



Investigation of Pro-Poor Local Economic Development in South Africa

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Local Government SETA

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GLOSSARY

AICDD	African Institute for Community-Driven Development
ANC	African National Congress
BBBEE	Broad-based black economic empowerment
BEE	Black Economic Empowerment
BNPP	World Bank-Netherlands Partnership Program
CWCI	Conference Workshop Cultural Initiative Fund
DEAT	Department of Environmental Affairs and Tourism
DM	District municipality
DSD	Department of Social Development
DTI	Department of Trade and Industry
DWAF	Department of Water Affairs and Forestry
EDF	(eThekweni's) Economic Development Framework
EPWP	Extended Public Works Programme
GEAR	Growth, Employment and Redistribution
GSLWPA	Greater St Lucia Wetland Park Authority
IDP	Integrated Development Plan
IDZ	Industrial development zone
ISRDP	Integrated Sustainable Rural Development Programme
KZNNCS	KwaZulu-Natal Nature Conservation Service
LED	Local Economic Development
LAEDF	(eThekweni's) Local Area Economic Development Framework
LGSETA	Local Government Sector Education and Training Authority
MIG	Municipal Infrastructure Grant
MoU	Memorandum of understanding
R&D	Research and development
RDP	Reconstruction and Development Programme
SA	South Africa
SACN	SA Cities Network
SALGA	South African Local Government Association
SEDA	Small Enterprise Development Agency
SETA	Sector education and training authority
SMME	Small, micro and medium sized enterprises
URP	Urban Renewal Programme
ZCB	Zululand Chamber of Business

EXECUTIVE SUMMARY

1 Introduction

1.1 In order to promote economic development it is increasingly being recognised that micro-economic measures at the local level are needed as well as macro-economic measures at the national level. The former are often collectively referred to as Local Economic Development (LED). South Africa is one country in Africa where there has been explicit attention paid to LED policy and practice and, given the Government's prioritization of the needs of the poor, it has the potential to serve as a learning laboratory with respect to the principles, policy and application of pro-poor LED.

1.2 The study is the outcome of two grants, from the World Bank/Dutch Government with an emphasis on urban areas and from the Development Bank of Southern Africa through the LGWSETA to focus on rural and small-town municipalities. Findings from both studies have been combined in this document. Partners in the project included Rhodes University, the African Institute for Community-Driven Development (Khanya-aicdd), University of the Witwatersrand, University of Kwazulu-Natal, and Mangaung Local Municipality¹. The SA Cities Network (SACN), South African Local Government Association (SALGA), National Treasury, Local Government Sector Training Authority (LGSETA) served on a national reference group.

1.3 In terms of the approach and methodology, "LED" was taken to include all activities which local governments and other stakeholders at local level engage in to enhance growth, incomes and livelihoods, specifically including that of poor people. We relied on how local authorities defined and identified their LED priorities and interventions. The key question we sought to address is **to establish the role that local governments can play/are playing to support pro-poor LED in their cities, towns and rural areas either directly or indirectly through pro-growth activities and/or in collaboration with other partners**. The research process involved the following main elements:

- (i) An **overview of existing research** (meta analysis) in relation to pro-poor LED;
- (ii) An overview of the current legal and policy context in the country;
- (iii) A **survey of approaches** to pro-poor LED in the 30 largest municipalities with an emailed questionnaire (with a 67% return) following up with telephone interviews with key cities and towns, plus a survey of smaller rural local and district municipalities (total of 50 centres), based on telephone interviews with key officials;
- (iv) Eight urban **case studies**, building on existing research and data collection plus 6 rural/small town case studies.
- (v) Two validation **workshops** for the urban study and then for the rural study including the reference group and practitioners.

The eight urban case-studies chosen were selected on the basis of known LED achievements. The six rural cases were split between two cases of 'typical' small municipalities incorporated to illustrate typical rural development challenges and four cases of known LED success to provide lessons and guidance for other centres.

¹ The Bloemfontein office of the HSRC was a partner, but due to other commitments had to withdraw.

Part B: Overview**2 Background to LED in South Africa**

2.1 South Africa has the largest economy in Africa, but suffers from a highly **dualistic economy**, with a world class formal economy including a number of multinationals, while up to 40% of the population is unemployed who depend for survival on welfare grants and the informal sector. This duality is being characterised in South Africa as that between the formal (First) and informal (Second) economy. Government has a neo-liberal macro-economic agenda, and is seeking market-driven economic expansion and growth, facilitating market expansion, with local government having a key role to play in stimulating economic development through investment in infrastructure to 'crowd in private investment and boost short-term economic performance' (RSA, 1996b, p.7).

The South African Government is placing considerable emphasis on what it terms '**developmental local government**', increasing the role of government and particularly local government agencies in promoting growth and development, thus entrenching an essentially pro-poor policy focus. The government argues that 'the central responsibility of municipalities (is) to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives' (RSA, 1998a, p.17).

2.2 In 2001, of South Africa's total population of 44.8 million, 26 million (58%) are urbanised, of whom 16.58 million lived in the 9 largest centres (SACN, 2004). Non-metropolitan South African municipalities are composed of an urban centre or centres plus surrounding rural hinterland.

2.3 Pro-poor development/LED is encouraged through a range of key **policies and laws**. Key within this arrangement and assignment of responsibilities are the 1994 Reconstruction and Development Programme, the 1998 Local Government White Paper and the 2000 Local Government Systems Act. These identify the key development role for municipalities; they assign developmental powers and enshrine obligations such as the need for participatory development and the need to prioritise the requirements of the most needy communities in planning.

2.4 The Constitution (RSA, 1996a) recognises local government as a distinctive sphere of government and mandates them to 'give priority to the basic needs of the community, and to promote the social and economic development of the community'. The Municipal Structures Act (RSA, 1998b) makes provision for three categories of local government:

- Metropolitan Councils, i.e. the large conurbations with multiple business districts,
- Municipal Councils, i.e. non-metropolitan local councils, and
- District Councils which oversee groups of municipal councils in urban and rural areas.

The Local Government White Paper (1998) suggests that amongst others, local government is responsible for the achievement of local economic development, playing an important role in job creation and in boosting the local economy through the provision of business-friendly services, local procurement, investment promotion, support for small businesses and growth sectors. The duties and powers are based on the Constitution (RSA, 1996a) and are generally of a service type nature, but include the following LED-related competences, namely: tourism, planning, public works, infrastructure development and markets. The Municipal Systems Act (RSA, 2000a) indicates that municipalities are specifically required to involve communities in the affairs of the municipality, to provide services in a financially and sustainable manner and to 'promote development in the municipality'.

2.5 Whilst a significant policy and legal basis for pro-poor LED has clearly been laid in South Africa, there is still no formally approved **LED policy**. The 2002 version had a defined pro-poor focus (it was called 'Refocusing Development on the Poor'). The document identifies the following goals/objectives for local governments and suggests that in order to achieve this, LED needs to be holistic, innovative, creative and redistributive:

1. To establish a job-creating economic growth path;
2. To embark on sustainable rural development and urban renewal;
3. To bring the poor and disadvantaged to the centre of development.

2.6 In 2005 a new document was released entitled 'Policy Guidelines for Implementing Local Economic Development in South Africa', which aligns LED with a range of government programmes as well as provincial strategies and local IDPs. LED is clearly seen as a key mechanism to help in closing the gap between the first and the second economies.

2.7 In addition to the laws and policies directly supporting and encouraging pro-poor LED, other instruments provide support for implementation. These include the **Integrated Development Planning** (IDP) process which requires an economic and spatial development component, promotion of community participation and appropriate institutional and funding mechanisms. A range of financing mechanisms have been established across Government including a LED Fund, Municipal Infrastructure Grant, Integrated Sustainable Rural Development Programme and the Urban Renewal Programme.

2.8 A sophisticated system has evolved in South Africa which is providing a key supportive base for pro-poor LED. Whilst the country lacks an embracing LED policy document and many of the above-mentioned interventions are not specifically named as 'pro-poor' strategies, what it does have in place are an impressive range of laws, policies and funding mechanisms which though perhaps not always totally successful in job creation etc., have created a very defined framework for pro-poor LED intervention and support.

3 Planning for LED in South Africa

3.1 Under apartheid spatial planning, heavy emphasis was given to top-down regional policy interventions which were centred upon promoting industrial decentralization in the country's peripheral Homelands or Bantustan regions (Rogerson, 1994). LED planning was undeveloped and confined largely to a scatter of small initiatives for 'place marketing' designed to attract inward investment. However, in post-apartheid South Africa LED has gained considerable prominence in development planning.

3.2 The mainstream of LED planning in South Africa is dominated by market-led activities that are geared towards achieving sustainable high economic growth rates (Nel and Rogerson, 2005). Several variants of "place entrepreneurialism" can be identified with the most important relating to promoting localities as **competitive spaces for production, consumption and information-processing activities** (Rogerson, 2000). The IDPs and broader restructuring plans of major centres highlight the issue of 'positioning the city in the global economy' (see Hall and Robbins, 2002; Nel *et al*, 2003). Commonly, this has been associated with **sectoral targeting** or "picking a number of winning sectors or sub-sectors that the municipality believes, through targeted support, may become their city's competitive advantage in the global economy" (SACN, 2004). Other strategies include skills development, enhancing institutional efficiency and the efficiency of the urban form, improving safety and security, and Business Improvement Districts.

3.3 'Refocusing Development on the Poor' argued a case for promoting 'pro-poor' LED which would explicitly target low income communities and the marginalised as the policy focus of government policy. At least six "developmental" LED strategies are suggested for support, namely: community-based economic development; linkage; human capital development; infrastructure and municipal services; leak plugging in the local economy; and, retaining and expanding local economic activity. Three critical policy areas are those which relate to improving regulatory frameworks, municipal services delivery, and issues of employment creation through the stimulation of local economic activities.

In 2004 the national government's support framework for small business development was redesigned, including the establishment of the Small Enterprise Development Agency (SEDA) in all provinces and districts. The critical role of local governments is openly acknowledged in terms of the expansion of business infrastructure facilities, in the making of IDPs and in shaping local regulatory frameworks which

directly affect the performance of small businesses, and especially of those working in the informal economy.

4 South African research on LED and emerging findings

4.1 Since the democratic transition in 1994 a growing number of research investigations have examined aspects of the unfolding LED policy and practice in South Africa. Although there are areas of overlap, the existing sets of studies fall into four major themes:

- Writings that debate the evolving development of LED policy and planning;
- Locality-focused investigations of LED experience and implementation in the country's major urban centres and secondary cities;
- Locality-focused investigations on LED experience and implementation in the country's small towns and rural areas;
- Thematic/sectoral investigations concerning the implementation of specific forms of LED.

4.2 In terms of the evolving development and national directions of **LED policy and planning**, from the early 1920s through to the beginnings of apartheid there has been evidence of what has been termed 'incipient LED', where 'place entrepreneurialism' generally was coincident with 'place marketing' initiatives for inward investment. Between 1994 and 2000 several studies appeared in which South Africa's new policy discovery of the developmental role for locality was reviewed and the early post-apartheid experiences were recorded and debated. Within this first wave of writings the stress primarily was directed at the pro-growth axis of LED policy and intervention (Rogerson, 1999a) but there were a small number of studies which raised questions concerning the role of LED in poverty alleviation and in the development of the poorest areas of South African cities.

4.3 The evolving directions of LED in the country's major cities – particularly Johannesburg and Durban – have been a major focus in South African LED writings over the last decade. From the first detailed case studies on LED in South Africa's cities, the pro-growth or pro-business bias in municipal interventions was already clear. Since 2000 the country's large cities have continued with a strong LED focus upon promoting competitiveness across various sectors and of re-positioning in the changing global economy (SACN, 2004). One can also observe an evolution of initiatives which would be viewed as embodying a pro-poor orientation. The use of 'sectoral targeting' as a potential vehicle for pro-poor planning has been highlighted from Johannesburg evidence (Rogerson, 2003a). Several of the small types of pro-poor initiatives would fall into the category of 'area targeted initiatives' which are linked to inner city renewal programmes taking place in Durban (Khosa and Naidoo, 1998). Finally, using Johannesburg as a case study, Parnell (2004) moves the focus to the larger questions of mainstreaming a developmental agenda that will enhance the lives of the urban poor and suggests that the institutional frameworks of city government in South Africa are poorly constructed relative to the need for the large-scale roll out of municipal initiatives to fight poverty.

4.4 As the proportion of the population classed as poor or very poor is highest in South Africa's small towns and rural areas, most locality-based writings on LED in small towns and rural areas focus on pro-poor interventions, often dealing with economic decline and of the problems of often severe poverty in a situation of limited capacity and limited resources.

4.5 The most undeveloped aspect of South African research on LED relate to thematic or sectoral investigations. Only a relatively small number of thematic or sectoral research investigations so far have been undertaken of issues pertaining to the South African LED experience, with tourism the best documented sector.

4.6 Despite the considerable thrust to give priority to LED in South African local government, there is still very fragmented and patchy delivery in programmes and projects. Some of the more obvious issues emerging from the literature include:

- differing views held between government departments as to whether LED should have a pro-poor or a pro-market focus;
- municipalities often place much emphasis on improving growth and employment prospects in their planning documents but not integrating this into resource allocation and day to day activities;
- LED is sometimes perceived as marginal to the mainstream basic services delivery mandate of local government, where pro-poor approaches can be taken as providing free basic services, rather than an active pro-poor LED approach;
- a legacy of support for unsustainable, low skilled community projects which has negatively impacted on perceptions of the efficacy of LED. Even in the case of flagship projects such as developing rural nodes, results are clearly do not always live up to expectations;
- only limited private sector involvement in poverty relief projects;
- the devolution of significant and real power to effect LED to local municipalities which often lack the skills and capacity to effect change, nor the funds to run LED offices, pay for training or to finance projects, creating what is locally known as an 'unfunded mandate';
- real economic growth is being noted in pro-market supported ventures e.g. convention centres, place marketing etc. The challenge is to try and ensure that there are genuine pro-poor employment and development spin-offs from such activities.

The preceding has led to a situation referred to by Rogerson as one in which 'the most distinguishing feature of South African Local Economic Development policy is the new emphasis on a **strong pro-poor focus in rhetoric, albeit if not always in practice**' (Rogerson, 2000, p408). The statement needs to be reflected on as it crystallises an essential dichotomy between sophisticated pro-poor policy on the one hand and very real operational difficulties on the other and a tendency in many local governments to rely on pro-growth initiatives in which the private sector are more likely to participate, and which often have high visibility and so are attractive to politicians.

Part C: Evidence from the research

5 Application of Pro-Poor LED by major urban local governments in South Africa

5.1 Section 5 concentrates on the survey of the urban centres and section 6 covers the survey of rural municipalities and small towns. 30 urban centres were contacted with a questionnaire with a 67% response rate (total of 20 responses). This survey is based on a series of core interviews undertaken with the LED Unit (or equivalent) in the selected municipalities.

5.2 In terms of the **municipal economy**:

- the most common **dominant sectors** appear to be manufacturing, community services (i.e. government employment), business and financial services and tourism, indicating the dominance of primary and secondary industry and government employment as opposed to the tertiary and quaternary sectors;
- in terms of **employment**, the dominant sectors are manufacturing, community services, mining, agriculture and trade;
- in 5 out of 15 cases mining was rated as the sector experiencing the greatest **decline**, manufacturing in 5 cases and agriculture/forestry for 4.

5.3 In terms of how **economic development is organised**:

- Economic development is **perceived** very differently by the various municipalities ranging from building 'a globally competitive region so that all communities can benefit from economic growth' (eThekweni) to more modest goals, eg 'poverty alleviation through job creation' (Moqhaka/Kroonstad);
- The most common **institutional arrangement** is for municipalities to establish a dedicated LED Unit/Department, found in 10 of 18 responses. Twelve centres report having interdepartmental LED mechanisms;

- In all cases the municipalities have established **linkages** beyond the municipality as part of a process of working with a wider group of stakeholders in order to advance development within the municipality. 14 have formalised partnerships, most commonly with business (8) and with educational authorities (3).

5.4 In terms of their **economic development focus**:

- **common themes** included: job creation; skills development; world class city; sectoral targeting; investment attraction; inner city redevelopment; infrastructural development;
- Most local authorities (17) claim to have **poverty-focused strategies** as part of the foci of their LED units/Economic Development Departments including: provision of free/ subsidized services in terms of an indigent policy (8 cases); social development (6); procurement policies (4); infrastructure provision (2); business development (2); job creation/training/public works (5); food packages/nutrition (2); housing policies (1); rural planning (1);
- 12 of 18 municipalities see **no distinction between addressing poverty and promoting economic growth**. This is an aspect which needs to be investigated in the case studies as economic growth per se is not sufficient to address poverty, notably where there is persistent and widespread inequality as is the case in South Africa;
- Community **participation** in programmes would appear to be limited and contact seems to be at the level of information provision, discussion and seeking endorsement;
- Main **economic development strategies** include: skills development (10 cases); SMME support (8); Job creation (5); Tourism (5); Marketing (2); Economic development / manufacturing support (3); Infrastructure and planning (3); Sector support (2); Environmental management (2); Services (2).
- There is a high degree of involvement with two **government programmes** with defined LED implications, the Urban Renewal Programme (9 cases) which targets support to poor areas within cities, and the Expanded Public Works Programme (EPWP) (5).

5.5 In relation to other key **stakeholders** involved in LED, the main involvement was business chambers (75% of cases). NGOs are active in LED in only four localities.

