

Local Economic Development (LED)

Building blocks, strategy and implementation for local government in South Africa

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First received 25/05/12

Accepted for publication 02/10/12

ABSTRACT

The notion that Local Economic Development (LED) is a mechanism for poverty alleviation has led to heated debates over the last few decades. The two concepts have been intertwined and in some cases, confused with each other. LED strategies usually form part of a comprehensive poverty alleviation plan, a total onslaught on poverty, which are meant to address the socio-economic needs of a specific community, within a defined geographical area. In similar vein, the pillars of any poverty alleviation strategy should, at least, contain strategies such as provision in the basic needs of local people, creation of sustainable economic development, job creation opportunities, development of human resources and skills, ensuring safety and security and a well-managed quality environment. The current weaknesses in government interventions regarding poverty alleviation and LED could be overcome with explicitly “pro-poor” strategies. Such strategies place the formulation of strategies for job creation, sustainable rural and urban development and the central place of poor as the focus of all interventions. Poverty alleviation must be the top priority in a LED strategy and it must be accepted that the poor needs a “safety net” due to their high levels of vulnerability. LED has in some instances being misunderstood as being limited to community projects only. This article

explores the theoretical interface of LED strategic planning at the local government sphere in South Africa. The purpose of the article is to highlight the premium of LED as a strategy for poverty alleviation, and to help clear ambiguities on the nature of LED. The article involves a theoretical exposition and practical realities as methodology.

INTRODUCTION

The concepts of poverty alleviation and LED have led to heated debates locally and abroad over the last few decades. The two concepts are sometimes confused with each other. LED strategies should form part of a “comprehensive” poverty alleviation plan which will ensure that all socio-economic needs of a specific community are addressed, within a defined geographical area. The main pillars of any poverty alleviation strategy should at least contain issues such as meeting the basic needs of local people, sustainable economic development, job creation opportunities, development of human resources and skills, ensure safety and security and a well managed quality environment (Mokate 2005:16).

The concept of LED has evolved as a policy approach in the early 1970’s as a response by local government realising that business and investment were moving to geographical locations where competitive advantages are optimal within an enabling economic environment. By actively analysing a specific local economy, the local opportunities and obstacles to development is better understood by government and communities. With this new understanding of the local economy, strategies and policies could be formulated to address local challenges (Sekhampu 2010:61). According to the International Labour Organisation (ILO) (2006:2), LED could be utilised as a tool to find solutions to the threat or advantages of globalisation by maximisation of local resources and potential. The challenge for LED is to find ways to optimise local resources and local knowledge to benefit all residents in a specific geographical area (Rogerson 2009:35).

The current weaknesses of government, and specifically local government interventions regarding poverty alleviation and LED could be overcome with a balance between a “pro-growth” strategy and a “pro-poor” strategy. A combination of such strategies place the formulation of strategies for job creation, sustainable rural and urban development and the central place of poor and vulnerable people at the focus of LED (Trousdale 2005:4). Poverty alleviation must be high on the agenda regarding any LED strategy and it must be accepted that the poor need a “safety net” due to their high level of vulnerability. LED implementation must have

as its goal to facilitate and lead to long term, permanent employment as well as the improvement in the quality of life of all residents (McIlrath 2004:74).

The concept of LED could in broad terms be defined as all the economic actions and initiatives, carried out but the members of a specific local community in order to achieve improved levels of quality of life, with a focus on the poor in order to create sustainable and resilient local economies (Trousdale 2005:2). According to the National Resources Institute (NRI)(2006:16), LED initiatives must promote local ownership, partnership formation and assist in the creation of an enabling environment to stimulate new opportunities for economic development. LED must also attempt to improve governance, and create income generation opportunities. Bartik (2003:2) stated that LED could be defined as the capacity of a local economy to create wealth for all its residents. Ruecker (2007:15) stated that LED is an ongoing process by which all stakeholders from public and private sectors work together to create local unique locational advantages. LED should attempt to remedy local market failures such as barriers to enter markets and availability of information. LED is not social work, but must create economic competitiveness to ensure that a specific locality is superior to other localities with different resources (Meyer-Stamer 2003:4). Blakely (2002:159), in support of the listed definitions of LED, defined the broad goals of LED as the creation of jobs, economic stability through diversification, and a process driven by local people and local knowledge systems.

