regarding the economic future of the locality. PPPs ensure that the strengths of local-role-players are utilised to the most efficient degree possible and that efficient and sustainable economic growth and development is attained.

In order for the LED objectives identified by local role-players to be realised, there must be a specific strategy in place for the realisation of these goals. The LED strategy provides developmental projects with a defined focus of strengthening the local economy and creating excess local capacity. The LED

process itself is continuous and the various stages of the strategy should be fluid in order facilitate changes based on the inherent needs of the community at large. Many strategy options exist; however, local authorities must determine what the overall outcome of the strategy should be. Based on the outcome required, the initiatives needed to achieve those outcomes will take prime position in the LED strategy. Possible options include development of local infrastructure, expanding local market access, poverty reduction and enhancement of welfare or development of local industries, SMMEs and available skills.

Stage one of the strategy requires all relevant local role-players to be involved in the strategic planning process. The skills, experience and resources that each individual brings to the LED strategy will ensure the overall success of all developmental initiatives within the region. Stage two requires assessment of the local economy in order to determine the inherent strengths and weaknesses of the locality. Using a SWOT analysis, the LED strategy can then determine the necessary initiatives that would bring about the greatest change within the region. Stage three involves the actual creation of the LED strategy. All possible goals, objectives and responsibilities are highlighted by the strategy. Stage four is strategy implementation and stage five requires a review of the strategy to evaluate whether or not the goals determined in stage three have been met by the strategy.

By taking the information above into account, it is clear that in order for a region to achieve sustainable economic growth and development there must be a clear path for developmental strategies and initiatives to follow. This path is the LED strategy. The most crucial aspect of any LED strategy however, is the co-ordination and collaboration of various role-players within the community in order to achieve a focused and unified vision for the economic growth and development of the community concerned.