5.6 In terms of specific LED **interventions**:

- In all cases, a defined **Economic Development Strategy** has been adopted or is being developed by the respective municipalities, often as part of the IDP;
- 12 municipalities claim to have **grants/rebates** to attract new investors, while only 11 say they have support in place for existing investors. 13 municipalities have **area-based support**, mainly for larger firms while non-financial support for inward investment includes information provision, lobbying of business, investment facilitation and technical support (13 municipalities);
- all municipalities provide **infrastructure** and involvement in **industrial and commercial sites** is common (17 respondents);
- Working with other business organizations to **support SMMEs** is undertaken by 13 municipalities. 17 claim to have preferential procurement for SMMEs and in 13 cases SMME support centres/business incubators have been established or are being built. Support for the **informal sector** is undertaken by 15 municipalities, predominantly skills development incentives and the provision of infrastructure;
- Most municipalities (16) see themselves as providing support for **sectors/clusters**;
- **Support for the poorest** sections of the community is part of the economic interventions of 11 municipalities, including skills training, local area support, housing support, advisory services, procurement and public works;
- 14 centres undertake some **research or information** activities, eg a database of economic trends, sector information and relevant information;
- 11 municipalities provide support for **export and marketing**.

5.7 **Operational funding** for LED units ranged from R100 000 (Umhlatuze) to R48.5 million (Cape Town) in 2003-04. Overall, there is a clear gap in financing of the operations of LED units between the smaller centres (which are generally less than R600 000 pa) and the larger ones (over R6 million per

annum). In terms of **capital funds** the range recorded was from R75 000 in Thoyandou to R16 million in Ekurhuleni in 2003-04 and R49.2 million for Cape Town in 2004-05.

6 Application of Pro-Poor LED by rural local governments in South Africa

6.1/2 A telephonic survey was conducted of 50 municipalities (38 local and 12 district municipalities) in rural South Africa, including small towns, out of a total potential database of 254. A simplified questionnaire was used compared to that in the urban study. The return rate of 20% is statistically significant and enables defined conclusions to be drawn about the status of local government LED outside of the major urban centres.

6.3 Most rural municipalities (92%) define LED as multifaceted including poverty relief or the promotion of economic growth. Only 48% of municipalities have developed a defined LED policy, in 56% of cases a LED Unit has been established, and 82% of municipalities have a LED Officer. LED features to some degree in all municipal IDPs. Most municipalities are allocating up to 25% of their IDP budgets to LED-related activities but only 20% are allocating more than 26% of their budget. In terms of impact on job creation or business start-up there is a dual peak of 26-50 jobs created, and 100+ jobs, and 1-5 and 20+ firms started, probably reflecting the impact of smaller and larger municipalities. Only 50% of municipalities report creating more than 100 jobs.

6.4 LED is more embedded in district than local municipalities. While LED officers and/or LED Units have often been appointed, the absence of guiding policy, direct political links and weak institutional support systems is not ideal. Only 46% have links with local Chambers of Commerce and the relatively low levels of collaboration with the private sector will not aid in the attainment of sustainable economic development.

7 Urban Case Studies

7.1 Eight case studies were undertaken, ranging from metros to smaller urban centres. Due to the complexity of the programmes of the large cities, most cases studies focused on one or two LED interventions or approaches in the municipal area.

Metros

7.2 From an economic perspective **Johannesburg** is the most important city in sub-Saharan Africa. The municipal policy is overtly pro-growth in focus, albeit that it clearly makes allowances for support measures which directly or indirectly will facilitate economic growth in the poorer sections of the community. Johannesburg probably has the most sophisticated policy framework of any city in South Africa. While the city has poorly developed mechanisms to respond to poverty, positive moves in this direction are being made. The Johannesburg Fashion District initiative is examined as an example of a catalytic project which has significantly pro-poor growth implications. The initiative has involved some 1000 clothing micro-manufacturers and has encouraged a focus on niche markets, out-sourcing and integration of migrant workers.

7.3 **Ekurhuleni** is reported to have the largest industrial concentration in Africa. However the manufacturing base in the area has been in decline since the 1980s, with a reported 100 000 jobs lost, raising the unemployment rate to approximately 40%. In contrast to Johannesburg's explicitly pro-growth policy, LED policy in Ekurhuleni is distinctively pro-poor in focus. While the pro-poor arguments are clearly stated, including explicit targeting of linkage between first and second economies, the economic strategies are weakly developed and rely on assumed growth taking place. The case study highlights the need to identify key economic drivers on which to build a strategy.

7.4 **eThekweni** has a long-established track record in the area of economic development, starting in the 1980s and is recognised as one of the most efficient and effective metropolises in the country. While overall industrial growth has been slow and sectors such as textile and clothing have been negatively affected by cheap imports, general economic growth and job creation is taking place, particularly in the tertiary sector and in export-focused industries. Despite this, unemployment is growing as a result of the challenge of rapid urbanization. LED policy in the city has evolved through a series of key phases. The 1996 Green Paper on Economic Development focused on providing services to the poor, while the 2000 Long Term Development Framework adopted a linked three-fold focus on economic growth, skills development and meeting basic needs. Key pro-poor interventions are in areas such as small business support, community tourism, providing township business centres, markets and urban agriculture. Well known projects include the key Warwick Junction project and the Regeneration Fund. However in terms of funding only about 15-20% of the capital budget is allocated to pro-poor issues and there is a reliance on national government rather than local funds for pro-poor projects.

7.5 **Cape Town** is experiencing rapid population growth, combined with entrenched poverty and significant environmental challenges. There is significant growth in the tertiary sector, particularly in terms of business services and tourism. Manufacturing has been affected by its traditional reliance on textiles and clothing which are vulnerable to cheap foreign imports. Addressing poverty and ensuring sound environmental management are explicitly linked in this city and feature prominently in pro-poor interventions. Economic development policy emphasises issues such as service subsidies for the poor, local area implementation of community-based economic development, linking poverty reduction and growth, trying to address the multi-dimensional nature of poverty and the need to mainstream and institutionalise anti-poverty issues. The case study provides evidence of two explicit pro-poor interventions:

- (i) **Community Based Waste Management System**, disposing of 20% of the city's refuse, based on a partnership between the city, NGO, private business and the government. Services have improved, skills been imparted, small businesses supported and the local environment improved in a cost-effective manner. On the negative side, community expectations have not always been realised, and there is union opposition;

- (ii) **Ukuvuku – Operation Firestart** - removing alien vegetation on Table Mountain using a public works approach and community contractors. Some 5000 ha were cleared and 334 people employed. However the project suffered from the absence of an institutional base, high expenses, poor planning and training, and was not renewed.

Secondary cities

7.6 **Mangaung** is a municipality including the secondary city of Bloemfontein and two other towns. In terms of economic policy, economic growth has been prioritised by the municipality whilst the city's IDP is based on the objective of achieving both poverty reduction and economic growth, for which it has clear targets. The informal economy of Mangaung accounts for some 50% of local jobs, and was the focus of the Mangaung case study, which involved a survey of 48 informal sector businesses. There are a wide variety of types of informal business. 30% of operators were women and 42% had previously worked in the formal sector. Some informal businesses are large, with turnovers up to R90 000 per month. Some mechanisms to assist these are suggested.

7.7 The city of **Umhlatuze** is one of the country's key ports and industrial nodes, and incorporates Richards Bay and Empangeni. While the city has a strong pro-growth orientation, the District Municipality (DM) and large firms are engaged in various support programmes with clear pro-poor implications. Some interesting lessons include: evidence that corporate interventions, individually and collectively can have a key impact on poor communities; that strong District Municipalities can play a significant role in seeking to address economic imbalances, even where there is a strong local municipality within the district²; and that a Joint Development Forum can be a useful intervention, which can lay a basis for a growth coalition.

Smaller centres

7.8 **Ndlambe** is a small municipality on the south-east coast of the Eastern Cape including the towns of Bathurst, Port Alfred, Alexandria and several smaller centres. It is heavily reliant on commercial agriculture and tourism. Pro-poor, community-based LED projects were established in the municipality using national LED Funds. One example is the Umsombomvu Pineapple Pulping project, where people from Bathurst Township approached the municipality to help them buy a farm adjacent to the township on which a pineapple pulping factory had operated. A second was a commercially-linked community enterprise selling fruit pulp to juice manufacturers around the country. Both of these were operating successfully when the case study was undertaken but have subsequently closed, illustrating the difficulties of creating sustainable community businesses.

8 Rural Case Studies

8.1 **Six case studies** were undertaken of 6 rural areas/small towns, two of 'typical' rural municipalities providing an overview of LED constraints and opportunities, while four were examples of successfully LED projects, and one additional was undertaken during the urban phase of the project.

8.2 The case study of **urban-rural links in Motheo District** include movements between the city of Bloemfontein, the apartheid-created dormitory town of Botshabelo, Thaba Nchu, Ladybrand, some smaller towns, a large rural area and Lesotho. 50% of people live in poverty, with unemployment figures of 37-40%. The main economic sectors are the service sector (including government) and agriculture. There has been a decline in the smaller towns (except Ladybrand which benefits from its proximity to Maseru) and considerable expansion in Bloemfontein, a regional economic and service centre. In terms of the urban-rural links:

- In terms of movement of **people**, people have migrated to all urban areas of Motheo. Public transport is a major concern. Despite this over 260 000 people commute up to 200km per day to and from work, spending up to 4 hours travelling per day which can cost 18% or more of their income. Many people travel for **shopping** as major retail shops are totally absent in rural areas. Other activities drawing people to the city include **recreation**, sport, studying and visiting friends and relatives.

² Often where there is a strong local municipality within what may be a weaker district, eg Mangaung within Motheo District, there is a lot of competition between local and district, and the district's role can be difficult.

- In terms of movement of **goods**, agricultural products from the District are transported to markets in Bloemfontein and traded internationally with Lesotho. Goods imported from Lesotho are mainly motor parts to be taken for repairs, scrap metal, old furniture and goods bought from the local shops in Mafeteng.
- In terms of movement of **public services**, most government departments are based in Bloemfontein and people have to travel to services, with the exception of Social Development, Health and Agriculture who have service points in most rural towns, and there are public schools in all towns. Coverage may not be adequate, for example one agricultural extension officer has to serve over 100 000 people in Botshabelo. In terms of **private services** (i.e. banking, telecoms, etc.) these are available to some extent in the small towns, eg Vodacom franchises and banking services.

The poor infrastructure in many rural areas limits economic development. The economy is dominated by the larger economic centre which deflects purchasing power and activity away from smaller centres and lead directly to reduced retailing activity in the smaller centres. Until there is growth in the smaller towns services may well continue to decline, and people will continue to flood into urban areas, putting additional pressure on urban services. One of the few positive trends relates to the actual or potential for enhanced economic activity facilitated by innovation in services eg the extension of access to cell phone coverage and the provision of mini-ATM machines.

8.3 **Senqu** Municipality is part of Ukhahlamba District in the north of the Eastern Cape Province and covers a commercial farming/tourism area including Lady Grey, Rhodes and Barkley East and villages from the former Transkei, including the town of Sterkspruit. Poverty is widespread and formal sector employment levels are low (15%). There is high dependence on state welfare. Despite the high priority of LED in the IDP, there is no specific economic development strategy nor a M&E system to monitor LED performance, although there is an LED Officer. The main priorities are agricultural projects. There is a need for a viable business support system, backed by financing if SMMEs are to be able to grow. Agricultural and other business support is needed, eg using farming and business mentors. There also needs to be more emphasis on assisting existing predominantly white SMMEs, which have the potential to create jobs. There is a widespread perception of a top-down approach by the municipality, lack of involvement of traditional authorities, and a lack of commitment by communities to what they see as government projects, not their own.

8.4 **Alicedale** is a declining former railway town where unemployment levels reached 90%+. A public-private partnership has led to the establishment of a hotel complex which has had significant economic and social spin-offs in the local economy creating 500 permanent and temporary jobs, and indicates that small towns can undertake fundamental economic renewal. Key lessons are:

- it demonstrates that a private sector led initiative (with buy-in by other partners) can revive a flagging small town economy provided that there are marketable business opportunities in place;
- the importance of a meaningful public-private partnership with committed stakeholders and active engagement of the community, ensuring they benefit from training, employment and business opportunities;
- the need to work within the market and to engage in viable profit-orientated activities, and the potential of encouraging spin-off activities and so a package of interventions;
- the private sector's vision, drive and ability to operate at speed have been critical to significant local-level development and employment. However government (at various levels) can support development through facilitation, funds and infrastructure provision.

8.5 **Wuppertal** is a case of a small mission community in the Cedarberg mountains in the Western Cape with an unemployment rate of around 75-80% and considerable outmigration for employment. The active support of an NGO enabled the identification of rooibos tea as a niche market product which has been developed as a commercial crop with 170 farmers now growing rooibos and many more employed on the farms and at the tea-court. The Wuppertal experience indicates the following:

- the need to identify and utilise available natural resources and indigenous knowledge in a sustainable fashion;
- strong local social capital a common vision in the community;

- partnering with a pro-active NGO which addresses local knowledge and capacity deficits and can lobby for external linkages and support (funds and market) has proven to be critical in the absence of significant local government or other support;
- community-produced goods can be sold on local and international markets providing the right niche is found. Tapping into Fair Trade markets, is a positive pro-poor avenue;;
- it is not sufficient to just support a small group in the community and it is important to seek spin-off and associated ventures to support a wider group, particularly in a community as impoverished as Wuppertal.

8.6 **Sodwana Bay** is a case of a rural coastal area in KwaZulu-Natal with a rich ecological resource along the coast. Significant economic growth has taken place with the creation of 404 permanent and 233 casual jobs and 296 people benefit from the coral diving industry alone. This is not so much a result of a defined plan, but rather through spontaneous tourism-driven expansion of dive tourism, an example of niche tourism through private sector activities based on the ecological richness. This has had important BEE and community spin-offs. A community levy paid by visitors, has improved local community facilities. The study indicates:

- the actual and potential benefits of both pro-poor and niche tourism;
- that pro-poor tourism initiatives can yield pro-poor/BEE spin-offs if well managed;
- institutional complexity complicates developmental processes, with a range of Park and government agencies responsible for development;
- barriers to development include crime, low skills levels and poor infrastructure;
- positive local spin-offs can result from: 'buy-local' campaigns, local employment policies and forming partnerships with communities.

8.7 The **Magaliesberg Meander** is an example of route-tourism - a tourism trail which has involved a range of operators³ in developing a comprehensive tourism package. Route tourism is of particular interest as it usually involves developing cooperative planning arrangements and relationships between different localities in order for them to collectively compete as tourism spaces. The Magaliesberg Meander is a recent initiative that straddles Gauteng and North West Province and is a critical part of the tourism 'pleasure periphery' of Johannesburg and Tshwane. It is estimated that 700 jobs have been created, albeit not all as a direct result of the initiative. It is an example of the private sector taking leadership for a coordinated tourism development initiative in the absence of any such policy initiatives emanating from the responsible local municipality. Whilst this route tourism initiative has heightened the growth potential of tourism in the Magaliesberg area, its wider impacts upon surrounding (black) communities have been limited to direct job creation in the local tourism enterprises. Key success factors are:

- prevailing levels of voluntary co-operation between private sector operators, regional thinking and leadership;
- product development, infrastructure and access;
- community participation, micro-enterprise development and innovation;
- information and promotion;
- small business support;
- information and promotion.

This is an example of best practice in terms of route tourism which can yield positive lessons but which can also be enhanced if accorded with more support. The potential for such a route to promote pro-poor development and small business formation is very real. Challenges include:

- the need for greater municipal and community buy-in and support;
- the need to encourage greater community participation and SMME development;

³ The route drawn together 43 accommodation businesses, 17 adventure tourism businesses and 21 retail and food establishments.

- the need to provide adequate infrastructure and marketing to enhance success.

8.8 The **Ingwe** Municipality in the midlands of KwaZulu-Natal Province is a small, largely rural municipality centred on the town of Creighton. The Municipality is rated as one of the best performing in the country in terms of a national awards scheme. The Municipality has prioritised addressing poverty in its IDP and identified an innovative range of mechanisms to achieve this, most importantly around tourism. This has focused on reviving the local railway-line as a tourist attraction, driven by a partnership involving the municipality, mission, rail and tourism authorities and local interest groups. To date some 229 jobs have been created, mostly of a short-term nature, and a significant reorientation of the focus of the local economy is taking place. Some lessons include the importance of partnerships, effective marketing to draw in tourists and to market produce and the need for effective business research to establish the existence of a market.

8.9 The two cases of **Motheo and Senqu** vividly illustrate the realities and constraints facing South African rural municipalities and small towns. Typically LED opportunities exist in the areas of tourism, farming and small business, but constraints exist in terms of:

- municipal staffing and funding constraints;
- the need for multistakeholder involvement including LED Forums and partnerships;
- the need to involve local communities more directly;
- the need to put in place more defined strategies, and monitoring and evaluation;
- the need for improved business and SMME support.

8.10 This section compares the different LED initiatives. Despite the survey findings which show only limited job creation from LED activities the case studies show much higher levels of impacts, with up to 500-700 jobs being created in small rural economies showing that significant impacts are possible:

- in only two of the seven case studies are **local governments** making a major contribution to LED (Creighton and Mangaung). In Creighton the LED Officer is a local farmer and so knows the private sector well;
- in other cases non-local government stakeholders can lead and play a critical role in LED – as shown by the Alicedale and Sodwana examples, or tourism operators in Senqu. In all cases **partnerships** are critical, either between private and public sectors (eg Creighton), between private sector operators (Magaliesburg Meander), or between NGO and community (Wuppertal);
- the development and facilitation role of **NGOs** needs greater recognition and encouragement. As social entrepreneurs they can provide a link with an entrepreneurial culture and systems which local governments do not naturally understand. A key role can be in promoting market access as well as in business support;
- it is essential to find some **unique selling point** for the area as a key development catalyst, eg tapping into local natural and cultural resources to exploit or use for their tourism potential, but this must be done in a sustainable fashion, as shown by Wuppertal, or Rhodes in Senqu;
- working with the **market** and available market opportunities are critical to the economic success of LED projects;
- **communities** need to be engaged in LED processes to maximise pro-poor developmental benefits and for BEE opportunities to be identified and supported. Otherwise benefits are just likely to occur for existing white operators (eg in Sodwana) although there may still be significant benefits in employment for the disadvantaged.