According to the Education and Training Unit (ETU), National and provincial governments must support local government by formulating suitable policies, providing funding and research support (ETU 2012:1). In terms of Section 152 of the *Constitution of South Africa* (South Africa 1996a), municipalities are tasked with development responsibilities which include LED implementation in South Africa. In addition to the Constitution, other polices, plans and legislation were formulated since 1994, such as the Reconstruction and Development Plan (RDP) as a macro-economic policy (ANC 1994), the Growth, Employment and Redistribution policy (GEAR) in 1996 as a macro-economic policy (South Africa, 1996b), the *Local Government Transitional Act* of 1995, Act 61 of 1995 which refers to LED as a local government strategy for economic development (South Africa, 1996c), the *Local Government: Municipal Systems Act*, Act 32 of 2000 also refer to the roles and functions of municipalities, regarding economic development and LED is identified as a tool to address spatial inequalities (South Africa 2000). In 2004, the Department of Provincial and Local Government (DPLG) formulated a Provincial LED policy and the main components and principles thereof were based on sustainable projects, and new innovation with implementation of projects. Local communities are recognised as the most important resource for LED and strong leadership on the local level is necessary. Other aspects of importance included the optimal utilisation of

local assets such as land and infrastructure, maintenance of a quality natural environment, and creation of public-private partnerships (DPLG 2006:7). In 2006 the Accelerated and Shared Growth Initiative for South Africa (ASGISA) were released as a macro-economic policy to enhance partnerships and focus on industrial development (South Africa 2006a). In support and collaboration with ASGISA, the National Spatial Development Perspective (NSDP) was released in the same year to ensure the identification and integration of areas with economic development potential and areas of need (South Africa 2006b). In 2010 the New Growth Path (NGP), a national macro-economic policy, was released with the aim to identify and promote job creation through seven key “job driver” sectors (South Africa 2011a). In 2011 the National Development Plan (NDP) was released within the framework of the NGP. The focus areas of the NDP are job creation, infrastructure development, quality environment, improvement of urban and rural spaces, skills development, health care, good governance and national unity (South Africa 2011b).

It should be kept in mind that local government is the lowest level of government and closest to the people. This level of government should therefore be the main agent for the implementation of LED strategies and poverty alleviation projects. National government should provide broad policy and principles as well as funding for strategies and projects, in order for local government to implement. Any strategy to combat underdevelopment and poverty must focus on fighting of unemployment, improve income levels of the poor and the general improvement of quality of life.

As stated, local government is the implementation agency of LED plans. McIlrath (2004:91) listed the main functions of local government concerning LED as local policy formulation, formulation of LED strategies, co-ordination and integration of local economy, providing support to SMME’s, creation of a positive economic climate, facilitating of the implementation of sustainable LED projects, job creation through infrastructure development and other sectors and provision of information and research.

THE LED STRATEGIC PLANNING PROCESS

Introduction

This section of the article is an investigation of the strategic planning component of LED, which will be analysed and a model will be formulated later in the article. Issues to be investigated include formulation of a vision, principles, objectives and strategies as part of a systematic strategic planning approach. The approaches by Blakely (2002:343) and Swinburn (2006:5) forms the basis of the process analysed. The main features for LED success according to the ILO

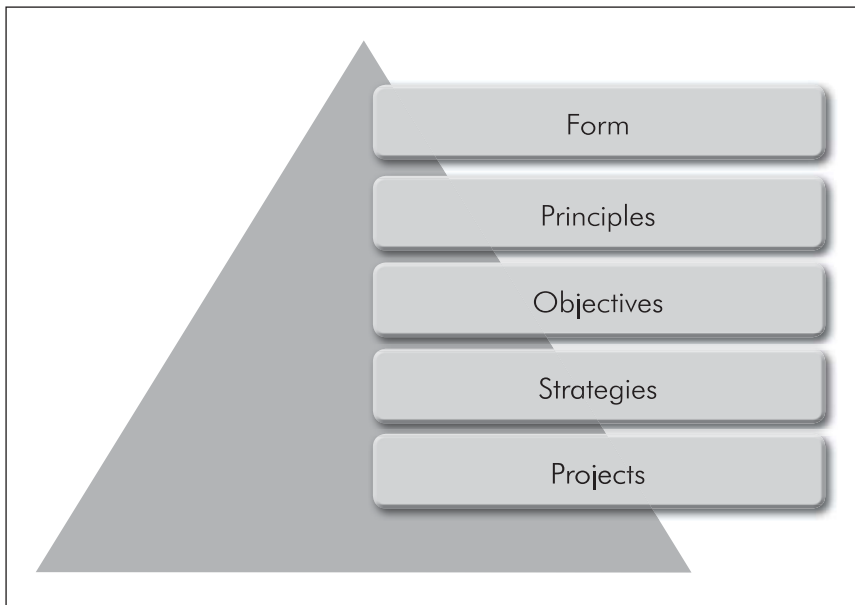
(2006:2), should include intensive levels of participation by all local role players (local government, private sector and local communities), focused on a specific territory, maximise local resources, focus on competitive advantages and lastly are locally compiled, implemented and managed.

The strategic planning approach should be followed in the formulation of an LED strategy for implementation. The process should commence with a vision which is a broad statement of the ideal goal of the selected economic direction for an area. Principles spell out the guidelines along which lines the vision could be achieved. Objectives are also broad statements or approaches which attempt to achieve the broad vision. Strategies are more detailed statements which have the intension to achieve the objectives. Projects and programmes are formulated in order to achieve and implement strategies (Swinburn 2006:6). Figure 1 is an illustration of the process.