Part D: Lessons

9 Emerging lessons for Pro-Poor LED in South Africa

9.1 It is difficult to be definitive about emerging **typologies** of LED. However, the most obvious distinctions are between:

- (i) The **Metropolitan areas** with their diverse range of activities, relatively large budgets and staff complements, and their engagement in what are often large-scale interventions with significant impacts, eg the Fashion District or Warwick Junction;
- (ii) **Secondary cities** where the range of activities are narrower, but where there are significant budgets and staff complements;
- (iii) **Small/rural centres**, which are impoverished in terms of resources and where LED activities are often most discernable at the level of the small project. In these cases an NGO or the private sector may be the key driver of LED.

Another clear and important set of distinctions exist between the three most apparent LED approaches:

- (i) Those in which pro-poor interventions are weaker or secondary to **pro-growth or competitiveness enhancement** (eg Johannesburg and the majority of the case-studies investigated);
- (ii) Those in which **pro-poor interventions** are seen as the dominant LED focus (as in Ingwe, Ekurhuleni);
- (iii) Those in which there exists a local growth path which simultaneously achieves **both pro-growth and pro-poor interventions** (as in Mangaung, Cape Town).

In general it is difficult to find meaningful general typologies and in some ways is easier to focus on specific approaches eg SMME development, urban agriculture etc.

9.2 Only 5 of the cities reported on impacts on **growth** in their local economy, although interviews suggest that even in the smaller centres some growth is taking place. The figures reflect all forms of growth and not just LED-related effects. Whilst the data is interesting, it masks national trends of capital intensification and hence what is often job loss not gain. Reported figures range from Ekurhuleni showing 1% growth p.a. between 1996-2003 to Johannesburg indicating 4.2% growth between 1996-2002. A more optimistic picture can be seen from some of the more local case studies.

9.3 Few of the municipalities appear to have **poverty reduction targets** in place and poverty impacts of LED interventions are little understood and recognised with the possible exception of Cape Town. Mangaung has both an economic growth and poverty reduction target, the latter to reduce from 40-35% the proportion of the population living in poverty. Several indicate that poverty is increasing which is worrying. Nevertheless there are examples of significant job creation, and specific project impacts (eg the Fashion District). In smaller centres the importance of working with the NGO and private sectors is increased.

The **cost effectiveness** of directly-funded LED activities was difficult to ascertain, with limited cost and impact data. This is an important area for further work, as it can help to guide policy, for example on the balance of investment, eg between high-cost investment in infrastructure, versus lower cost investment in SMME support. In parallel over and above cost considerations one also needs to bear in mind social gains and the long-term impacts of training and empowerment.

9.4 There is widespread acknowledgement on the part of local governments regarding both their **developmental responsibilities and the urgency of addressing poverty**. Whilst many of the selected case-studies examined are genuinely interesting, practical and significant cases of pro-poor LED, it seems that results are patchy in many instances across the country and often very little has been achieved on the ground. Reasons for limited success seem most obviously related to capacity and funding constraints, as well as issues such as poor market research, limited collaboration with other stakeholders and the reality that many projects are not economically sustainable. Clearly there is a need for a broader vision/understanding of development and what interventions impact on poverty and so a more coherent and integrated response across the municipalities.

9.5 Local government can variously adopt a **pro-growth or a pro-poor focus**, or some combination of these. There is entrenched policy support for pro-poor development – often being the primary focus of municipal vision/mission statements. Two thirds (66%) of responding larger municipalities saw no

distinction between pro-poor and economic growth agendas (while 92% of the smaller/rural municipalities saw the two as linked). In many of the cities whilst there is commitment to pro-poor development, in reality it is often secondary so that the major directions and weight of LED policy and interventions are geared to the promotion of economic growth. Most municipalities assume that such support will help to alleviate poverty and unemployment, despite international evidence that trickle-down approaches from large pro-growth investments are very limited.

Striking differences can be seen in the approaches of the case study cities, eg between Johannesburg which has a vision based on a perceived World City status and Ekurhuleni and Ingwe which are overtly pro-poor in focus, prioritising interventions specifically designed to address the challenges of poverty and unemployment. Other centres, such as Mangaung, eThekweni and Cape Town, seek to address both issues of poverty and growth and the fundamental linkages between the two. Given the dual challenges faced by South African society of needing to both address chronic poverty, yet also to achieve economic growth and global competitiveness, from a policy perspective it would seem that the approach adopted by Mangaung, Cape Town and eThekweni may be the most appropriate. It is important to note that nearly half of the smaller/rural centres have yet to establish LED policies.

9.6 A wide range of **interventions** to support LED are used across the sample towns and cities. However many individual municipalities appear to use a very limited range of interventions, with the metros generally having the most diverse range of measures. This ranges from smaller centres such as Alicedale and Ndlambe using one or two interventions to eThekweni, with a wide portfolio. The most significant **government programmes** include public procurement, urban renewal, SMME programmes including agricultural support and public works.

Mangaung and eThekweni have recognised that the majority of the population are engaged in the **informal economy** and have made attempts to provide appropriate support. There is also evidence that pro-poor **community-based initiatives** can help disadvantaged community members to effectively participate in the market economy *if* market linked, providing a viable product and operating in an economically effective fashion eg in Wuppertal and in Durban's Warwick Junction.

9.7 Institutionally, a **LED unit** is used as the major vehicle for LED operations in the cities and 56% of rural municipalities, while the capacity, staffing and resourcing of units is very variable. In the rural areas LED is often the domain of a single official (82% of cases) which severely handicaps the capacity to bring about change on the ground. Only 12% of rural municipalities report having a councillor for LED. 18% of rural municipalities surveyed have established a development agency.

The **compartmentalization** of economic development seems to be a significant problem, with limited buy-in from other line-function municipal departments. This impedes the scale and impact of council LED policies and results in the frequent failure to link line-function interventions or national government-funded projects explicitly into LED eg housing construction and infrastructure, where the LED implications of their actions may not be seen.

The limited nature of meaningful **partnerships** both public-private, public-public, with communities and with NGOs is a cause for concern. There are positive examples in both the cities (eg Cape Town's Inner City Partnership) and in smaller centres such as Creighton. There is considerable evidence of the impact of direct **private sector** intervention such as in Umhlatuze, Alicedale, Sodwana, or Magaliesburg Meander which is not being adequately harnessed elsewhere. However, there seem to be relatively few cases of direct collaboration with the private sector in joint projects. In terms of **communities**, community-based economic development requires participatory identification of strengths and opportunities at local level, and fostering of community energy and commitment to take forward their own development. This appears weak and top-down approaches seems much more common. It is apparent that reasons for establishing partnerships need to be more clearly articulated and advocated and the concept needs more explicit mention in IDPs.

9.8 Smaller urban centres are only able to allocate very limited **budgets** to LED Units (eg R100 000 in Umhlatuze), while the larger cities can budget millions (eg over R51 million budgeted for 2003-4 in

Cape Town). This picture is replicated in terms of capital spend (eg R75 000 in Thoyandou and R49 million in Cape Town), as well as on operational budgets for operational structures such as business centres etc. In the rural areas only 20% of rural municipalities surveyed are spending more than 25% of their IDP budget on LED. However, the case studies show that even where municipalities have limited resources, as in Ingwe, they can play a key role in promoting economic development.

9.9 Generally **M&E** is poorly developed and a parallel report has reviewed lessons emerging re M&E (Goldman and Henson, 2005). Cost and time considerations are generally advanced as explanations. The absence of effective mechanisms to gauge success, ascertain impact and cost-effectiveness and by implication, to exercise a determining influence over future programmes is startling.

10 Implications for policy and practice in South Africa and internationally

10.1 Overall, the preliminary findings of this survey serve to confirm and reinforce a number of key features concerning the current 'state of the art' of LED policy and practice in urban areas of South Africa. Some key points are:

- LED is **unevenly developed and implemented** across the South African urban system;
- Major **divides** exist between the largest, most well-resourced/capacitated municipalities and the smaller urban centres in terms of policy development, institutionalisation of LED and applied practice. This is even true for some of the larger secondary cities;
- The **definition** and understanding of LED exhibits considerable variation, reflecting the absence of national LED guidelines, and the short time with which municipalities have been actively taking forward LED approaches. However municipalities' understanding of LED has evolved from what was often a focus on poverty relief projects to a more comprehensive understanding that economic growth and poverty relief projects and programmes can be linked;
- While most local authorities appreciate the importance of LED and have assigned staff to implement LED, in many local authorities local LED **policy** has yet to be developed and LED doesn't always enjoy direct support at council level;
- While there are exceptions, especially in the cities, **interactions with the private sector and other stakeholders** are limited and no doubt a constraint on the potential of LED.
- There is considerable variation in the budget and staff devoted to LED,
- The near-absence of the use and application of Monitoring and Evaluation methods is cause for concern. The smaller rural municipalities in particular suffer from the greatest constraints.

From the case studies it would appear that **successful interventions** would appear to be related to:

- identifying and responding to real market niches;
- effective collaboration with multiple stakeholders;
- having a focus on economically sustainability;
- having strong leadership and direction;
- significant resource and capacity inputs being provided, often leveraged through the partnerships established;

In terms of pro-poor outcomes, in addition:

- being based on clearly focused pro-poor outcomes, which affect the way the intervention is designed;
- having community buy-in.

10.2 The trap must be avoided of LED debates getting bogged down in terms of a search for a balance between programmes that promote growth and competitiveness on the one hand as opposed to poverty reduction on the other hand (Marriot, 2004). In terms of moving forward, the debate should seek to address the difficult question of how South African municipalities – collectively and/or individually – can achieve a growth path or trajectory which operates to achieve **simultaneously the goals of enhanced competitiveness on the one hand and of poverty reduction** on the other.

10.3 Local government activities, private sector, community and NGO LED initiatives exist in parallel and operate either independently or occasionally in partnership with other role players. In practice there are some very practical problems in terms of local government championing LED. These include: staffing and budget constraints, poor understanding by municipal officials of economic processes (not helped by the history of dplg's LED Fund) and so poor linkages with the private sector, political changes at elections/reshuffles and political interference with the need for consistent political support for programmes with long yield terms, and finally recognition of the need to re-align other policies with LED intentions.

10.4 Table 10.4 draws from the range of case studies to suggest some of the possible interventions which can be applied specifically to target pro-poor growth. These can be incorporated into plans (eg the IDP and Economic Development Strategy), policies (eg for support to the informal sector), and services (eg business development support).

Table 10.4 Examples of pro-poor interventions that can be applied

Interventions	Examples of pro-poor applications
Economic Development Strategy	<ul style="list-style-type: none"> • Can incorporate the elements in the table below • Should include interventions across the whole spectrum of municipal operations, not just in an economic development unit
Improving the local business climate	<ul style="list-style-type: none"> • Creation of zones where combined residential and small business use are permitted • Review of procurement procedures to permit informal businesses to access municipal contracts
Grants/rebates to attract inward investment	<ul style="list-style-type: none"> • Subsidised training and skills development of disadvantaged employees of investors
Non-financial support for inward investment	<ul style="list-style-type: none"> • Provision of land, planning rights if employ certain numbers of disadvantaged employees of investors • 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 • Provision of market stands for informal traders • Creation of produce markets • Creation of input supply depots for farmers • Construction of access roads • Contracts for community-based or SMME construction and maintenance • Support for specific infrastructure to support projects, eg the railway station in Creighton • Planning suitable infrastructure for service delivery in rural areas, eg cellphone payment of electricity bills • Indigent policy to support access of poor people to services
Investment in industrial/commercial sites	<ul style="list-style-type: none"> • Provision of incubators
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"> • Subsidised business advice

Interventions	Examples of pro-poor applications
	<ul style="list-style-type: none"> • Support for collective marketing processes • Subsidised support for market research, tenders, export • Support for SMMEs (BEE or not), 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 • Support for cooperatives, particularly service and marketing cooperatives⁴, as well as credit unions • Promotion of accessible and fair microfinance schemes
Livelihoods support	<ul style="list-style-type: none"> • Improving access to cash transfers such as social grants • Support for agriculture for food security and incomes in both rural and urban areas • Promotion of periodic markets • Promotion of community-based service mechanisms, eg 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
Sectoral development	<ul style="list-style-type: none"> • Promotion of sectors based on local knowledge, skills and environment eg agriculture, agri-processing, culture and tourism
Special employment schemes	<ul style="list-style-type: none"> • Subsidies for specific groups, eg disabled, youth to be employed or on learnerships
Special development zones	<ul style="list-style-type: none"> • Particular incentives in 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 views of disadvantaged people on priorities and strategies • Assessing potential economic opportunities in disadvantaged areas, eg using PACA methodology

10.5 We conclude with some **recommendations**:

- (i) Development needs to be comprehensive in nature and poverty needs to be understood as a multi-dimensional phenomenon which cannot be simply understood as requiring only an income-based solution. This is critical if pro-poor approaches are to be used;
- (ii) It is essential that municipalities do not just **conflate economic growth and poverty** objectives. Trickle-down of wealth is not significant, and specific activities are needed to promote pro-poor growth, for example those suggested in 10.4. Concentrating support for the poor on basic services will not create economic livelihoods, and may continue to foster a dependency on the state. Thus it is important to address growth of the formal First Economy, but also to target specifically the small-scale and informal Second Economy, and the case studies have indicated some means of doing so. **Policy can explicitly target pro-poor development, either directly or indirectly, through the encouragement of appropriate market interventions.**

⁴ Secondary and marketing cooperatives have a much higher success rate than production cooperatives which have a dismal record

- (iii) There is a need to arrive at an acceptable series of **definitions** of just what is meant by key terms such as: LED, pro-poor LED, pro-growth LED and pro-poor growth/inclusive LED. **Pro-poor growth should include increasing growth linked with reducing poverty and decreasing inequality.** Given the lack of consensus about these terms nationally and internationally, consensus is clearly needed;
- (iv) A **supportive and stable policy environment** is required, including: national/state laws and policy which clearly and specifically empower local authorities, define their powers and duties, encourage interaction outside of the public sector, provide adequate financial support and training and allow for external support/advice. Stability in policy and politics is critical in development;
- (v) Associated with this is the need to recognise the fundamental importance of the small/**informal sector** economy and to support its development as far as is possible which specifically favours SMMEs, CBOs and BEE companies. Much of this is potentially available in South Africa;
- (vi) Planning needs to be effective and thorough, but an obsession with planning should not limit **learning by doing** and the undertaking of implementation;
- (vii) Having a policy in place does not guarantee that there will be pro-poor outcomes. There are real applied constraints on local governments, notably on implementation capacity which impact on the ability to implement change. Municipalities must be encouraged to devote **realistic budgets and staff** to LED Units, and LED services if results are to be attained. Pro-poor LED services and projects also need to be adequately financed. The current bias in favour of pro-growth economic activities and pro-poor spending on basic needs will, in many cases, not have significant pro-poor economic impacts. Developmentally interventions need to be accepted as **part of all municipal functions** in practice and policy. LED officials also need to conceptualise the broader range of interventions which impact on poverty as being part of LED;
- (viii) There is still far too much **competition** between levels of government including local and district municipalities, and between these municipalities and provinces. There is inadequate involvement of the private sector, with severe implications in terms of duplication and lack of synergy. **Partnership** formation/growth coalitions need to be encouraged strongly. The private/community/non-government sectors all have key roles to play. The private and NGO sector in particular, where they exist in significant strength, need to be encouraged to contribute more meaningfully to local development, either through corporate social responsibility or coalition formation. They should be supported and encouraged to engage in collaborative and independent action.
- (ix) It is critical that local governments initiate defined **monitoring and evaluation** programmes to gauge the success of their initiatives. This should be based on both financial criteria and social impact assessment. Initially there may need to be experimentation to develop ideal methodologies;

The current trade-off of economic investment in the formal sector, and pro-poor investment in basic services, is not likely to yield the improved livelihoods in the informal sector which will transform the lives of the poor. Indeed in some respects other countries of Africa, while poorer, have a better balance in these, promoting greater self-reliance, and lesser dependency of the poor. Despite the overtly significant legal and policy context and the significant resources of the larger cities and the private sector, the experience of over ten years of applied LED in South Africa indicates that applying pro-poor LED is possible, but difficult. Within South Africa both clearer policy direction and greater financial and capacity investment are required before more meaningful results can be attained.

Note: This research investigation was finalized in early 2006 and as such does not reflect subsequent developments in terms of policy and practice.

PART A: INTRODUCTION

1 INTRODUCTION

1.1 Background

Two of the hallmarks of the latter part of the 20th century and the beginning years of the 21st in terms of development theory and practice have been, firstly, the significant attention devoted to addressing poverty – most profoundly articulated in the Millennium Development Goals and secondly, the reality that, in an era of globalization and decentralization, localities and their responsible authorities are now playing a key role in applied development. In other words the importance is recognised of microeconomic measures at the local level as well as macroeconomic measures at the national level. The former are often collectively referred to as Local Economic Development (LED) and in developing countries it is inevitable that prioritizing the needs of the poor must feature prominently in the design of LED interventions. South Africa is one country in Africa where there has been explicit attention paid to LED policy and practice and, given that country's government's prioritization of the needs of the poor, it has the potential to serve as a learning laboratory with respect to the principles, policy and application of pro-poor LED.

The application of LED as an approach is a relatively recent phenomenon in South Africa, having become apparent in the early 1990s but gaining in credibility and acceptance by the late-1990s. Despite this, what makes the case of LED in South Africa of particular interest are the following considerations:

- the constitutional sanction that municipalities have a key role to play in social and economic development;
- significant government endorsement and support for LED and poverty relief interventions;
- widespread application of LED-type interventions on the ground.

Whilst results achieved on the ground are mixed, the track record of LED interventions in South Africa is of significant interest, in terms of a range of key considerations, including:

- the nature of government policy and support mechanisms and their focus;
- the success or otherwise of direct government interventions;
- local level institutional and policy arrangements;
- local level results achieved;
- questions regarding whether direct pro-poor interventions are more effective in terms of poverty relief than are the spin-offs of more pro-growth focused endeavours.

In the light of the preceding considerations, the World Bank and the World Bank-Netherlands Partnership Program (BNPP) commissioned this particular study into Pro-Poor LED in South Africa, with a specific focus on lessons for urban local governments, which was later complemented by the DBSA funding a parallel exercise looking at rural municipalities and small towns. In the remainder of this introductory chapter, background details to the project are outlined, before proceeding to an examination of the focus of the study and the research approach adopted.

1.2 The study

The project was initiated by a grant to the World Bank approved by the Dutch Government, through the BNPP, for a knowledge-generation activity entitled "Evaluating and Disseminating Experiences in Local Economic Development" with emphasis on their relevance to poverty reduction and applicability to low income countries". The motivation for the grant was specifically to expand knowledge about programmes and approaches for "pro-poor" local economic development that have had some evidence of success and may be applicable to the conditions of low income countries and cities, specifically those in Sub-Saharan Africa. The programme included funding for a review of selected LED activities in South Africa

and Brazil, as countries that have had deliberate policy and practice of strategic local economic development, intended to support opportunities for low income people and communities.

The initial project purpose was “to have developed an understanding of how pro-poor LED is interpreted and applied on the ground in South Africa, placing specific emphasis on pro-poor outcomes and mechanisms which can serve to realistically lay a basis to develop a monitoring and evaluation framework. The outcomes will be of relevance to local stakeholders and have potential significance for the application of LED in other countries”.

This first phase was followed by a second phase supported by the Development Bank of Southern Africa through the Local Government Sector and Education Training Authority (LGSETA) which complemented the first phase through a parallel study of LED in rural areas and small towns.

Partners in the project included Rhodes University, the African Institute for Community-Driven Development (Khanya-aicdd), University of the Witwatersrand, University of Kwazulu-Natal, and Mangaung Local Municipality. The SA Cities Network, South African Local Government Association (SALGA), National Treasury, Local Government and Water Sector Training Authority (LGSETA) served on a national reference group.

This study sought evidence of success, sustainability and the nature of what action local governments can support. It also sought to build on existing research, and to undertake new research where there are specific gaps.

The emphasis was on what local governments can do in terms of acting as catalysts or as a key locus of intervention. Guiding factors in the research were consideration of issues of possible replication, dissemination and scaling-up, avoiding “islands of excellence”. The study sought analytical outputs, lessons and examples and to gauge the effectiveness of interventions. In the context of the latter consideration, identifying and refining approaches to monitor and evaluate projects was also a critical dimension.

In this context, the concept of “urban” is somewhat debatable. It may refer to spatial concentrations of people, to local economic multipliers, or to non-agricultural incomes. This project tended to focus on spatial concentrations of people (e.g. cities, large towns and small towns), and include urban agriculture as an important livelihood strategy.

1.3 Approach/methodology for the research

1.3.1 Approach to LED

For this project, we have taken “LED” to include all activities which local governments and other stakeholders at local level engage in to enhance growth, incomes and livelihoods, specifically including that of poor people. These are not restricted to local government activities, but we have focused on local government-initiated activities which may be carried out by a variety of actors. We did not base this on a project-based approach to LED, but rather one in which the broader activities of local governments could be considered, in terms of general local government action and explicit pro-growth and pro-poor policies and their impacts on LED. In terms of the study we relied on how local authorities themselves defined and identified their LED priorities and interventions. However we do acknowledge that a local economy may well also ‘develop’ as a result of a range of devolved governmental grants and private sector investments.

1.3.2 Approach to the research

We sought to promote a multi-organisational process of action-research, ensuring buy-in from key actors and building a framework for the future. Use was made of a reference group, involving national players such as the SA Local Government Association (SALGA), the Development Bank of Southern Africa (DBSA), Department of Provincial and Local Government (DPLG), SA Cities Network (SACN), Local

Government Sector Education and Training Authority (LGSETA), Mangaung Local Municipality, as well as the World Bank.

We sought to understand how LED is applied on the ground in general terms and with specific reference to pro-poor dimensions, and with what measure of success, undertaking primary research where there were gaps, particularly drawing out the pro-poor implications of current work. Specific areas we sought to identify with reference to the case-studies included:

1. The **overall pro-poor orientation** of municipalities. Related to this was an investigation in some case studies of actual expenditure and commitment on the part of the investigated local authorities to LED and pro-poor LED more explicitly, relative to results attained (where information was accessible).
2. The **degree** of pro-poor orientation of different types of “stand-alone” LED activities and the degree to which pro-growth initiatives do in fact lead to intended pro-poor outcomes.
3. **Coherence** - the degree to which the LED agenda of the municipalities reinforce, and in turn is reinforced by, the pro-poor orientation of the municipality in its core focus areas, eg:
 - (i) The relationship/balance/**mix** between more “stand-alone” type LED initiatives (such as a community tourism project or an urban agri-industry cluster) and initiatives such as procurement reform which have the potential to insert pro-poor LED intentions into major municipal resource thrusts. Local level partnerships and the activities of local development agencies are key aspects in this regard.
 - (ii) How fragmented LED projects have been woven together into something approximating a more profound response to conditions of poverty;
 - (iii) How LED policy and practice compares and reasons for any differences which might be there (e.g. lack of support / mandate / funds /operating constraints etc).
4. The degree to which non-local government initiatives e.g. by the private sector, NGOs and community groups are having an impact on the ground.

Overall the key question we sought to address is to establish the role that local governments can play/are playing to support pro-poor LED in their cities, towns and rural areas either directly or indirectly through pro-growth activities and/or in collaboration with other partners.

This may include a range of specific building blocks:

- specific sectors that have been supported (e.g. tourism);
- support provided to the informal sector;
- the different types of LED interventions used (e.g. business support);
- the different institutional mechanisms used (e.g. in-house municipal structures, partnerships, Section 21 companies);
- the impact of sectoral policy frameworks (e.g. macro-economic, housing);

1.3.3 Research process

The research process involved the following main elements (further details can be found in Appendix 2):

- (i) Collating an **overview of existing research** (meta analysis) in relation to pro-poor LED, including an understanding and application of pro-poor LED nationally and locally. This included reviewing the typologies and categories of LED interventions in relation to pro-poor interventions and impacts (the mix of mechanisms building on existing work and evaluations of what has been achieved in SA);

- (ii) An overview of the current legal and policy context in the country to identify current policy foci and support.
- (iii) A **survey of approaches** to pro-poor LED in the largest urban municipalities (approximately 30 centres), with an emailed questionnaire following up with telephone interviews with key cities and towns (see Annex 3 for a copy of the questionnaire). This was then complemented with a survey of 50 rural municipalities (see Annex 4 for a copy of the questionnaire);
- (iv) Seven urban and seven rural **case studies**, building on existing research and data collection (see Annex 5 and Annex 6).
- (v) Two **workshops** including the reference group and practitioners, which discussed the findings of the urban and rural reports respectively and offered positive additions and suggestions.

A reasonably high rate of return in the total number of completed urban questionnaires was secured of 67%, although it was hoped that a higher rate would be achieved, given that personal contact was made with each selected municipality. In most cases, city officials were approached up to six times by researchers from SALGA, Khanya and Rhodes, and in the non-responding towns a consistent picture emerged – either the economic development posts were currently vacant, the staff member was too new to complete the questionnaire, LED was effectively still on the drawing board or the officials were just too busy to fill in the questionnaire, despite repeated assurance that they would try to. The high level of approach employed, involving senior SALGA and SA Cities Network contacts suggests that non-returns were not a result of the research being dismissed by the officials, but instead a very real reflection of capacity constraints or the absence of progress. This does present a rather worrying picture namely that while key metropolitan areas and some of the larger cities are becoming role-models of successful development support, other centres contacted (which are among the largest in the country) are in a differing league, often lacking the capacity to embark on meaningful LED, to the detriment of the local populace. This situation vividly reinforces the need for meaningful and effective LED support – materially and in terms of facilitation – even within some of the larger cities. The rural questionnaire was based on an effort to secure 20% of all municipalities (excluding the metros and larger cities) in the main focus provinces where case studies were undertaken.

The case-studies chosen were selected on the basis of a number of factors: known LED achievements; representing a particular type of situation; or the degree to which their analysis is interesting in both the definition and application of LED, with a particular focus on pro-poor dimensions. A core focus of the research was to analyse the coherence of interventions and sectors supported and to evaluate achievements from both an economic and a social standpoint. The concept of 'success' in this initiatives is a relative term and the research sought to establish what measures might be in place to facilitate monitoring and evaluation, which can help to determine the significance of what has been achieved.

This report draws from previous reports produced as part of this research:

- the Policy and Legal Background to LED in South Africa (October 2004);
- Report of the Survey of LED in South Africa (March 2005);
- the 14 case study reports;
- the Urban report for the World Bank (December 2005);
- a report on M&E of Pro-Poor LED (December 2005).

Further details on the methodology are contained in Annex 2, and copies of the survey questionnaire are in Annex 3 and Annex 4.

1.4 Introduction to the report

The report has 4 parts

- Part A Introduction (Section 1)
- Part B Includes an overview of LED in South Africa, the policy background (Section 2), planning for LED in SA (Section 3), and the status of LED research and emerging findings prior to this research (Section 4)

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- Part C Covers the findings of the research, from the urban and rural questionnaire survey (Sections 5 and 6) and from the urban and rural case studies (Section 7 and 8)
- Part D Covers the emerging lessons and their implications (Section 9) and conclusions (Section 10).

Note: As key aspects of the research investigation were finalized (Sections 2-5 and 7) in April 2005 the report as such does not reflect subsequent developments in terms of policy and practise.

PART B: OVERVIEW

2 BACKGROUND TO LED IN SOUTH AFRICA

2.1 The South African context: providing the framework for policy

South Africa has the largest economy in Africa, but suffers from a highly dualistic economy, with a world class formal economy including a number of multinationals, but up to 40% of the population is unemployed and dependant for survival on welfare grants and the informal sector. Historically it is known that in highly unequal societies that economic growth does not necessarily lead to benefits for the poor, and the so-called “trickle down” theory has been widely discredited, whereby it is assumed that by creating wealth for some the benefits will “trickle-down” to the poor,. This debate is being characterised in South Africa as that between the formal (First) and informal (Second) economy. Thus in a recent policy speech to the National Council of Provinces the President talked of the First and Second Economies in South Africa.

“The First Economy is modern, produces the bulk of our country's wealth, and is integrated within the global economy. The Second Economy (or the Marginalised Economy) is characterised by underdevelopment, contributes little to the GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the First and the global economy, and is incapable of self-generated growth and development.”⁵

South Africa's formal sector is well developed and internationally competitive in certain sectors. In seeking to be competitive, as South Africa emerged from the Apartheid siege economy, there have been massive job losses from the formal economy in selected, usually labour-intensive sectors. Between 1995 and 2002 the number of unemployed people rose from 1.9 to 4.2 million people and by 1999 an estimated 33% of households were living below the poverty line (Mail and Guardian, 2003). However, the March 2003 Labour Force Survey of Statistics SA showed that two million new jobs were created in the previous seven and a half years, bringing the total of those employed to 11.6 million. This represents an employment growth rate of over 2.5 percent a year. However this has not managed to keep up with entrants to the workforce and levels of unemployment are still very high (somewhere between 29 and 40%⁶). Many of these people have entered the informal economy but the informal sector has been neglected in much LED work. Recently there has been some work addressing this, and one case study, that on Mangaung, explores this in one of the case study municipalities.

The 1990s witnessed the remarkable transformation of South African society and government from one of the more repressive to one of the most liberal on earth. Though the transition has not been without its difficulties, it nonetheless remains one of the most dramatic and significant political and social transitions of the modern period (Waldmeir, 1997). The African National Congress (ANC)-led government which came to power in 1994 is now striving to redress the widespread and deeply entrenched imbalances which are the result of decades of apartheid policies. In planning for development in one of the most unequal societies in the world, the South African government has decided to strengthen both grassroots participation and delivery by placing considerable emphasis on what it terms ‘developmental local government’, thus entrenching an essentially pro-poor policy focus. The new ‘developmental’ expectation being placed on local government and its essentially pro-poor focus is as a result of a series of broadly inter-related contextual and policy considerations in South Africa. These include the following:

- (i) The country's **unemployment and poverty crisis** necessitating the urgent search for innovative employment generating strategies, including those at the local government level (eg Mail and Guardian, 2003)
- (ii) **Local government** is now legally mandated in terms of the national Constitution, Act no. 108 of 1996 (RSA, 1996a, p.81), to ‘promote social and economic development’. This marks a

⁵ ANC Today 14 November 2003

⁶ Depending on whether those who have given up looking for work are included.

significant departure from the previous service-orientated focus of local government and has led to a series of important policy and legal developments as outlined below. This constitutional principle has been refined and is outlined in-depth in a whole chapter in the key Local Government White Paper (RSA, 1998a), which formally introduced the concept of 'developmental local government'⁷.

- (iii) The principle of devolution of power to **communities**, and by implication to their elected representatives, is a key feature of ANC policy, which reinforces popular participation in local affairs and development and emphasises a focus on the needs of the poorest. In terms of the 1994 Reconstruction and Development Programme (ANC, 1994), which provides a broad statement of developmental objectives, 'development is not about the delivery of goods to a passive citizenry. It is about active involvement and empowerment' (ANC, 1994, p.5). What evolving government policy reflects are efforts to make such principles a reality. These principles have been entrenched in the Constitution (RSA, 1996a), which reinforces the place of local government in society and which requires it to 'encourage the involvement of communities and community organizations in matters of local government' (RSA, 1996a, p.81).
- (iv) The fact that local government's status and its potential developmental role have been enhanced through a commitment to the principle that local government is not merely the lowest tier of government, occupying a subordinate position, but rather that it is a **distinctive 'sphere' of government**, occupying a unique and important position in society. These principles are spelled out in the Constitution (RSA, 1996a) and reinforced in the main local government policy document, the Local Government White Paper (RSA, 1998a, p. 37), which states that, 'government in South Africa is constituted as national, provincial and local spheres of government. These three spheres are distinctive, interdependent and interrelated. Local government is a sphere of government in its own right, and is no longer a function of national or provincial government. It is an integral component of the democratic state'.
- (v) The South African government has firmly wedded itself to a **neo-liberal economic agenda**. In terms of the key policy document in this respect - the 'Growth, Employment and Redistribution' (GEAR) strategy (RSA, 1996b) - government is pro-actively seeking to lay the basis for market-driven economic expansion and growth. This strategy details the role of government as being that of facilitating market expansion, with local government having a key role to play in stimulating economic development through investment in infrastructure to 'crowd in private investment and boost short-term economic performance' (RSA, 1996b, p.7). Recently, accompanying the debate around the first and second economy there have been moves to increase the role of government agencies in promoting growth and development, and a return to the debate around the role of the "developmental state". The Deputy President has been given responsibility for measures to promote the second economy.

Whilst points 1-4 clearly endorse pro-poor thinking, there is a sense that the more interventionist elements of pro-poor development are potentially at odds with the free-market thinking of point 5, and also reflect the ongoing debate within the ANC. Such elements of discordance are important to remember when attempting to further pro-poor thinking in a dominant neo-liberal era.

2.2 An urbanising society

Out of South Africa's total population of 44.8 million in 2001, 58% are urbanised (approximately 26 million). Of the 26 million, in 2001 21.1 million lived in the 21 largest urban centres and of those 16.58 million lived in the 9 largest centres which constitute the SA Cities Network (SACN, 2004). The balance of the 26 million, some 5 million people, live in the approximately 500 small towns in the country (CDE, 1996).

The country lacks a rigid definition of the differences between cities and towns, and in this study divisions were determined based on logical size-based divisions. The logical divisions are as follows:

⁷ Section 2.3 discussed this in more detail.

- 1) **Metropolitan Areas** – these are provided for in the constitution and are the 6 largest urban conglomerations formed from the amalgamation of a series of pre-existing cities / municipalities;
- 2) **Other local municipalities** - in terms of the constitution, all other lower-level municipalities are known as 'municipalities' which are divided into 46 wall-to-wall district municipalities which each cover a number of local municipalities. There are no size-based distinction between the secondary cities and the 500 small towns (now grouped together into over 200 local municipalities). As a result the following working distinction was employed in the survey:
 - a- 6 Metropolitan Areas: centres of + 1million people
 - b- Secondary Cities: centres of approx. 400 000 – 1million.
 - c- Smaller Cities/Large Towns: approx. 150 000 – 400 000.

As part of the amalgamation process conducted in 2000, non-metropolitan South African municipalities are composed of an urban centre or centres plus surrounding rural hinterland. Some of the largest cities such as Johannesburg are very dynamic and entrepreneurial in their LED activities, and there is an increasing realisation of the importance and advantages of large cities in terms of their economic location and activity. Simultaneously, cities such as Cape Town have acknowledged their pro-poor responsibilities and have embarked on concrete, albeit limited, initiatives in this regard. Clearly maximizing growth and simultaneously promoting pro-poor development are high on the agenda of the largest centres. It is in such areas that some of the greatest innovation is shown, in terms of issues such as strategic planning (e.g. Johannesburg), partnership formation (Johannesburg and Cape Town), support for vulnerable economic sub-sectors (e.g. Johannesburg), training for employment (e.g. Cape Town) and major investments (e.g. eThekweni). However, to some degree in the metropolitan areas, but most definitely in almost all other centres there is a challenge to improve municipalities' receptivity and responsiveness to formal investment. In numerous instances, a bureaucratic culture impedes the responsiveness of many municipalities to investment opportunities and there often appears to be a reluctance to collaborate with the private sector, particularly in the smaller centres. In addition municipal responses to poverty are not necessarily integrated across their services and many authorities and the local private sector see LED purely as a poverty relief/welfarist intervention and not as an economic growth strategy. SA also suffers from a significant effect of crime on investment on both formal and informal sectors.

These are some of the issues that the study aims to address.

2.3 Policy overview

2.3.1 General introduction

Pro-poor development/LED is encouraged through a range of key policies and laws as detailed below. Section 2.3 explores the policy background, section 2.4 key laws, while section 3 explores specific issues around planning for LED.