Principles of a typical LED strategy

Examples of principles which back up the broad vision statement are discussed below. The LED process must be people centred and high levels of community

Figure 1: The LED strategic planning approach



Source: adapted from Swinburn (2006:6)

participation are requirements (Rogerson 2009:39). A “bottom-up” approach is accepted as best practice. The LED process must be a holistic and integrated approach in that it must address both the economic and social challenges faced by the people of the area, focused on the poor (Blakely 2002:55). All stakeholders need to bring innovative ideas and this could close skills and resources gaps. Sustainability of projects is of great importance in terms of economic feasibility, environmental impact and social impact. It must be ensured that micro and macro linkages in the local economy and between rural and urban areas are achieved (Davids 2004:10).

The bulk of local resources need to be prioritised towards those projects which best supports the area’s primary vision. LED projects need to make business sense and not only be community projects that are subsidised. Regulations and “red tape” procedures need to be limited and economic base data need to be available before investors will invest in the local economy. Good recent information leads to good planning. The focus should be on projects that results in maximum output with the least possible inputs. LED is everybody’s business, not only that of government or the local business community. The local municipality cannot achieve LED success on its own and need to form partnerships for success with local communities and the private sector. Government does not create jobs, but provides an environment in which business and entrepreneurs/SMME’s can flourish. They can do this for example by identifying potential growth sectors and competitive advantages. An economic development path needs to be chosen which is sustainable with long term value added potential and which links rural development with urban regeneration. Local success stories and best practice achievements regarding LED needs to be published and rewarded. This will inspire other people to greater efforts and lead to dynamic development momentum. LED is based on local initiatives where local communities are encouraged to help themselves within a support framework of government and its partners. LED cannot succeed without on equal investment in social upliftment, environmental protection, good governance and a commitment from all stakeholders (Malefane 2009:167).

Objectives of a LED strategy

Objectives are the building blocks towards the achievement of a local LED vision and in practical terms, below are some examples of typical LED objectives. Strong local leadership by all role players is required which will ensure local co-operation, implementation and good communication. The development of a regional, seamless LED focus is needed. National, provincial, district and local municipal LED strategies must be integrated and in support of each other. Broad regional co-operation holds the key to LED success. A broad coalition

of stakeholders and partnerships are required. Shared visions and values build and hold communities together, including the poorest of the poor. Shared ideas and robust, open discussion builds trust and commitment. The establishment of a local community development forum is also of vital importance. Quality and intensive stakeholder participation ensures continuous skills transfer and sustainability (Blakely 2002:54).

Local LED objectives must be relevant to the unique local socio-economic conditions. Projects allowing opportunities for income generation for rural women, labour intensive projects, household food security (food gardens), human capital building programmes, provision of social and community facilities, and youth development projects need to be attempted. LED objectives should seek to leverage, integrate and co-ordinate resources for maximum impact and avoid duplication between government organisations. Development of technology, human capacity, and access to funding and finance are key requirements. Access to market opportunities must be available to enter the local economy, for example infrastructure for informal traders (Van der Heijden 2008:126).

Effective public policy and a legislative framework are vital for LED success, including spatial policies (SDF), budgeting, procurement policies, etc. The LED process must be focused, continuous and measurable. This include the setting of objectives, performance targets, expected success criteria, feedback and appraisal mechanisms. Alleviation of poverty and inequality, the upliftment of rural people, disadvantaged communities and SMME development are the main objectives of LED plans (Bartik 2003:16). Rodrigues-Pose (2001:11) stated that traditional macro-economic policies have been unsuccessful in creating

Table 1: Traditional macro-economic policy versus LED

Traditional macro-economic policy	LED policy
"Top down" approach, decisions take by central government.	"Bottom-up" approach, decisions taken at local level.
Centralised management of policy.	Decentralised management policy including participation by local communities.
Sectoral focused approach to development.	Local space economy and locality approach to development.
Investment in large industrial projects to stimulate spin-offs and down-stream development.	Create an enabling local economic environment and maximise local development potential.
Financial assistance, incentives, subsidies to attract economic activity.	Provide an overall enabling economic environment to stimulate SMME and entrepreneurial development.

Source: Rodrigues-Pose (2001:12).

an enabling developmental environment at the local level. LED has provided an alternative as a developmental policy at the local level. Table 1 provides a comparison between traditional macro-economic and LED policy aspects.

A local economic analysis needs to create a clear understanding of the asset base of the poor, and based on what people have, identify possible livelihoods opportunities to expand their assets in order to improve the levels of vulnerability. A local understanding of poor people’s vulnerability context, and the risks the poor face, needs to be formulated. The local institutional framework also needs to analyse which will allow for future improvements (Davids 2004:5).

Table 2 below indicates in a practical manner how LED objectives are transformed from strategies to implementable projects.

LED policies needs to be implementable, which is the final test for the efficiency and success of such a policy.

LED strategies

LED strategies are the building blocks in reaching and achieving the objectives as listed above. Strategies are achieved by the implementation of projects and programmes (Blakely 2002:165). According to Sachs (2005:45), for LED strategies to be successful, both the macro and micro-economic issues need to be taken into account. Local economies should prioritise action plans that will create the most impact in view of their local vision and objectives (Swinburn and Murphy 2007:4). The following are some of the components that should be included in a LED strategy for a specific area including aspects such as a balanced set of “hard” and “soft” infrastructure programs. For example the provision of transport, energy, water, waste management and telecommunications networks (hard infrastructure) as well as social needs in terms of education, training, business

Table 2: LED from objectives to projects

Objectives	Strategies	Projects
Reduction of poverty	Provide in the basic needs of the poor	Provide in the basic essential services and allow access to community facilities
Promote job creation	Provide skills training	Set-up job and skills centre
Support the retention and attraction of business	Ensure focused marketing, research and analysis of economic conditions	Set-up business support and advice centre
Promote economic stability	Encourage economic diversity	Support key economic sectors as identified in research

Source: Trousdale (2005:15)

support and healthy lifestyles (soft infrastructure). The formulation of priority initiatives and sectors earmarked for investment with budgets and plans to attract investors, an outline of processes for monitoring, review and evaluation (systems approach), a clear statement of the nature and requirements of each project, along with expected outputs and outcomes. These can be used as a benchmarking mechanism for monitoring the progress and output of project as it is implemented. The plans should document the conceptual links from vision to projects. This will keep the logic consistent and will help in the reviewing progress in realising the vision. Strategies need to be achieved through the implementation of projects. For each project, the risks must be identified that could hinder progress and consider methods to contain or manage these projects (Nel and Goldman 2006:53).

Ideally, the development of a LED strategy should be an integral part of the broader strategic planning process for a region, city, town or rural area, such as the integrated development planning (IDP) process (Human 2008:53). Sound strategic planning ensures that priority issues are addressed and scarce resources are well targeted. The five step planning process detailed below should be tailored and customised to correspond with other local planning processes which will be unique for a specific area. The process is not prescriptive and should be adapted to meet the needs of each individual community.

The LED process

Various organisations have listed LED processes such as the World Bank (2001), Local Governance Support Program (LGSPA)(2009), Trousdale (2005), Blakely (2002:79) and Swinburn (2006:4–7), but for this article we will use the process as listed by the World Bank. The following is a summarised step-be-step description of the LED strategy formulation process as prescribed by the World Bank (2001:8–14):

Phase 1: Organizing the effort: A specific local community begins the LED strategy planning process by first identifying the people, public institutions, businesses, community organisations and other groups with vested interests in the local economy. This is often led by the specific local government, usually the Mayor or the Municipal Manager. The skills and resources that each of these stakeholders bring to the strategic planning process provide a critical foundation for success. The identification of these individuals and organisations assumes some basic knowledge of how the economy of the area works. Secondly, working groups and steering committees should be established to ensure formal structures are in place to support strategy development and implementation. More actions could include the following:

- Establish a “home” for LED and a “Champion” of LED;
- Management of stakeholders;

- Establishment of a steering committee such as a LED Forum;
- The local authority to oversee the LED process (World Bank 2001:8).

Phase 2: Conducting the competitive assessment: Each community has a unique set of local attributes that advance or hinder local economic development. This includes its economic make-up, and human resource capacity to carry out economic development, as well as how “friendly” the local government’s business environment is for economic activities. The aim of the competitive assessment is to identify the community’s strengths and weaknesses, including its human resource capacity and the local governments “friendliness” to all types of business from formal business to informal survivalists’ and identify the opportunities and threats to the local economy (SWOT analysis). The goal of the assessment is to create an economic profile (status quo) of the community that highlights its economic development capacity. More actions include the following:

- Compile LED information such as socio-economic information, demographic information, municipal hard infrastructure information, municipal soft infrastructure and regional and national information impacting locally;
- Analysis of the information (World Bank 2001:12).

Phase 3: Developing the LED strategy: The LED strategy includes development of a shared economic vision for the community and determination of goals, objectives, programs, projects and action plans. This process ensures all stakeholders are aware of what is to be achieved, how it is to be achieved, who will be responsible and the time frames associated with the implementation of the strategy. Most importantly, the LED strategy and action plans must be assessed against the human resource capacity, as well as the budgetary constraints. Ultimately the strategic action plans should be incorporated into the budgetary program of the local authority. The aim is to leverage strengths, overcome weaknesses, exploit opportunities and deal with threats (World Bank 2001:13).