Policy interventions either take the form of direct intervention e.g. a specific economic strategy, or operate through the refocusing of municipal activity such that planning and service provision involves and prioritises the needs of the poorest sections of the community. Key within this arrangement and assignment of responsibilities are the 1994 Reconstruction and Development Programme, the 1998 Local Government White Paper and the 2000 Local Government Systems Act. These three measures variously lay the basis for pro-poor development; they identify the key development role for municipalities; and they assign developmental powers and enshrine obligations such as the need for participatory development and the need to prioritise the requirements of the most needy communities in planning.

In addition to the consideration of the key LED-related policy and laws, one also needs to consider a range of planning and operational procedures which give greater clarity and focus to the principles of pro-poor development. Key amongst these are:

- the linking of LED with the Integrated Development Planning (IDP) process which all municipalities are obliged to engage in;
- the concept and application of popular participation in the development process, to ensure that the needs of all communities are met;
- the establishment of appropriate institutional/application mechanisms; and
- the funding mechanisms put in place to help attain LED, many of which have an apparent pro-poor focus (i.e. job creation and poverty alleviation).

These factors parallel and support the overall pro-poor orientation and as such are critical to understanding how the whole pro-poor 'package' is formulated. At least in theory, pro-poor policies and laws are endorsed through popular participation, formally integrated within development planning, and funded through unique, targeted funding channels. It does need to be borne in mind from the outset of this discussion that pro-poor policies and support exist in parallel with pro-market foci and as such pro-poor development is one, albeit a key aspect of broader national development trends and LED thinking. Whilst market-led development can clearly have a pro-poor impact, in cases where pro-poor development calls for potential market intervention, conceptual and applied difficulties are possible. At an academic level, this is in itself a key lesson for other countries.

Whilst a significant policy and legal basis for pro-poor LED has clearly been laid in South Africa, it is important to note that despite first being mooted in 1997 there is still no LED policy approved by Cabinet. The latest draft of that document has recently been released. The 2002 version had a defined pro-poor focus, and it is alleged that this did not meet with the full approval of market aligned decision-makers.

Key policies in support of locality-based development are detailed in this section.

2.3.1 The Reconstruction and Development Programme (RDP) (1994)

This was the first key post-apartheid policy document. The RDP was launched as the main ANC policy document before the elections in April 1994, and then formalised in September 1994 as the new government's 'White Paper on Reconstruction and Development'. It was designed to provide a broad framework for South Africa's new development vision, priorities and operational procedures and it aimed to both lay a basis for subsequent laws and actions to address the extreme social and spatial inequalities engendered by years of apartheid, and to promote overall development (ANC, 1994). In a radical break with the past, the RDP was promoted essentially as a 'people-driven process', focussing, 'on our people's most immediate needs, and (relying), in turn, on their energies to drive the process of meeting these needs' (ANC, 1994, p.5). The RDP also placed considerable emphasis on grassroots empowerment, suggesting that, 'development is not about the delivery of goods to a passive citizenry, but rather it is about active involvement and growing empowerment' (ANC, 1994, p.5) which integrates 'all levels of the state together with non-governmental organizations and community-based organizations' (Lyons and Smuts, 1999, p.2155). The RDP as such emphasized fundamental links between participation and pro-poor development.

The RDP was designed to tackle inequality and poverty through the need for 'an integrated and sustainable programme', which was motivated by the recognition that, '...The legacy of apartheid cannot be overcome with piecemeal and uncoordinated policies. The RDP brings together strategies to harness all our resources in a coherent and purposeful effort that can be sustained into the future. These strategies will be implemented at national, provincial and local levels by government, parastatals and organisations within civil society working within the framework of the RDP' (ANC, 1994, pp4-5).

The government argued that the broad goals of the RDP can be achieved by giving much more responsibility for development to local government, which is viewed as the primary level of democratic representation. As the RDP stresses, 'the democratic government will reduce the burden of implementation which falls upon its shoulders through the appropriate allocation of powers and responsibilities to lower levels of government, and through the active involvement of organisations of civil society' (ANC, 1994, p140). Therefore the RDP laid a policy basis for enhancing participation through local government and provided principled support for grass-roots action.

2.3.2 The Local Government White Paper (1998)

Four years after the publication of the RDP document, the new developmental role of local government was further articulated in the White Paper on Local Government, which stressed that, '...the central responsibility of municipalities (is) to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives' (RSA, 1998a, p.17). In order to achieve 'developmental local government', local authorities are now expected to maximise both social development and economic growth and to help ensure that local economic and social conditions are conducive for the creation of employment opportunities (Nel and Binns, 2001). In addition, local government is required to take a leadership role, involving citizens and stakeholder groups in the development process, to build social capital and to generate a sense of common purpose in finding local solutions for sustainability. Local municipalities thus have a crucial role to play as policy-makers, and as institutions of local democracy, and they are urged to become more strategic, visionary and ultimately influential in the way they operate. Building upon the strategies of the RDP, 'developmental local government' is charged with promoting empowerment and redistribution, and delivering four significant and essentially pro-poor outcomes, namely;

- the provision of household infrastructure and services (such as electricity, water and sewerage), with priority given to the delivery and subsidisation of at least a basic level of services to those who currently have little or no access;
- the creation of liveable, integrated cities, towns and rural areas, in which the spatial legacy of apartheid separation is addressed;
- the achievement of local economic development, in which local government can play an important role in job creation and in boosting the local economy through the provision of business-friendly services, local procurement, investment promotion, support for small businesses and growth sectors;
- community empowerment and redistribution (RSA, 1998).

The Local Government White Paper marked a key break from past conceptualisations of local government in South Africa. The policy called on municipalities (to) become more strategic, visionary and ultimately influential in the way they operate, with crucial roles as policy-makers, as thinkers and innovators, and as institutions of local democracy.

Specific elements in the Act promoting empowerment and redistribution include:

- the provision of below-cost services to the poor;
- supporting community organizations; and
- linking profitable growth and investment with redistribution and development (RSA, 1998a).

2.4 Key laws and the Constitution

The legislation impacting upon 'developmental local government' and LED is located within general Acts of Parliament, pertaining to local government matters and the Constitution and builds on the thinking detailed in the preceding policy documents. This section details key national laws which concern the developmental role of local government.

2.4.1 The Constitution (1996)

In South Africa the supreme law upon which all other laws are based is the national Constitution (RSA, 1996a). The Constitution recognises local government as a distinctive sphere of government and mandates them to 'give priority to the basic needs of the community, and to promote the social and economic development of the community; and participate in national and provincial development programmes' (RSA, 1996a, p.82). The Constitution makes provision for different categories of local government, which the Local Government White Paper (RSA, 1998a) defines as:

- Metropolitan Councils, i.e. the large conurbations with multiple business districts;

- Municipal Councils, i.e. non-metropolitan local councils; and
- District Councils which oversee groups of local municipalities in urban and rural areas.

The Constitution obliges local government to 'encourage the involvement of communities and community organizations in the matters of local government' (RSA, 1996a, p. 81). These principles are reinforced in the Local Government White Paper (RSA, 1998a, p. 37), which states that, 'government in South Africa is constituted as national, provincial and local spheres of government. These three spheres are distinctive, interdependent and interrelated. Local government is a sphere of government in its own right, and is no longer a function of national or provincial government. It is an integral component of the democratic state'. This elevated status of local government and the associated participatory rights of citizens is a clear reflection on just how far policy and authority is devolving.

The Constitution in its Schedules 4 and 5 also specifies the competences allocated to the 3 spheres of government.

2.4.2 The Local Government Transition Act (1996)

Although the more recent legal provisions pertaining to the developmental role of local government have been based on the 1998 Local Government White Paper (RSA, 1998a), pre-1998 Acts have also helped to lay a key basis for this new role. The Local Government Transition Act (RSA, 1996c) assigned various powers and duties to local governments relating to service provision and required metropolitan councils specifically to promote integrated economic development, the equitable distribution of municipal resources and the delivery of services, with a developmental focus in mind. Metropolitan councils were also required to formulate and implement a metropolitan 'Integrated Development Plan' (a provision subsequently extended to all local authorities) incorporating land use, transport and infrastructure planning and the promotion of integrated economic development. Though the Act had a focus on metropolitan areas, non-metropolitan councils had their powers and duties assigned on an individual basis, in terms of the 1993 Constitution (RSA, 1993a) and the original Local Government Transition Act of 1993 (RSA, 1993b).

2.4.3 The Development Facilitation Act (1995)

A key local government planning and development instrument is the Development Facilitation Act (RSA, 1995), which laid down general principles governing land development throughout the country. Local governments were empowered to develop what were known as 'Land Development Objectives - LDOs'. These are for the sub-division and development of land in urban and rural areas to promote the accelerated provision and development of land for residential, small-scale farming, economic uses or other needs and to improve security of tenure. This Act was deemed necessary in the light of the complex apartheid geography of the country and the need to redress development imbalances and accelerate development through the efficient utilisation of land.

2.4.4 The Municipal Demarcation Act (1998)

Three Acts of Parliament pertaining to local government have developed from the 1996 Constitution and the 1998 Local Government White Paper. The first, the Local Government Municipal Demarcation Act (RSA, 1998c), is concerned with determining new municipal boundaries throughout South Africa, a process undertaken between 1998 and 2000 which saw over 1000 local councils amalgamated into 284, and also ensured wall-to-wall local government across the country. This Act sought to eliminate small and ineffective local councils through combining neighbouring or near local authority areas under a single jurisdiction, and also assigned rural areas surrounding urban centres to the control of the latter. This was undertaken to ensure economic and service efficiency, such that within municipal boundaries the municipality would be capable of fulfilling its constitutional obligations, including the promotion of social and economic development, integrated development, effective local governance and the incorporation of poorer communities under the jurisdiction of wealthier local authorities. Indirectly this Act lays a basis for pro-poor development through ensuring fairer spatial distribution of resources, and created more resourced, but also less accessible, local government structures.

2.4.5 The Municipal Structures Act (1998)

The second key Act is the Municipal Structures Act (RSA, 1998b), which, along with the Systems Act (see below), extends and develops the provisions of the Local Government Transition Act of 1996 (RSA, 1996c). The Act provides for the three categories of municipality noted above, to operate within the newly demarcated areas and assigns them specific powers and duties. The duties and powers are based on the Constitution (RSA, 1996a) and are generally of a service type nature, but include the following LED-type foci, namely: tourism, planning, public works, infrastructure development and markets. In undertaking such duties municipalities are expected to promote economic and social development in the area under their jurisdiction. The Act also allows for the participation of traditional leaders within local government administration in the areas in which they reside. It also mandates district councils to assist municipalities lying within the areas under their jurisdiction through integrated development planning, bulk infrastructural development, capacity development and the equitable distribution of resources.

2.4.6 The Municipal Systems Act (2000)

This Act specifies in more detail how local government is to work, including the principle of popular participation in local governance and local-level development. The Municipal Systems Act (RSA, 2000a, p.2) provides for 'the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of communities, and ensure universal access to essential services that are affordable to all'. The Act goes on to state that it describes the 'core processes or elements that are essential to realising a truly developmental local government system. These include participatory governance, integrated development planning, performance management and reporting, resource allocation and organisational change' (RSA, 2000a, p.48). This particular Act has very defined implications for LED in terms of the operational procedures, powers and management systems, which are mechanisms to promote pro-poor development. Municipalities are specifically required to involve communities in the affairs of the municipality, to provide services in a financially and sustainable manner and to 'promote development in the municipality' (RSA, 2000a, p.9).

In terms of service provision, municipalities are required to prioritise the basic needs of the community and to ensure that all residents have access to a minimum level of basic services. LED may be promoted through the provision of special tariffs for commercial and industrial users. A further LED-related provision is that municipalities may establish service utilities or acquire ownership of a company which renders a municipal-type service. The parallel White Paper on Municipal Service Partnerships details how municipalities can enter into partnership arrangements with the private, public, community and NGO sectors to improve service delivery in a specific area (RSA, 2000b).

A key facet of the Act is the detail provided on the Government's commitment to the encouragement of participation (see section 2.7.2). The Act spells out the same powers and duties as detailed in the Structures Act and obligates municipalities to undertake developmentally orientated planning (RSA, 2000a), requiring Municipalities to develop 'Integrated Development Plans' (see below). These plans should involve widespread consultation with communities and other stakeholders and should link and co-ordinate all municipal development plans, municipal resources, capacity and budgets and be compatible with national and provincial planning requirements (RSA, 2000a). In terms of service provision, municipalities are required to prioritise the basic needs of the community and to ensure that all residents have access to a minimum level of basic services. The Act clearly provides the mandate for participatory governance in local government affairs and development matters. These principles clearly have critical pro-poor objectives.

2.5 The draft LED policy (2002)

The title of the 2002 paper (Refocusing Development on the Poor) is an explicit and bold statement of pro-poor LED. The document adopts a definedly 'pro-poor' stance and though not opposing more conventional business-focused activities, argues that in the light of the country's economic and social situation that overtly 'pro-poor' development interventions must be the priority for local governments to

pursue. It is also important to note that 'pro-poor' LED is also referred to as 'developmental LED' (dplg, 2002). The challenge identified in the document is the need to develop pro-poor LED methods which can address both poverty and entrenched inequality. In pursuit of this ideal the document identifies the following goals/objectives for local governments:

1. To establish a job-creating economic growth path;
2. To embark on sustainable rural development and urban renewal;
3. To bring the poor and disadvantaged to the centre of development. In order to achieve this, it suggests that LED needs to be holistic, innovative, creative and redistributive.

The document argues for 'pro-poor' or 'developmental LED'. In terms of understanding what this involves, the document states that 'non-developmental LED' takes place when equity is not addressed and social objectives are secondary. Key problems with traditional approaches are that the traditional 'smoke-stack chasing' approach often leads to a 'race to the bottom', and 'place-marketing' often skews the objectives and benefits of development, resulting in little or no benefit for those most in need. Instead, a new approach is needed, such that 'pro-poor options should entail a greater measure of redistribution, carefully designed to maximise local social and economic development objectives' (dplg, 2002, p.9) and new investment should be 'directed so as to maximise integrated development generate high quality jobs, and assure clean production processes' (p.9).

In order to promote Developmental LED, the following broad interventions are advocated:

- Foster Community-Based Development;
- Promote links wealthy and poor redistribution areas;
- Human capital investment;
- Delivery of infrastructure and services to those most in need;
- Plug leaks in the local economy - i.e. buy-local and try and prevent money leaving the area;
- Retain and expand local economic activity;
- Identify a 'lead' LED strategy for an area.

In order to achieve the above, it suggests that local government needs to focus on Capacity Improvement Instruments; Market Expansion Instruments; and Cost Reduction Instruments.

From an institutional perspective, the document argues that municipalities should establish a LED Unit and that there are defined roles which a local government can play in terms of LED. The functions of an LED Unit are to co-ordinate municipal activities, to manage the LED strategy, to monitor projects, to co-ordinate all stakeholders, to manage the LED budget and to create an LED data base. The four identified roles for such a unit are to co-ordinate, facilitate and stimulate LED and to act as an entrepreneur/developer.

2.6 2005 Policy guidelines for implementing LED in South Africa

In 2005 dplg released a new policy statement on the topic of LED (dplg, 2005) which adopts a far more middle of the road approach than the 2002 document and clearly spells out how LED is seen as fitting within the broader parameters of government policy. The document aligns LED with the RDP, GEAR, the Micro Economic Reform Strategy and a diverse range of current government policies, including provincial Growth and Development Strategies and municipal IDPs. The Microeconomic Reform Strategy, seeks to address the inequalities in the country and to build on the RDP, by focusing on issues of the geographical spread of activity, integration, black economic empowerment, knowledge-led growth, skills development and state responsiveness. Issues of both community development and growing the economy through appropriate mechanisms and investment feature in the document

In contrast with the earlier LED policy document, investment promotion features more prominently, as does business retention and support for a range of enterprises and growth sectors, not just the smallest firms. In terms of alignment with current government thinking it argues the need to support 'both' the first and second economies and working in collaboration with a range of government programmes to achieve

this goal. It also argues that LED is a key mechanisms to close the gap between the 'two economies' (dplg, 2005).

2.7 Broader supporting mechanisms for pro-poor LED

In addition to the laws and policies directly supporting and encouraging pro-poor LED, other instruments provide support for implementation. These are the Integrated Development Planning process, pursuit of participation and appropriate institutional and funding mechanisms. These are discussed in turn.

2.7.1 LED and the Integrated Development Planning Process

In order to effect pro-poor development, Integrated Development Planning is a key mechanism to provide a planning framework within which to situate pro-poor development and LED specifically. An important element of the 'developmental local government' responsibility is for each of the new municipalities to produce an 'integrated development plan' (IDP).

The formulation of IDPs became a legal requirement for local councils in November 1996, as a result of the passing of the Local Government Transition Act, Second Amendment Act (RSA, 1996a) and in the Municipal Systems Act (RSA, 2000). Chapter 5 of the latter Act is concerned specifically with Integrated Development Planning and calls upon each municipal council, within a prescribed period after the start of its elected term, '...to adopt a single, inclusive and strategic plan for the development of the municipality which:

- links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- aligns the resources and capacity of the municipality with the implementation of the plan;
- forms the policy framework and general basis on which annual budgets must be based...;
- ...(and)... is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation' (RSA, 2000, Chapter 5, p18).

In terms of what an IDP should include, the Municipal Systems Act clearly brings out the pro-poor dimensions of government thinking. The Act states that an IDP must reflect:

- the municipal council's vision for the long-term development of the municipality. Special emphasis is to be placed on the municipality's most critical development needs;
- an assessment of the existing level of development in the municipality. This should include the identification of any communities which do not have access to adequate basic services;
- the council's long-term development vision and should consider the need for social and economic advancement of disadvantaged sections of the community;
- the IDP must describe in detail how the municipal council will realise its development objectives and the time frame within which those objectives will be realised;
- the council's spatial development framework, which should guide the way in which the physical area will be developed.