Phase 4: Implementing the LED strategy: Strategy implementation is driven by the action plans and programmes. Ongoing monitoring is provided through the formal structures. Evaluation of specific project outcomes ensures that strategies continue to lead to the achievement of the LED vision, goals and objectives. Most broad-based comprehensive LED strategies are delivered through public/private sector partnerships that are led by the specific local authority. The private sector is often keen to manage initiatives through business chambers aimed at improving the vitality and viability of town centres or to be involved with business development initiatives. Community groups may seek to lead initiatives to improve the quality of life and living conditions of a target group of disadvantaged individuals. Strategy implementation is never as clear-cut as the strategy development itself. It often takes longer than expected, and involves a

consistently changing environment and economic cycles. Within each project and program that is being implemented, strategic thought must occur at every step of the way. This will often focus on how to best advance and complete a project in an often rapidly changing environment (Nel and Goldman 2006:3).

Phase 5: Reviewing the LED strategy: Monitoring and evaluation techniques assist to quantify outcomes, justify expenditures, determine enhancements and adjustment and develop best practices. This information also feeds into the review of the total strategy. The LED strategy should be reviewed at least annually to ensure that the overall strategy itself is still relevant. It may be that conditions have changed or that the initial assessment was incorrect relating to the local conditions. The LED strategy should evolve continuously to respond to the ever changing competitive environment (World Bank 2001:14).

Phase 6: Funding a LED strategy: Securing funding for a LED project is often very difficult. One of the reasons for this is that local authorities often do not have a statutory responsibility to delivery of LED services and LED seen as “luxury” expenditure. When it comes to budget time, LED is competing for scarce resources with departments such as housing, health and education. Sometimes, it is difficult for elected officials to justify spending scarce resources on LED efforts because short time horizon responses (such as improving access to piped water) are often perceived as more important than the LED initiatives that often offer longer time horizons, and whose benefits may not be immediately apparent. The LED strategy should have a budget. In selecting particular programs and projects, care needs to be taken to ensure that funds are available for the entire length of each project as projects are likely to span several financial years. Forward or exit strategies should also be developed. Sources of funding of LED initiatives include municipal revenue raised from the usual sources including property taxes and user fees, sale or rental of municipal owned industrial or commercial buildings and land, national and state government intergovernmental transfers, international donor grants and loans, private sector funding such as corporate donations, foundations, especially for environmental improvements, human resource initiatives and poverty alleviation (World Bank 2001:14).

The systems approach is followed whereby objectives support the vision, and strategies support objections. Projects are identified in order to achieve strategies. Ongoing measurement and review is necessary. Examples of typical LED strategies could include SMME development plans, industrial and service sector development plans, trade and export development plans, investment and development facilitation plans, research, policy and information provision, economic empowerment plans (Phago 2005:128). Other possible LED strategies could include support of new and existing enterprises, provision of developmental infrastructure, development plans for unique areas for intervention, and rural development plans (World Bank 2002:151).

Table 3: Examples of pro-poor interventions

INTERVENTIONS	EXAMPLES OF PRO-POOR APPLICATIONS
Economic Development Strategy	<ul style="list-style-type: none"> • Should include interventions across the whole spectrum of municipal operations, not just in an economic development unit.
Grants/rebates to attract inward investment	<ul style="list-style-type: none"> • Subsidised training and skills development of disadvantaged employees of investors and SMMEs.
Non-financial support for inward investment	<ul style="list-style-type: none"> • Provision of land, land use planning rights if for example a business employs a certain number of disadvantaged employees. • Support to investors to use their corporate social investment fund in ways relevant to disadvantaged people/informal economy.
Investment in infrastructure and infrastructure-related services	<ul style="list-style-type: none"> • Provision of incubators (skills and job centres). • Provision of market stands for informal traders. • Creation of produce markets. • Creation of input supply depots for up-coming farmers. • Construction of key economic access roads. • Contracts for community-based or SMMEs regarding construction and maintenance. • Support for specific infrastructure to support projects. • Planning suitable infrastructure for service delivery in rural area, e.g. cell phone payment of electricity bills. • Indigent policy to support access of poor people to services.
Skills development	<ul style="list-style-type: none"> • Support for adult and functional literacy programmes. • Skills training. • Training in entrepreneurship and marketing.
Procurement support for SMMEs/informal sector	<ul style="list-style-type: none"> • Preferential procurement for SMMEs and for BEE companies. • Promotion of procurement opportunities for informal businesses. • Encouraging large business to source locally including from SMMEs and informal sector.
SMME/Informal sector support	<ul style="list-style-type: none"> • Provision of incubators. • Subsidised support for market research, tenders, export. • Support for SMMEs requiring progress to BEE standards, at least for employment and skills development. • Support for collective organisations of informal traders to interact with authorities. • Support for agriculture and land reform processes including commonages and agri-villages. • Support for co-operative. • Promotion of accessible and fair micro-finance schemes.

INTERVENTIONS	EXAMPLES OF PRO-POOR APPLICATIONS
Livelihood support	<ul style="list-style-type: none"> • Improving access to cash transfers such as social grants. • Support for agriculture regarding food security and income in both rural and urban areas. • Promotion of periodic markets. • Promotion of community-based service mechanisms, e.g. for waste, home-based care etc. • Assessing which municipal services could be delivered or supported using community-based or SMME mechanisms. • Capacity-building support for CBOs and NGOs.
Sectoral development	<ul style="list-style-type: none"> • Promotion of sectors based on local knowledge, skills and environment e.g. agriculture, agri-processing, culture and tourism.
Special employment schemes	<ul style="list-style-type: none"> • Subsidies for specific groups, e.g. disabled, youth to be employed or learnerships.
Special development zones	<ul style="list-style-type: none"> • Particular incentives for development zones for labour-based industries, for employment or training.
Research and information supply	<ul style="list-style-type: none"> • Analysing informal sector. • Assessing livelihoods – baseline and regular evaluations. • Undertaking participatory planning processes to obtain view of disadvantaged people on priorities and strategies. • Assessing potential economic opportunities in disadvantaged areas.

Source: Nel and Goldman (2006:10)

Pro-poor interventions

LED and poverty alleviation strategies could be implemented in support of each other, and a combination of the two concepts could be described as “pro-poor” intervention tools. Table 3 below is an analysis of “pro-poor” interventions in consultation with LED strategies.

Blakely (2002:165) states that if LED strategies are not formulated in terms of acceptable principles and best practice guidelines, it could lead to negative impacts on local economies and communities. For example, every local area is unique and a “one size fits all” approach will fail. Rather analyse a local area’s strengths and weaknesses and formulate a “best fit” strategy to maximise local potential. Capacity and competency with local commitment is required.

LED IMPLEMENTATION

According to the Trousdale (2005:28), successful LED implementation is dependent on six key issues which include the level and quality of local leadership, the quality of the local enabling economic environment allowing access to opportunities, the level of involvement of local youth, the potential for sustainable job creation, the level of governance, the skills levels available in the economy and lastly the impact of all initiative to reduce poverty and inequality. The International Republican Institute (IRI) (1998:15), listed LED tools for implementation which relates to the issues as listed above by UN-Habitat above including SMME and entrepreneurial development, relaxation of regulations to enhance the economic environment, provision of economic infrastructure, creation of special development zones, maximisation of regional linkages and plugging the gaps in the economy.

Composition of a LED project

Specific details regarding project components, including a hierarchy of tasks, responsible parties, a realistic delivery timetable, human resource and financial needs, sources of funding, expected impacts, results, performance measures and systems for evaluating progress, must be formulated for each project (Busso and Kline 2007:1–15).

Projects that can be implemented on the short term and which will result in “quick wins” play an important role in building momentum and stakeholder confidence. Other projects will have a medium to long-term timeframe. In each case, projects should be “championed” by individuals or a group of stakeholders according to interests, resources, commitment and expertise. Components for each LED project must include the following:

- **Project Objectives:** Each project should have clear objectives that meet strategic goals;
- **Project Inputs:** The necessary resources needed to implement the project, e.g. capital and revenue costs, human resource inputs and capabilities, other inputs such as land and buildings;
- **List of Actions:** A summary of the main actions to be undertaken in each project;
- **Project Outputs:** The direct result from the project, i.e., the construction of a business incubator;
- **Project Outcomes:** These are direct results from the outputs, e.g. an outcome of the building of a business incubator could be that four new businesses be established and 15 new entrepreneurs were trained and released in the field;
- **Project Impacts:** Impacts are associated with a strategy's goals, and the broader effect of a project over time, even after the project is completed, e.g., the development of a specific industry cluster based on the innovation centre;

- **Project Risk Assessment:** Assess the possible risks and formulate solutions;
- **Project Management:** Who will take financial and management responsibility for the project (internal to the municipality or external). Legitimate institutional mechanisms need to be in place or envisaged as part of the plan (World Bank 2001:72).

Approaches to LED implementation

The following are some of the approaches that could be used for LED implementation:

- Encouraging local business growth:
The provision of support, advice and resources to existing local business to create a positive climate for growth. Some of the projects and programmes include business retention visits and surveys, technical assistance, financial advice to businesses, buy local campaigns, public procurement policies, streamlining government procedures and provision of sites and premises for SMME development (World Bank 2001:16).
- Promoting foreign, direct and domestic inward investment:
For such investment attraction to be successful, the following key components are required namely, it must form a part of the LED strategy, the required hard or soft infrastructure are available and opportunities for local small business (SMMEs) are optimised (World Bank 2001:19).
- Investment in Hard Infrastructure
This includes investment in the built environment in order to make it more attractive for business retention, expansion and recruitment. Such projects and programmes include construction of key economic access routes, improvement of local transport nodes, development of industrial areas, (new or old areas), increase the availability of services such as water, sewer and electricity, improvement of telecommunication systems, environmental enhancements and lastly crime prevention projects (World Bank 2001:20).
- Investment in Soft Infrastructure
Projects and programmes include skills training projects which are demand led, increased business focused education, ongoing research and development, provision of business advisory services, provision of and assistance to access to capital and finance, support the establishment of business chambers, improved delivery of local government services to businesses and crime prevention measures (World Bank 2001:21).
- Sector Development
Projects and programmes include network agencies, supporting joint research, development of cluster-focused public procurement and local purchasing agreements, cluster specific research and information, develop cluster specific

marketing efforts and develop demand-led skills and education training programs (World Bank 2001:22).