According to the national Department of Provincial and Local Government (dplg)⁸, 'IDPs are local versions of the RDP, grounded in infrastructural planning and development, upon which rests the crucial linkage between meeting basic needs and fostering more competitive economic activities' (LED News, 2000, p2). The South African Forum for Effective Planning and Development in 1995 defined Integrated Development Planning as, 'A participatory approach to integrate economic, sectoral, spatial, social, institutional, environmental and fiscal strategies in order to support the optimal allocation of scarce resources between sectors and geographical areas and across the population in a manner that provides sustainable growth, equity and the empowerment of the poor and the marginalised' (dplg, 2000a, p15). In essence, according to dplg, 2000a, p21, the IDP is, 'conceived as a tool to assist municipalities in achieving their developmental mandates' and as a planning and implementation instrument to bring together the various functions and development objectives of municipalities.

⁸ the key ministry charged to oversee and promote local government affairs

IDPs should involve widespread consultation with communities and other stakeholders and should link and co-ordinate all municipal development plans, municipal resources, capacity and budgets and be compatible with national and provincial planning requirements (RSA, 2000a).

Two recurring themes have been emphasised in the debate about the integrated planning process in South Africa; first, the importance of promoting grassroots involvement in a strongly 'democratic' planning process, and secondly, that the responsibilities of local authorities, as the tier of government which is closest to the people, should be significantly enhanced from their role as service providers during the apartheid era, to becoming key players in the development process.

LED and IDPs are seen as being inextricably linked. As the Department of Provincial and Local Government has commented, '...It is critical to ensure that the planning and implementation of a municipality's LED activities are carefully co-ordinated and initiated within the context of the municipal IDP' (DPLG, 2000c, p29). The IDP provides a mechanism for co-ordinating LED strategies with other development strategies adopted by the municipality, so it is essential that LED planning should be closely linked to the IDP to avoid duplication. It is suggested that IDPs can assist in the promotion of socio-economic development in at least three ways:

- in helping to attract funds from other spheres of government, donor organisations and investors through defining and packaging attractive projects and programmes;
- in helping to create an environment that is conducive to private sector investment and the general promotion of LED;
- by proposing direct interventions in the economy through, for example, providing incentives, developing economic infrastructure, and buying, developing and leasing/selling land, (dplg, 2000a, p25).

There have been significant efforts recently led by the President to ensure a significant LED content in IDPs, and to check the 'economic literacy' of IDPs, and a national review has been conducted to assess the links.

2.7.2 Popular Participation in LED

Participatory governance and involvement of those most in need of support is a key dimension of pro-poor LED. The key basis for all legislation in the country is South Africa's Constitution (RSA, 1996a). In terms of local government affairs, the Constitution obliges them to 'encourage the involvement of communities and community organizations in the matters of local government' (RSA, 1996a, p. 81). The Local Government White Paper (RSA, 1998) argues that 'development local government' is a core focus for local government and that these institutions must work together with their local residents to improve economic and social conditions in the areas under their jurisdiction. In addition, local government is required to take on a leadership role, involving citizens and stakeholder groups in the development process, to build social capital and to generate a sense of common purpose in finding local solutions for sustainability.

The Local Government Systems Act (RSA, 2000a) has the most direct influence over the principle of popular participation in local governance and local-level development. The Act details the Government's commitment to the encouragement of participation. It argues that:

A fundamental aspect of the new local government system is the active engagement of communities in the affairs of municipalities of which they are an integral part, and in particular in planning, service delivery and performance management ...there is a need to create a more harmonious relationship between municipal councils, municipal administrations and the local communities through the acknowledgement of reciprocal rights and duties (RSA, 2000a, p. 2-3).

Chapter four of the Act deals specifically with community participation and according to section 16(1) obliges municipalities to develop a system of 'participatory governance' (RSA, 2000a, p.30) and 'to create conditions for the local community to participate in the affairs of the municipality' including reviews of development plans, performance management, budget, strategic decisions and, significantly, to build community capacity to enable them to participate in municipal affairs'. A municipality has to consider public petitions and complaints and to allow for public comment, public meetings, consultative sessions and report-back sessions and to make allowances for people who cannot read or write, people with disabilities and disadvantaged groups. In addition, all meetings of the municipal council and their committees have to be open to the public and the media except under special circumstances.

2.7.3 Applying Pro-Poor LED

dplg has adopted a flexible approach with respect to institutional arrangements for LED, suggesting that 'the most important issue is the particular needs and circumstances of the community concerned (dplg, 2000a, p.3). The four major categories of LED institutions identified which can be established include:

- **Municipal LED Units**, which can either be situated within the office of the Town Clerk, or within a line department, such as Planning. In addition, local governments can consider the appointment of an LED co-ordinator, the appointment of an LED consultant, or the establishment of an LED management team within the municipality or community-based committees.
- **Community Development Trusts**, which are a less formal arrangement involving the establishment of a Trust to channel and administer funds or other assets in implementing LED initiatives. These arrangements enable participation amongst a broader cross-section of the community.
- **Section 21 Companies** (i.e. non-profit making development companies), which can be established in terms of the Companies Act of 1973 (dplg, 2000a). Municipalities can either establish or work with such companies provided they implement projects and strategies similar to those which a local government would undertake. They have the advantage of being able to receive and administer external funds, a provision which does not apply to local authorities, thus potentially expanding available resources for LED. They also have the possibility of creating a legal partnership between a number of stakeholders (eg local and provincial government), and for promoting LED through an organisation with a less bureaucratic culture than a local government.

- **Partnership arrangements** with other stakeholders. Local governments can establish partnership arrangements with the private, public, community and NGO sectors, usually to undertake a particular development project or to provide a particular type of service.

Based on international experience, dplg (2000b) recommends that local authorities consider implementing one or more of the following six strategies:

- Industrial recruitment and place-marketing;
- Small, medium and micro enterprise (SMME) promotion and support;
- Community economic development;
- Export promotion;
- Business retention and expansion; and
- Investment Attraction designed to alleviate poverty, support small business and expand business development. This is to be achieved through the use of cost reduction measures such as deferred tax payments, direct loans to private business or donation of land to developers. Further assistance might be provided in the shape of measures such as day-care assistance, employee training or re-training, land acquisition and clearance or infrastructure improvements (DPLG, 2000b).

2.7.4 Financing LED

The importance of financing LED initiatives is clearly stated in the RDP, which strongly advocates that funding should particularly reach the most neglected and impoverished areas of the country. In addition to targeted state funds from line department to meet specific poverty relief/development objectives (as detailed below), local government can support pro-poor development through a variety of general processes or targeted interventions. These can include:

- operating in a developmentally orientated fashion which prioritises the needs of the poor and disadvantaged in planning, infrastructure and service provision;
- the pursuit of local / affirmative procurement policies, including black economic empowerment (BEE) and broad-based BEE (BBBEE);
- local public works interventions;
- the provision of support (i.e. advice, facilities etc.) for emerging entrepreneurs.

Over and above the preceding there are a range of state funds available, specifically for poverty-relief interventions, designed to invest in the poorest communities with the goal of job creation and hopefully of laying the basis for sustainable development. Key measures have included:

The Department of Provincial and Local Government

(a) The LED Fund

Instituted in 1999 this made available grants of up to R 1.5 million (approx. \$ 250 000) each to poor communities for job creation/empowerment projects. Though aiming at partnership development and sustainability this often proved difficult to attain.

(b) The Consolidated Municipal Infrastructure Grant

Since 1997 this grant has been applied to over 2300 projects and is designed to provide key municipal infrastructure in the poorest areas. Supporting emerging entrepreneurs is a key aspect of the application of the fund.

(c) The Municipal Infrastructure Grant (MIG)

Initiated in 2004, this new grant seeks to combine the above two grants with those from other ministries in a single funding grant to municipalities to simplify support and administration

(d) The Integrated Sustainable Rural Development Programme (ISRDP) and the Urban Renewal Programme (URP)

These two spatially-based programmes target significant state funds to some of the poorest urban and rural enclaves in the countries. Funds are channelled through local municipalities and are designed to address poverty and developmental/infrastructural backlogs. A core focus is on poverty alleviation and decentralized decision-making.

The Department of Trade and Industry (DTI)

Key support from this Ministry comes in the form of the support for Local Business Service Centres to advise and support emerging entrepreneurs. Advisory and financial support is channelled through separate parastatals, previously Ntsika, Tender Advice Centres and Manufacturing Advisory Centres, which have now been integrated into the Small Enterprise Development Agency (SEDA). In addition this Department is responsible for developing the BEE codes and scorecards to ensure BEE and broad-based BEE.

The Department of Public Works

This Department oversees the renamed Extended Public Works Programme (EPWP) which supports local governments to embark on poverty relief programmes through temporary job creation strategies applied in construction and maintenance of physical infrastructure and environmental protection.

The Department of Water Affairs and Forestry (DWAF)

Operating on similar principles to the Department of Public Works, this Department specifically supports labour intensive, poverty relief and empowerment projects which eliminate alien vegetation in water catchment areas in order to improve water supply.

The Department of Environmental Affairs and Tourism (DEAT)

Based on similar principles to the preceding two departments, the focus of interventions is on providing tourism infrastructure, waste management and coastal care. Their Sustainable Coastal Livelihoods Programme specifically targeted support for livelihoods in coastal areas, including support for economic projects.

Department of Social Development (DSD)

DSD runs the Poverty Relief Programme encompassing a wide range of social and income generating projects and is also responsible for the social arm of the EPWP which includes promotion of social services such as home-based care and creches, whereby volunteers are paid stipends which provide some livelihoods support for providing social services.

2.8 Conclusions

The preceding discussion clearly indicates that a sophisticated system has evolved which, de facto, is providing a key supportive base for pro-poor LED. Whilst the country lacks an embracing LED policy document which has been approved by Cabinet and many of the above-mentioned interventions are not

specifically named as 'pro-poor' strategies, what it does have in place are an impressive range of laws, policies and funding mechanisms which though perhaps not always totally successful in job creation etc., have created a framework for pro-poor LED intervention and support.

Key considerations in terms of what has been established are:

- the Constitutional sanction of local governments to play a key role as agents of economic and social development;
- the provision of fundamental policy support for community-based/pro-poor development in documents such as the RDP and the Local Government White Paper;
- the institution of a range of key laws which give substance to the principle of 'developmental local government' and which assign powers and responsibilities, many of which oblige local governments to prioritise the needs of the poorest in issues range from consultation and participation to infrastructural provision;
- the requirement that all local government engage in integrated development planning of which LED is a core component;
- the provision of local and central state financial support to poverty relief/infrastructural/ empowerment projects;
- the conceptualisation of BEE as a key mechanism to support inclusion of the formerly disadvantaged in the economy and the promotion of affirmative procurement encouraging BEE compliance.

In line with the sanction for developmental action, considerable local expertise and experience is being built up. Even though government policy has a strong pro-poor slant, local action, particularly in the larger centres is often strongly market-focused in approach. The review intimates how important the 'locality' focus has become in both discourse and practice in South Africa. In addition, key themes which have been detected in applied LED include: the strong sectoral focus on interventions, the dominance of applied pro-growth initiatives and the growing significance of pro-poor interventions. The research clearly flags operational difficulties which are being experienced and which the research undertaken for this study confirms, including: the shortage of funding, limited local capacity to deal with new responsibilities, uncertainty as to whether to apply pro-growth or pro-poor interventions and the need to try and maximize the benefits associated with the latter.

3 PLANNING FOR LED IN SOUTH AFRICA

3.1 Background

Under apartheid spatial planning, heavy emphasis was given to top-down regional policy interventions which were centred upon promoting industrial decentralization in the country's peripheral Homelands or Bantustan regions (Rogerson, 1994). Local economic development planning was undeveloped in the apartheid era and confined largely to a scatter of small initiatives for place marketing designed to attract inward investment. However, in post-apartheid South Africa LED planning has gained considerable prominence in development planning. The official South African conception of LED accommodates elements of what in international scholarship are referred to as market-led (pro-growth) and market-critical (pro-poor) approaches towards LED. In this section a review is presented of the rise of LED planning based on an analysis of the broad directions pursued in both pro-growth and pro-poor LED planning. It emphasises the approach taken by the major urban centres which are leading the way in terms of innovating in approaches to LED.

3.2 Pro-Growth Initiatives

The mainstream of LED planning in South Africa continues to be dominated by market-led activities that are geared towards achieving sustainable high economic growth rates (Nel and Rogerson, 2005). Existing planning interventions across South African urban areas parallel the international record with most urban areas having initiated LED activities in support of building local competitiveness.

Many cities have launched city improvement programmes and the majority have sought to support the growth potential of the small, medium and micro-enterprise (SMME) economy. Several variants of "place entrepreneurialism" can be identified with the most important relating to promoting localities as **competitive spaces for production, consumption and information-processing activities** (Rogerson, 2000). Despite a highly competitive global environment, the retention and promotion of manufacturing continues to be a significant LED activity centred upon economic restructuring, promoting collective learning in industrial agglomerations, and maximizing the development of firm competencies at the local level (Dorfling, 2001; Machaka and Roberts, 2004). Another important intervention is the establishment of Industrial Development Zones (IDZs), which represent a South African variant of Export Processing Zones in which locational competitiveness is not rooted upon cheap labour or fiscal incentives but instead on the efficiency of a locality for export-led growth as based, for example, upon high quality infrastructure or streamlined bureaucratic processes (Rogerson, 1999c; SACN, 2004).

Currently, with the growth in significance of **tourism** as a new economic driver for the post-apartheid economy, there is considerable emphasis upon tourism-led LED planning across large cities, smaller localities and rural areas (Nel and Binns, 2002b; Binns and Nel, 2002b, 2003; Rogerson, 2002c; Ndlovu and Rogerson, 2003; Visser, 2003). Central elements in an array of LED activities anchored upon local tourism promotion include the attraction of business tourism through the building of new convention centres; of leisure tourists through new waterfront redevelopment programmes, the hosting of festivals or the establishment and branding of themed routes; and maximizing the benefits of tourism flows from sub-Saharan Africa (Rogerson, 2002c; Nel *et al*, 2003; Rogerson and Visser, 2004). Further, the hosting of 'mega-events' such as the Rugby and Cricket World Cups, the World Summit on Sustainable Development and the forthcoming 2010 World Soccer Cup offer added opportunities for maximizing tourism-led growth opportunities in several South African cities.

In South Africa's leading cities there is growing acknowledgement of the imperative need to respond to situations of **weak demand and micro-economic constraints** on local productive capacity (SACN, 2004). One core response has been for localities to gear into exports and seek to fix micro-economic constraints in order to engage competitively in the global economy. Micro-economic reforms designed to make local economies more productive have been an important focus of LED intervention (SACN, 2004).

The IDPs and broader restructuring plans of major centres highlight the issue of 'positioning the city in the global economy' (see Hall and Robbins, 2002; Nel *et al*, 2003). Commonly, this has been associated with **sectoral targeting** or "picking a number of winning sectors or sub-sectors that the municipality

believes, through targeted support, may become their city's competitive advantage in the global economy" (SACN, 2004).

A typically example is the City Development Strategy for Tshwane Metro (centred on Pretoria) which stresses "strengthening key economic clusters to gain leverage from growth trends in manufacturing, government and business services" with identified actions to include "city support for the automotive, defence and metal industries clusters, all of which have the potential for further growth and increased global competitiveness, including potentially forming a 'super cluster' with mutually reinforcing initiatives" (SACN, 2004). The growing targeting of sectors is reflected also in the sophisticated strategies for investment attraction used by many localities, as is exemplified in the special attention given by Cape Town for attracting investors into the city's expanding film industry, of the targeting both by Cape Town and Johannesburg of the labour-intensive call centre industry and of all South Africa's major cities for the lucrative business of convention tourism (Lootvoet and Freund, 2004; Gelling, 2004).

All South Africa's leading cities are seeking to attract or retain agglomerations of 'knowledge-based activities', as well as to widen and deepen their pool of **local skills**. In particular, there is intense competition emerging between the ambitions of Cape Town and Johannesburg to be the major national axis for high technology manufacturing and information technology activities (Rogerson, 2002d). Another critical facet of efforts to attract knowledge-based economic activities are local level interventions which are crafted to improve the local skills base to nurture clusters of innovation and R&D activity.

Finally, in the search for more productive and competitive cities there have been instituted a series of other notable LED pro-growth interventions. The recent SACN (2004) review draws attention to three key themes:

- a set of initiatives geared towards enhancing **institutional efficiency and the efficiency of the urban form** in terms of, for example, interventions designed to reduce the local cost of doing business in a particular locality or of improving local 'logistical pathways' in order to strengthen the relationship between economic growth and infrastructure investment.
- initiatives focused on **improving safety and security** through the installation of closed circuit television in city centres which are responding to the findings from surveys that disclosed perceptions of crime and actual crime against businesses as being major deterrents for business investment (Chandra *et al*, 2001; Dirsuweit, 2002).
- a popular LED initiative amongst several of South Africa's largest cities is the operationalisation of the American model of **Business Improvement Districts** for the physical upgrading of inner city areas (SACN, 2004).

3.3 Towards Pro-Poor Initiatives

Although the major directions taken by LED planning in South Africa's cities evidence a strong pro-growth bias, it is clear that a priority for national government in terms of the expressed and desired outcomes of LED is that it should contribute towards addressing severe problems of unemployment and poverty (Abrahams, 2003a; Nel and Binns, 2003; Nel and Rogerson, 2005). Section 2.5 discusses the national LED Policy Document, entitled 'Refocusing Development on the Poor' (dplg, 2002) which offered a potential national framework for LED activity undertaken by municipalities wedded to a strong pro-poor focus in terms of sustaining a developmental approach to their local economies (Bond, 2003).