- Area Targeting
Specific projects and programmes could include town centre improvement projects, upgrading of old industrial areas or sites, development of new industrial areas, encourage investment into growth nodes, encourage investment into corridors and provision of facilities to informal markets (World Bank 2001:23).
- Development of the Informal Economy
Provision of facilities for the informal sector such as infrastructure for street vendors, provision of access to transport, access to finance and banking, provision of skills and business training, ease or relax “red tape” regulations, and improvement of linkages between formal and informal sectors, provision of industrial incubators to SMME’s, market resources and information provision to the informal sector (World Bank 2001:26).
- Targeting the disadvantaged group
Projects include adults education and literacy training, skills training and job placement programmes, enterprise training, assist women to access employment and self-employment programs, develop mentor programs, health awareness programs and development of community resource centres (World Bank 2001:29).

MONITORING AND ASSESSMENT OF LED PROJECTS

Monitoring and assessment of LED projects are of key importance for the successful implementation of LED projects (NRI 2006:45; Todaro 2011:285). According to the Swiss Agency for Development and Co-operation (2008:23), the following aspects need to be taken into account which could include, LED outcomes in terms of job creation, and income generation, and the improvement of the local economic environment regarding provision of infrastructure and facilities. Monitoring should be simplified regarding the tracking of outputs, for example the number of businesses supported, and numbers of people trained. At most local municipalities, proper monitoring and evaluation systems have not been set up to track these types of indicators at this stage, which may well require undertaking of household surveys to ascertain the socio-economic status quo (base line information), as census data is not focused enough to reveal localised LED impacts. Some of the larger metro municipalities are collecting such data (e.g. Cape Town), others have considered it but not implemented it. Smaller municipalities would not have the resources to do surveys. Pressure to spend budgets, complete projects, staff shortages and pressure from local councillors to continually deliver, leads to insufficient time or priority

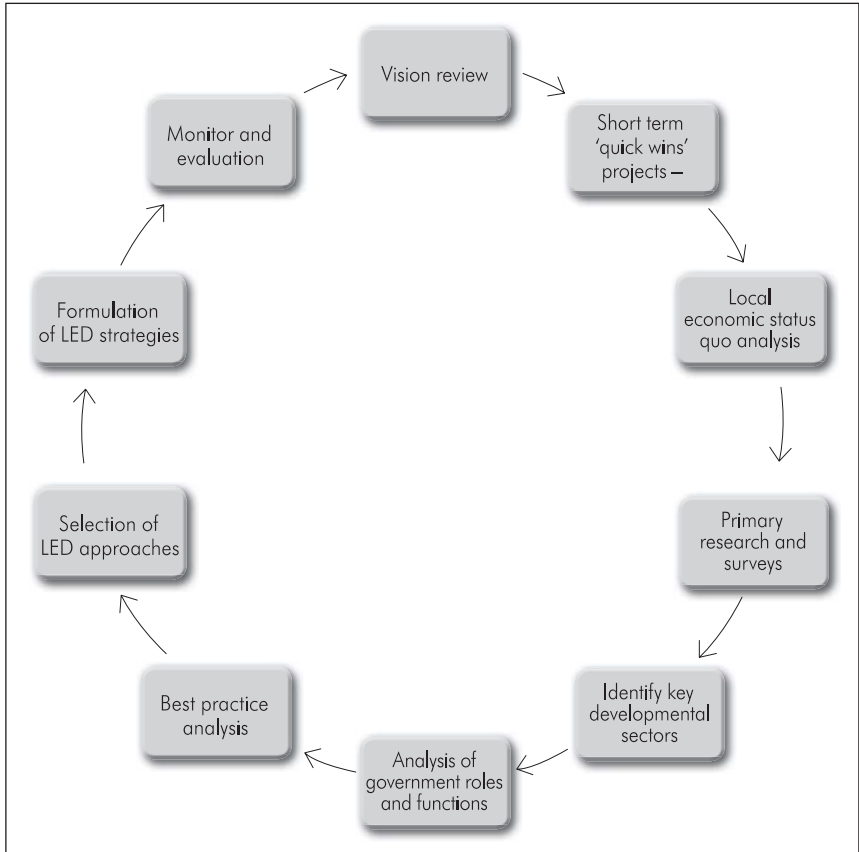
regarding monitoring and evaluation of progresses. Local municipal staff is often new and the focus is primarily upon issues of policy and implementation rather than assessment. The lack of tracking of the outcomes of projects can lead to decisions that are not taken based on evidence but subjective criteria (Davids 2004:95).

FEZA ISIMANGALISO: A LED IMPLEMENTATION PLAN FOR LOCAL CONDITIONS

After analysis of best practice LED implementation plans and practically being involved in various LED plans at the local government sphere, the author has formulated his own LED compilation and implementation plan. The meaning of “Feza iSimangaliso” is “achieving a miracle” in the Zulu language. The compilation of LED strategies and especially the implementation thereof is a difficult process and in some cases will require a “miracle”. The following is a step-by-step process, setting out the process of implementing an LED strategy, with a focus on mostly rural settings, where the majority of people in poverty reside. Although it is accepted that every locality and area is unique which requires a “best fit” process, the proposed process for the compilation and implementation could be used as a guideline at any locality as it is based on the strategic planning process.

- **Step 1: Vision review:** The overall IDP and LED vision must form the basis of the implementation strategy. Both short term and long term strategies must be implemented.
- **Step 2: Short term “quick wins” projects:** Completion of a rapid rural assessment with a focus on key sectors such as agriculture, public services, community development, environment, infrastructural and skills development. Such assessment needs to be completed in a week. A range of short term, easy to “kick-off” projects need to be identified and implemented. Projects such as food gardens, skills training, job training projects, clean-up projects, infrastructure for the informal sector, etc. needs to be implemented to show immediate positive results. This will allow a level of confidence in the overall, long term process of LED.
- **Step 3: Local economic status quo analysis:** Analysis of local policy documents such as the IDP, LED Strategy, SDF, etc. These documents and specifically the local spatial planning policy will give direction and focus regarding development in the area. The availability of up-to-date base line socio-economic data also needs to be determined including information on unemployment and skills gaps. The institutional structures need to be analysed to determine suitability and effectiveness.
- **Step 4: Primary research and surveys:** At this point, a decision needs to be taken with regard to the usefulness and “up-to-dateness” of existing statistics.

Figure 2: Feza iSimangaliso LED implementation plan



The principle is that good information leads to good planning. Socio-economic research, business surveys (for example an early warning system) and unemployment and skills surveys. Primary research will be required if recent base line information is not available.

- **Step 5: Identify key developmental sectors/areas:** Those sectors, areas which can unlock the development potential of an area need to be identified. Major stumbling blocks also need to be identified and addressed. Areas and sectors as listed in the New Growth Path (NGP) such as industrial development, manufacturing, agro-processing, tourism, informal sector, etc needs to be identified and be focussed on.
- **Step 6: Analysis of government and institutional roles and policies:** The alignment of priorities of all spheres of government. Analysis of all policies,

funding options, roles of the various spheres of government, partnership formation and skills development. Analysis of policies and programmes such as NGP, the community works programme (CWP), the expanded public works programme (EPWP), the comprehensive rural development programme (CRDP), the national youth development programme (NYDP), etc.

- **Step 7: Best practice analysis:** Analysis of local and global LED best practice procedures, principles and projects to implement locally.
- **Step 8: Selection of LED approaches:** Various approaches need to be identified with a focus on job creation. Approaches include a pro-poor focus, demand driven projects, mass job creation or “decent jobs”, agro-processing with an agricultural focussed economy, provision of basic needs and improvement in quality of life.
- **Step 9: Formulate a “best fit” LED/job creation model/manual and strategy:** The creation of such a model/manual and strategy for implementation in line with all applicable policies.
- **Step 10: Monitor and evaluation plan:** The success and failures of the LED strategy needs to be monitored and evaluated. Success needs to be supported and marketed while failures need to be addressed. Ongoing adjustments will be required to ensure success. Measurable development indicators must be formulated in line with national and millennium goals. The proposed early warning system (EWS) will play a major role in making sure that local businesses are satisfied with local service delivery.

CONCLUSION

The main challenge in South Africa is the compilation of LED strategies that are implementable by local government especially in rural areas, with strong linkages with poverty alleviation initiatives. In order to improve LED implementation, local government needs increased support from government in terms of capacity, skills and funding for sustainable projects. The above listed implementation plan has been tested in the Northern Free State region and a follow-up article will be compiled as a best practice case study.

In conclusion, a few examples of unsuccessful and successful LED projects are listed. Firstly, a few types of projects or programmes that did not lead to success could include expensive untargeted non-sustainable investment, supplied instead of demand-driven projects and training programmes, excessive reliance on grant-led investment, over-generous financial support using taxpayers’ money. In addition other unsuccessful projects include unsustainable business retention subsidies (where firms are paid to stay in the area despite the fact that financial viability of the business is at risk), reliance on “low-road”

techniques, e.g., cheap labour, low levels of technology and subsidised capital and lastly government conceived, controlled, and directed strategies.

Specific projects have been implemented successfully in parts of South Africa. Some of the best practice projects are the set-up of tourism associations and LED forums, urban agricultural projects such as food gardens and agri-villages, business and manufacturing advice and support centres, tender advice centres, technology assistance incubator hives, entrepreneurial training projects and life skills training, SMME supporting procurement policies, and specific demand led production and training programs for example in tourism and agriculture.

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