Since 1994 a pro-poor dimension has emerged in the LED operations undertaken by many – if not most – South African local governments (Abrahams, 2003a; Nel and Rogerson, 2005). At the local level the question of addressing the apartheid poverty legacy has been responded in several different ways (Rogerson, 2003a). Udesh Pillay (2004) recently has highlighted the role of locally-based associational arrangements in addressing poverty alleviation in a more inclusive manner in South African cities. The most widespread form of pro-poor interventions has been to focus on strengthening the 'asset base' of poor communities (cf. Moser, 1996, 1998).

Three critical policy areas are those which relate to **improving regulatory frameworks, municipal services delivery**, and issues of **employment creation** through the stimulation of local economic activities.

In terms of **regulatory frameworks**, the core questions relate to land management and improving the access of the poor to new or improved sources of shelter. As shown by Beall and Todes (2004) from the experience of Cato Manor, a gender aware approach can have positive pro-poor outcomes. A critical policy area of regulation relates to urban agriculture, which is seen widely as an important element in the survival strategies of many poor women and poor households more generally. The setting aside of land for the promotion of urban agriculture or community gardens is a growing element in pro-poor LED activities across South Africa (Rogerson, 1999b, 2003c).

Another option for expanding the asset base of the urban poor is to **enhance their limited access to the full range of municipal services**, which would generally include water supply, sanitation, refuse removal, drainage, flood protection, local roads, public transport, street lighting and traffic management (Bond, 2003). The limited access of the poor to such services is often aggravated by a tendency for design and service standards to be unaffordable or not planned to allow for incremental upgrading as poor communities improve and expand their willingness to pay for services. Important opportunities are identified in programmes of developmental service delivery for promoting new job opportunities as well as addressing poverty alleviation. In terms of infrastructure programmes the opportunities exist at all stages of a project cycle, beginning in the stages of construction and continuing through the phases of implementation and maintenance of services. The application of public works programmes for job creation and infrastructure provision were identified as the two most popular individual LED strategies used by South African local authorities according to the findings of a recent survey (Nel and Binns, 2003).

In an ILO (2002) investigation, unemployment was acknowledged to be the number one priority issue of local concern in most South African municipalities. In terms of **employment creation**, for the poor, their greatest asset is their capacity for labour (Moser, 1996, 1998). Municipal actions targeted at creating employment creation represent important options for poverty alleviation. A range of local government interventions can facilitate job creation in poor communities (Parnell and Pieterse, 1999a, 1999b; DBSA, 2000). The key sphere for policy consideration relates to the activities of the survivalist informal economy, including street trading, home-based enterprises, and of micro-enterprise activities (Skinner, 2000; Xaba *et al*, 2002; Skinner and Valodia, 2003; Dewar, 2005; Lund and Skinner, 2004). The existing support or policy interventions can be either indirect or direct. In terms of indirect support for job creation, there are many areas of local government policy intervention which provide a more facilitative environment, especially for the functioning of both survivalist and growing micro-enterprises. Forms of policy intervention range from the development of a local information base, zoning changes, marketing support and promotion, facilitation of periodic markets, and, assistance for development of appropriate vocational training (Skinner, 2000; Gibb, 2004, 2005).

Direct support for the poor can include local measures to improve the built environment for the activities of emerging entrepreneurs, including the facilitation of small business hives, incubators or nurseries, the provision of markets, or making available premises for use as local business information, support or advice centres (TIPS, 2004). Of critical significance as a pro-poor LED initiative is the application of **public sector procurement** to support the development of particularly black-owned small enterprises. It has been shown that South Africa's new programme of 'targeted procurement' enables public sector procurement to be applied as a policy instrument by local governments in an efficient and effective manner as well as facilitating the further implementation of national government's programmes for assisting poor communities disadvantaged under apartheid (Rogerson, 2004c). Further local job creation initiatives in poor communities focus on **improving the skills base** or raising the value of human capital of poor communities (Cachalia *et al*, 2004; Gibb, 2004). Finally, there are emerging a number of **sectoral initiatives** which are targeted to support particularly those economic activities in which there is a high level of labour absorption of poor communities (Rogerson, 2003a). In addition to support for the informal economy, other examples include sectoral support for clothing, tourism and urban cultivation (Rogerson, 2003a, 2004a).

For some observers: "LED is increasingly being used by central government to shift to local government some of the responsibility for dealing with unemployment and poverty" (Tomlinson, 2003, 113). From national government there continues to be a stream of programmes which reinforce LED towards a more pro-poor focus. First, in order to provide financial support for LED endeavours, central government introduced an LED Fund in 1999 which largely is targeted to provide support for poverty relief schemes (Binns and Nel, 2002a). Second, national government's Urban Renewal Programme contains an explicit focus on issues of urban regeneration and targeted support for township areas, especially for those localities most disadvantaged under apartheid. Third, is the parallel Integrated Sustainable Rural Development Strategy which aims to build upon existing support programmes "through a well-coordinated, bottom-up approach to rural local economic development" (RSA, 2000c, vii). Fourth, is the Expanded Public Works Programme, a nation-wide large scale programme launched in 2004 and applying labour-intensive methods to upgrade rural infrastructure and absorb significant numbers of the unemployed into productive employment (Nel and Rogerson, 2004b).

Lastly, and potentially of considerable significance, is the re-design and re-launch in 2004 of the national government's support framework for small business development and the creation of the Small Enterprise Development Agency and its opening offices in all provinces and districts. The critical role of local governments is now openly acknowledged in terms of the expansion of business infrastructure facilities, in the making of IDPs and in shaping local regulatory frameworks which directly affect the performance of small businesses, and especially of those working in the informal economy (Xaba *et al*, 2002). Additionally, local government assistance for SMME development can be found in support for the network of Local Business Service Centres, which represent a decentralized support network for the provision of non-financial services to entrepreneurs, now provided or supported by SEDA. Currently, national government is redesigning and rolling out a flagship pilot programme on LED to assist further the strengthening of the implementation capacities of local government for SMME development through focused support for capacity building and micro-finance, which has been identified as a critical support need for emerging micro-enterprises.

As the preceding indicates both pro-growth and pro-poor LED are actively discussed, articulated and applied in South Africa. While degrees of application and success attained vary between centres and government supported interventions, a key context has been provided for LED. While both pro-poor and pro-growth LED approaches exist in parallel, links between the two are not explicitly articulated. Attention now turns to an examination of LED research undertaken to date in South Africa, followed by an investigation into applied evidence of LED in the country's main urban centres.

4 SOUTH AFRICAN RESEARCH ON LED AND EMERGING FINDINGS

4.1 Introduction

This section examines key research, debates and trends in applied LED in the country, and finally draws some conclusions from Part B on the background to LED.

The first academic research published on LED in South Africa was that of Claassen (1991) whose analysis of early LED initiatives in the late apartheid era stressed correctly that as local governments were not democratically elected, their development efforts would be biased towards the enfranchised (and white) portion of their cities. Since the appearance of that study and of the democratic transition in 1994 there have been a growing number of research investigations that have examined aspects of the unfolding Local Economic Development policy and practice in South Africa. With contributions coming from a range of social science disciplines – from planning, sociology and especially from human geography – the volume of available LED scholarship in South Africa is now impressive. Indeed, in terms of the developing world it is probably true to say that South Africa currently offers the best documented experience of LED in any country of the South.

This bibliographic review of the first decade of research and debates on Local Economic Development on policy and experience aims to provide a guide or primer to the existing literature. As the boundaries of research on LED are ill-defined and flow into wider literatures on, for example, small business development, tourism studies, spatial economic change or infrastructure development, the focus here is on those writings in which there is an explicit focus upon questions regarding LED. In surveying this extensive body of material it is useful at the outset to identify several themes and sub-themes in the writings on South African LED. Although there are areas of overlap, it is useful to categorize the existing sets of studies into four key themes:

- Writings that debate the evolving development and national directions of LED policy and planning;
- Locality-focused investigations of the LED experience and implementation in the country's major urban centres and secondary cities;
- Locality-focused investigations on the LED experience and implementation in the country's small towns and rural areas;
- Thematic or sectoral investigations concerning the implementation of specific forms of LED.

Overall, these four major categories will represent the organizational framework for this bibliographic review.

4.2 Research on the development and national directions of LED in South Africa

It is interesting to record that whilst the activity of LED was marginalized in terms of development planning in the apartheid period, from the early 1920s through to the beginnings of apartheid there has been evidence in a range of different South African localities of what has been termed 'incipient LED'. The works of Robinson (1996), Nel and Rogerson (1995, 1996) and Freund (2002) focus upon this historical phase of LED in South Africa, in which place entrepreneurialism generally was coincident with place marketing initiatives for inward investment. Other writings draw attention to the linkage between the demise of top-down spatial policy in the apartheid era which created new spaces for local initiatives and the accompanying awakening of early forms of LED, which often were once again primarily centred around place marketing and place re-imaging in order to attract external investors (Rogerson, 1994).

With the transition to democracy and the enactment of the 1998 Local Government White Paper a new burst of interest was evident in the changed directions of development planning within which LED was a new buzzword and focus for vibrant debate. Between 1994 and 2000 several studies appeared in which South Africa's new policy discovery of the developmental role for locality was reviewed and the early post-apartheid experiences were recorded and debated (Nel, 1994, 1995, 1999, 2000; Rogerson, 1997; Nel and Humphrys, 1999; Parnell and Pieterse, 1999a; Bloch, 2000; DBSA, 2000). Considerable importance was placed upon issues of local responses to globalization processes and of South Africa's

re-insertion in the global economy after several decades of increased isolation (CDE, 1996a, 1996b; Rogerson, 1997; DBSA, 2000). Within this first wave of writings the stress primarily was directed at the pro-growth axis of LED policy and intervention (Rogerson, 1999a). None the less, there were a small number of studies which raised questions concerning the role of LED in poverty alleviation and in the development of the poorest areas of South African cities (Harrison *et al*, 1997; Isandla Institute, 1999; Parnell and Pieterse, 1999b; Rogerson, 1999b; DBSA, 2000).

Taken together, these initial nationally focused works provided a solid foundation upon which more detailed and critical debates would occur surrounding the new system of new local government which came into effect on 6 December 2000 after the first fully democratic local government elections (Naude, 2001; Nel, 2001a, 2001b, 2002; Rogerson, 2002a; Hindson, 2003; Tomlinson, 2003). For example, Naude and Krugell (2003) explore the extent to which the newly elected local authorities are able to generate local economic growth and development that will reduce current levels of spatial inequalities in the country as a whole. Major debates were launched by the attempts made from 2002 to draft a coherent national framework document for LED (Bond, 2002, 2003; Abrahams, 2003a) which contained a strong pro-poor dimension and by central government efforts to introduce a national fund in support of LED projects (Binns and Nel, 2002a). Other emerging themes surrounded research to contextualize evolving LED policy in South Africa within wider international debates (Simon, 2003), to track the diverse range of LED initiatives across the country (Rogerson, 2000) and to monitor on a more scientific basis the overall national directions of LED as pursued by the activities of South African municipalities (Nel and Binns, 2003). Finally, attention should be drawn to the appearance of a recent synthesis volume which catalogues the development and national directions of LED in the first decade of democratic rule (Nel and Rogerson, 2005).

4.3 A locality focus for LED in large cities and secondary cities

It is apparent that the capacity and resource availability for pursuing developmental local government is most in evidence in South Africa's largest metropolitan centres and, to a lesser extent, in the secondary centres. The evolving directions of LED in the country's major cities – particularly Johannesburg and Durban – have been a major focus in South African LED writings over the last decade. It is important to note that the focus in many cases is on pro-growth rather than pro-poor interventions which does put into perspective the relative importance attached to both approaches on the ground, despite the very clear focus of national policy.

From the first detailed case studies on LED in South Africa's cities, the **pro-growth or pro-business bias** in municipal interventions was already clear (Tomlinson, 1994). This pro-growth emphasis was demonstrated clearly in focused works on Durban (CDE, 1996b; Maharaj and Ramballi, 1998), Johannesburg (Rogerson, 1996), Pretoria (CDE, 1998), Port Elizabeth (Dorfling, 2001), Cape Town (Marks and Bezzoli, 2001) and Benoni (Walker, 2000) as well as in broader overviews of the LED experience in a range of large and secondary cities in South Africa (CDE, 1996a; Rogerson, 2000). Since 2000 the country's large cities have continued with a strong LED focus upon promoting competitiveness across various sectors and of re-positioning in the changing global economy (SACN, 2004). In research in Durban, the promotion of the competitiveness of the local economy has been reaffirmed through a range of flagship property development projects, including a new convention centre and tourism developments (Hall and Robbins, 2002; Lootvoet and Freund, 2004) and with the suggestion offered that these projects represent the beginnings of creating a new alliance between old and new business elites in the city (Moffatt and Freund, 2004). In Ekurhuleni, the core LED emphasis is upon supporting the competitiveness of the existing cluster of manufacturing enterprises (Machaka and Roberts, 2004). In the case of Johannesburg, the explicit focus is upon the search for 'world city status' through enhanced competitiveness of targeted sectors (CDE, 2004; Rogerson, 2005). The findings of the first major national survey of 'putting developmental local government in practice' once more demonstrated the dominance of pro-business interventions in evolving LED policy across South Africa's largest urban centres (Nel and Binns, 2003).

Outside of the major metropolitan centres of South Africa, in the secondary cities, the imperative for implementing what Pundy Pillay (2004) describes as "productive development policies" is stressed, particularly as a defence against the threat of economic marginalization. Indeed, as shown by Mosiane (1998) in the case of Mafikeng, Pillay (2004) for Witbank and Newcastle, and by Nel and Binns (2002a)

for Welkom, over the past decade many of South Africa's secondary cities have confronted serious challenges of readjustment to a decline in the major element of their local economic base.

Notwithstanding the pro-growth bias of LED in South Africa's large cities there is also an observed evolution of initiatives which would be viewed as embodying a pro-poor orientation in most centres. The use of **sectoral targeting** as a potential vehicle for pro-poor planning has been highlighted from Johannesburg evidence (Rogerson, 2003a). Several of the small types of pro-poor initiatives would fall into the category of '**area targeted** initiatives' which are linked to inner city renewal programmes taking place in Durban (Khosa and Naidoo, 1998) and Johannesburg (Rogerson, 2001; Cachalia *et al* 2004) and often embodying a strong focus upon the upgrading of small enterprise clusters (Rogerson, 2004a). In Cape Town, initiatives to regenerate the former decentralization node of Atlantis were exhibiting early features of pro-poor intervention (Nel, 1996). Moreover, the former municipality of Midrand in Gauteng province has been shown as particularly innovative in terms of implementing eco-development approaches as a base for certain pro-poor interventions (Rogerson, 2003b). In addition, in a Cape Town case study, Gibb (2004, 2005) has documented the critical importance of **skills upgrading** and training as a potentially pro-poor LED intervention.

Finally, in a rich critical analysis of the building of a developmental local government to fight poverty using Johannesburg as a case study, Parnell (2004) moves the focus from the small-scale level to the larger questions of **mainstreaming** a developmental agenda that will enhance the lives of the urban poor. Parnell (2004) highlights that the institutional frameworks of city government in South Africa are poorly constructed relative to the need for the large-scale roll out of municipal initiatives to fight poverty.

4.4 A locality focus for LED in small towns and rural areas

As the relative proportion of the population classed as poor or very poor is highest in South Africa's small towns and rural areas, it is perhaps not surprising that most locality-based writings on LED in these areas necessarily encompass a focus which is oriented towards pro-poor interventions. In the majority of South African small towns and rural areas the most important local development issues are centred upon dealing with economic decline and of the problems of often severe poverty in a situation of limited capacity and limited resources (see Nel, 1997a, 1999; Xuza, 1999; Nel, Hill, Aitchison *et al*, 2003; Nel, 2004).

In terms of the prospects for LED as an elixir for small town South Africa, considerable promise was attached early in the 1990s to the promising record shown by the small Eastern Cape town of Stutterheim as documented by Nel (1994). Nevertheless, major elements of the Stutterheim 'success story' later were challenged by other works (Bond, 1998). Another promising experience of small town LED was documented in the example of Port Shepstone in KwaZulu-Natal (Harrison and Naidoo, 1999). In the search for economic revival through LED, many South African small towns have turned to the prospects offered by **tourism-led development**, a theme which has been recorded in a number of small town case studies (Khumalo, 1998; Nel and Binns, 2002b; Abrahams, 2003b; Binns and Nel, 2003; Nel, 2004) as well as rural community-based tourism projects (Ndlovu and Rogerson, 2003). The potential for linking together the attractions of a number of small towns or rural communities into themed or branded routes for tourists is another popular LED focus (Rogerson, 2002b, 2004b). Other alternative bases for economic revival of small town and rural localities have been documented in case studies of **agriculture-led development** (Nel, 2004). For many rural communities across South Africa, the activity of LED is often, however, conditional upon successful land reform or land restitution processes (Philander and Rogerson, 2001).

Development from below and the issue of local '**self-reliance**' by ordinary residents are themes stressed in the experience of a number of locality-focused case studies of small town or rural LED across South Africa (Nel and Hill, 1996; Nel *et al*, 1997; Xuza, 1999). Indeed, the observation was made that the emergence of rural informal activities, communal farming and various forms of community-survival must be interpreted as a 'development from below' style of LED that is strongly characteristic more broadly of small town or rural areas in the developing world (Binns and Nel, 1999). Within these small town and rural case studies a heavy onus of responsibility often is placed upon the actual residents of the locality or the initiative of community-based organizations in achieving local self-reliance (Gibb, 2004).

4.5 Thematic or sectorally-based investigations

The most undeveloped aspect of South African research on LED relate to thematic or sectorally-based investigations. As has been shown, national level debates on evolving policy have been extensively documented and researched. In addition, there is a considerable volume of case study material which interrogates at locality level particular experiences of LED in specific spaces. By contrast to this continuing stream of national policy research debates and locality-based investigations, only a relatively small number of thematic or sectorally-based research investigations so far have been undertaken of issues pertaining to the South African LED experience.

One of the most important elements for municipal governments and LED implementation is the question of financing. The critical theme of financing for LED across South Africa recently has been addressed in an important research study produced by Nel and Rogerson (2004). Overall, this study concluded that there existed major lacuna in the existing structures and frameworks which have been established – primarily by central government – in order to support the mix of pro-growth and pro-poor interventions as pursued by South African localities.

Lastly, there is only limited available sectoral or thematic research which currently explores the application of a particular form of LED intervention across a range of South African localities. The most well-documented sector currently is **tourism** (Rogerson 2002c; Binns and Nel, 2002b; Rogerson and Visser, 2004) in which there has also appeared a useful sub-sectoral analysis of the potential of budget tourism in the form of backpacking, in terms of its local developmental impacts (Visser, 2003). Overall the key findings suggest that tourism – or more correctly different forms of tourism - potentially can be a lever for both pro-growth and importantly, a set of pro-poor initiatives for local development. Other sectoral work has addressed **construction** as a lead sector for LED through the application of targeted procurement measures which support, in particular, emerging enterprises and local labour in poor communities (Rogerson, 2004c). Finally, the potential for **urban agriculture** to be a focus for pro-poor urban development planning has been investigated in a recent national analysis (Rogerson, 2003c).

4.6 Emerging picture of LED prior to the study

From the above discussion of LED policy, practice and the research base in South Africa it is apparent that a sophisticated legal and policy basis exists to support what is a de facto pro-poor LED imperative in South Africa, and also a rich research tradition. What has been achieved in terms of the institutionalisation of an LED framework, albeit over a period of ten years of experimentation and policy formulation, has the potential to serve as a model for other developing countries faced with similar development challenges. It is evident that LED has been mainstreamed in South African urban economic practice and in development planning. As the overview indicated, the reality on the ground is that pro-growth LED interventions have received greater attention and, arguably, have recorded the greatest successes. It is however also apparent that pro-poor LED policy has recently been developed and been supported by the government, and that it is receiving greater recognition at the level of local government, as reflected in actions and policies ranging from affordable service provision, to procurement and small business support, but that it has proved difficult to mainstream a developmental agenda that will enhance the lives of the urban poor (Parnell, 2004).

Despite the considerable thrust to give priority to LED in South African local government, there is still very fragmented and patchy delivery in programmes and projects. Some of this can be attributed to inexperience, but it should also be noted that many municipalities are struggling to maintain their most basic services and are not able to allocate sufficient resources to LED. It is clear that applying a 'near-ideal' system or framework does not of itself guarantee success. In addition, an awareness of the challenges experienced and the shortfalls experienced is of value to other countries. Tomlinson (2003), Rogerson (2000), Nel (2001) and Nel and Rogerson (2004a), have identified a range of operational difficulties impeding the implementation of LED in South Africa. Some of the more obvious concerns include:

- differing views held between government departments as to whether LED should have a pro-poor or a pro-market focus;

- a legacy of support for unsustainable, low skilled community projects which has negatively impacted on perceptions of the efficacy of LED. Even in the case of flagship projects such as developing rural nodes, results are clearly do not always live up to expectations;
- limited private sector involvement in poverty relief projects;
- the devolution of significant and real power to effect LED to local municipalities which often lack the skills and capacity to effect change. As local governments are meant to be the key implementers, if support and skills are not in place, development backlogs are exacerbated, not addressed. This applies to councillors and officials and is a major constraint which government itself has recognised as needing attention;
- significant devolution has taken place without adequate funds to run LED offices, pay for training or to finance projects, creating what is locally known as an 'unfunded mandate';
- real economic growth is being noted in pro-market supported ventures e.g. convention centres, place marketing etc. The challenge is to try and ensure that there are genuine pro-poor employment and development spin-offs from such activities;
- LED is sometimes perceived as marginal to the mainstream basic services delivery mandate of local government, where pro-poor approaches can be taken as providing free basic services, rather than an active pro-poor LED approach;
- municipalities often place much emphasis on improving growth and employment prospects in their planning documents but not integrating this into resource allocation and day to day activities.

The preceding has led to a situation referred to by Rogerson as one in which 'the most distinguishing feature of South African Local Economic Development policy is the new emphasis on a **strong pro-poor focus in rhetoric, albeit if not always in practice**' (Rogerson, 2000, p408). The statement needs to be reflected on as it crystallises an essential dichotomy between sophisticated pro-poor policy on the one hand and very real operational difficulties on the other and a tendency in many local governments to rely on pro-growth initiatives in which the private sector are more likely to participate, and which often have high visibility and so are attractive to politicians.

The significant attention and support which the South African government is giving to LED is to be welcomed, in the light of the devolution of decision-making powers which is taking place and the urgent need to create jobs and stimulate economic growth. If LED is to be widely practiced throughout South Africa, having the legal and policy support in place is critical, but it is only the first step in ensuring that LED actually takes place. Issues of additional finance, business support and investment, capacity building, external support and facilitation also need to be attended to.

Despite the negative issues which have been raised, the policy shift which is taking place in South Africa is clearly of great significance and, if managed correctly, could lay a valuable basis for addressing the country's very serious development challenges. In sum, 'despite the concerns which have been raised, it is interesting to note that, in contrast to most developing countries, a search is being made for innovative strategies which break with the traditional mould of state-centred planning and which, hopefully, hold some promise for the majority of South Africans' (Nel, 1997b, p.72). At a broader level, and allowing cognisance to be taken of local impediments and the lessons they implicitly provide, the LED policy and legal framework and supporting mechanisms and experience in South Africa do provide interesting and valuable lessons for other countries anxious to develop mechanisms to promote pro-poor LED. Key amongst these could be:

- the need to anchor pro-poor LED policy in key legislative processes, perhaps even to the point of constitutional amendments;
- the need to develop a range of policy and legal instruments which variously conceptualise and authorise new local government powers, devolution, mandates for community development, a broad development context and the key role of issues such as participation, governance and new development targets;
- the need to put in place a sophisticated development planning and support framework, which can mainstream LED in local-level planning, provide financial, capacity and institutional support and encourage popular and private sector participation;

- the need to appreciate that policy formulation and devolution are not in themselves adequate to ensure success. Very real capacity, operational and financial constraints exist on the ground which must be acknowledged and addressed as far as is possible;
- achieving success in pro-growth initiatives may well be easier to attain than with pro-poor initiatives. The challenge is not to displace pro-growth endeavours, but rather to seek to maximise their pro-poor spin-offs and to encourage greater support and receptiveness for uniquely pro-poor endeavours.

LED is understood very differently in South Africa and the case-study research and survey sought to refine this listing paying particular attention to dominant themes and achievements. At this juncture it is important to note that even though pro-poor development is seldom an explicit focus in its own right it is generally an intended outcome of all interventions

Currently support for LED is very fragmented, between the different spheres of government, and in terms of the lack of effectiveness of partnerships to promote LED. We need to move beyond this to an integrated approach that can be sustained and scaled up. We need to move beyond projects and physical items (buildings) to supporting economic processes, while **basic infrastructure** for businesses is essential. In the proposal for this research, some areas where support is needed were suggested as:

- Need for technical training and **skills development**, considering the very shallow level of skills in SA – affecting both the formal and informal sectors;
- Need for quality and accredited **business support, mentoring and aftercare**. There are some examples such as the Manufacturing Advice Centres but these are only available to a small proportion of businesses;
- Promotion of local purchasing, eg with **business directories** and data-bases of skills (eg the Small Business Project);
- Need for appropriate **spatial planning** and planning restrictions, which are often developed for formal sector – in some situations need to relax controls for development of informal sector;
- A challenge of appropriate **business incentives** for the formal and informal sectors, and avoiding destructive competition for subsidies;
- The need to link **urban and rural** livelihoods, and the recognition of the multiple strategies employed in people's livelihoods, particularly of the poor;
- Recognising the linkages between the types of measures above and others, eg housing, safety and security, to maximise impact and ensure a coherent response to poverty across the whole of a municipality/region;
- Need for intersectoral collaboration and **partnerships** regarding responsibilities and resources in many places as the resources and roles to support LED are split amongst many actors. However often there are no effective drivers for intergovernmental (IGR) cooperation at municipal level;
- The need for provincial and national facilitation support to offer guidance and support to under-capacitated areas (and Project Consolidate is supporting 50% of municipalities in the country);
- The need for targeted central state funds to support LED, which go beyond welfarist provision;
- The need for a common approach in central government departments in their vision of LED, the lack of which is causing inconsistencies at municipal level;
- The need for an LED Association (ideally independent of government and formal local government bodies) to champion LED in all its dimensions and to promote and publicise LED;
- Need to track and measure impacts and so for effective monitoring and evaluation mechanisms, which should be overseen by an appropriate structure such as the National Treasury or the SACN.

These have been reviewed as part of this research and will be discussed further in Sections 4, 5 and 6.

PART C: EVIDENCE FROM THE RESEARCH

5 NATIONAL OVERVIEW OF APPLICATION OF PRO-POOR LED BY THE MAJOR LOCAL GOVERNMENTS IN SOUTH AFRICA

5.1 The cities and towns covered in the survey

The study was conducted in two stages, an initial study of urban centres in 2004-5 (funded by the World Bank), and of small towns and rural areas in 2005-6 (funded by DBSA). This section concentrates on the urban centres and section 6 covers the findings of a survey of rural municipalities and small towns.

The urban centres identified for study are listed in Table 5.1.1 (see below). The largest 22 are in rank order of population size, while the following 8 are key regional centres which may not necessarily be the next biggest centres in the country, but which, because of their spatial location are, de facto, the remaining key regional centres in the national economy. One of the 8 is included because it is also a selected case-study town for the next phase of the research.

5.1.1 The interview process

This survey is based on a series of core interviews undertaken with the LED Unit (or equivalent) in the selected municipalities. A copy of the questionnaire is contained in Appendix 3. In all cases the views of the most senior person were sought. Budget constraints restricted the interview process to single interviews and it was not possible to contact other stakeholders in the respective municipalities.

5.2 Background to the municipal economy

5.2.1 Lead sectors in the economy

Of the 19 responding municipalities, although a diverse range of sectors were rated as the primary ones, the most common dominant sectors appear to be manufacturing, community services (i.e. government employment), business and financial services and tourism (see Table 5.2.1a). The identification of dominant sectors was subjectively determined by council interviewees based on their own understanding and data capture of the local economy.

Table 5.2.1a Most important economic sectors for 19 responding municipalities

Sector	Numbers of municipalities reporting as:		
	Lead sector	Second most important sector	Third most important sector
Manufacturing	5	1	
Community services	4	2	5
Mining	2		
Agriculture	2		
Financial services/property		5	3
Trade/retail	1	4	
Tourism		3	
Construction			2
Total	13	14	9

Table 5.1.1 South Africa's major urban centres (ranked according to population size)

City name	Municipal name (if different from city name)	Population (of municipality i.e. Main centre + hinterland)
A) Metropolitan centres		
1) Johannesburg		3 225 812
2) Durban	Ethekeweni	3 090 121
3) Cape Town		2 893 246
4) Ekurhuleni		2 480 277
5) Pretoria	Tshwane	1 985 983
6) Port Elizabeth	Nelson Mandela	1 005 778
B) Secondary cities		
7) East London	Buffalo City	701 890
8) Bloemfontein	Mangaung	645 441
9) Vereeniging	Emfuleni	597 948
10) Pietermaritzburg	Msunduzi	553 223
11) Welkom	Matjhabeng	476 927
12) Nelspruit	Mbombela	425 663
13) Polokwane		424 976
Ci) Smaller cities		
14) Klerksdorp		335 237
15) Rustenburg		311 324
16) Newcastle		287 260
17) Mafikeng		242 193
18) Witbank	Emalaheni	236 680
19) Krugersdorp	Mogale City	223 657
20) Carltonville	Merafong City	209 776
21) Kimberly	Sol Plaatjie	204 263
22) Richards Bay	Umhlathuze	196 183
Cii) Regional centres		
23) Thohayandou	Thulamela	*
24) George		*
25) Umtata		*
26) Upington		*
27) Kroonstad		*
28) Tzaneen		*
29) Ladysmith		*
30) Port Alfred **	Ndlambe	*

Source: Demarcation Board, 2001; Gaffaney's, 2003; SACN, 2004

Key: * urban population of the centre difficult to determine owing to the presence of multiple urban centres in the municipality and/or a large rural population.

** included as this is one of the case studies in the next phase of the study

The results observed indicate the dominance of primary and secondary industry and government employment as opposed to the tertiary and quaternary sectors. Nevertheless, these results need to be read cautiously as it is well-documented that the country's most important cities recently have experienced a phase of economic restructuring involving a shift towards more service-based economic activities.

In terms of key cities surveyed, contrary to the claims made by certain municipal officials, it is apparent that manufacturing is the most important sector in only a few cities (e.g. Ekurhuleni and Ethekeweni), and that the various service sectors and trade are often the dominant sectors. Table 5.2.1b indicates the percentage contribution to local GVA of the key sectors in some key municipalities. These figures indicate the generally secondary role played manufacturing and the overall importance the cluster of the service and trade sectors, which has implications in terms of future planning.

Table 5.2.1b Key Sectors and their % contribution to GVA Selected Cities in 2004

City	Manufacturing	Trade	Transport /Communication	Business Service	Community Services
Johannesburg	16.6	17.4	10.6	32.3	17.6
Ekurhuleni	29.2	14.3	14.0	22.1	14.4
Ethekeweni	28.2	13.9	12.4	20.8	19.1
Cape Town	16.8	16.0	10.0	29.9	22.2
Mangaung	7.0	18.2	12.2	16.9	38.6

Source: Calitz, J.M., 2005, DBSA

5.2.2 Lead sectors in terms of employment

Fourteen local authorities responded to this question. The dominant sectors in terms of employment are: manufacturing, community services, mining, agriculture and trade (see Table 5.2.2). As with the results of 5.2.1 these results need to read with same caveat.

Table 5.2.2 Most important economic sectors for 19 responding municipalities in terms of employment

Sector	Numbers of municipalities reporting as important sectors for employment:		
	Lead sector	Second most important sector	Third most important sector
Manufacturing	3	2	2
Community services	5	3	3
Mining	2		
Agriculture			
Financial services			2
Trade	4		3
Tourism			
Construction			2

5.2.3 Sectors in decline

The country is clearly experiencing sectoral shifts in its economy which are a response to changing global demand, resource depletion and internal market shifts. In 5 out of 15 cases mining was rated as the sector experiencing the greatest decline, manufacturing in 5 cases and agriculture/forestry for 4. In terms of the second most affected sector, various types of manufacturing was recorded by 6 of the 11 centres and at the third level agriculture was noted by 5 of the centres. Overall, the reliability of the responses on all questions in sections 1-3 must be subject to caution, given the limited number of responses.

5.3 How support for economic development is organized

5.3.1 How economic development is defined

Economic development is clearly perceived and defined very differently by the various municipalities. For eThekweni (Durban) it is about building 'a globally competitive region so that all communities can benefit from economic growth', whilst for Johannesburg the focus is on 'creating a conducive environment for investment'. In the case of Kroonstad, there is a more modest goal, namely 'poverty alleviation through job creation'. For Mangaung (Bloemfontein) it is about having both market and pro-poor initiatives. The most sophisticated statement of focus was provided by Cape Town which stated, economic development 'is the process through which partners from the public, business, labour and non-governmental sectors work collectively to identify, utilise and harness resources to grow and transform the economy in specific local areas, through implementing specific projects that build on opportunities and/or address economic development constraints'. This definition however does not mention addressing poverty.

Common themes expressed by the 16 responding municipalities to this question were:

- Economic growth and facilitation – 7 cases;
- Economic growth and poverty relief – 4;
- Job creation – 4;
- SMME support – 2;
- Global links/export – 2.

The results clearly indicate the dual and often combined focus on elements of economic growth and poverty relief.

5.3.2 Internal structures for LED

The most common institutional arrangement is for municipalities to establish a dedicated LED Unit/Department, found in 10 of the 18 responding municipalities. In 7 cases it is part of an Economic Development Directorate/Department, while in 1 case it forms part of the Planning Structure and in another (Matjhabeng) there is a dedicated Goldfields Development Centre, while Buffalo City has an Economic Development Agency.

5.3.3 LED's place in the municipal structure

Thirteen of the 17 municipalities which responded to this question reported that the LED Unit/Department falls within the broader framework of the municipality's Economic Development Directorate. Depending on the municipality this directorate can have planning, tourism and financial responsibilities as well. In Kroonstad and Buffalo City the unit falls directly under the Municipal Manager and in Ekurhuleni it is part of the City Development Cluster.

5.3.4 External mechanisms to support LED

a) For economic planning

In all cases the municipalities have established linkages beyond the municipality as part of a process of working with a wider group of stakeholders in order to advance development within the municipality. The most common linkages are business-related (11 cases out of 17) with the establishment of business forums or economic/sectoral working committees. In addition there are at least 2 investment-related bodies. Other mechanisms include stakeholder forums (2 cases), informal sector forums (2) and others had links with government, mines, neighbouring municipalities and agriculture.

b) For implementation

In order to implement LED, almost all municipalities operate in-house systems through their LED units and in 8 cases Business Development Agencies/Centres have been established. In the metropolises, links have been put in place with various sector-based support agencies and investment promotion organizations and, where relevant with Industrial Development Zone authorities. In Johannesburg and Cape Town there are close links with inner-city renewal agencies. In cases such as Buffalo City, close links exist with the local tourism agency.

5.3.5 Interdepartmental LED mechanisms

Twelve centres report having mechanisms of this nature in place. In 6 cases links are between various departmental units. In addition there are units looking at defined spatial areas (2 cases), the informal sector (2), the environment (1), emerging contractor support (1), investment support (1) and the IDP (1).

5.3.6 Oversight of LED

a) Political

In all of the 14 cases answering this question LED is overseen directly by either the Mayoral Committee or the relevant portfolio committee of the Mayor's council and in several cases there is an assigned portfolio committee member.

b) Management

In terms of management oversight the picture is more diffuse. In 4 cases the Municipal Manager directly oversees LED/Economic Development, in 5 cases a relevant director is in charge and in other cases it is a key individual such as the senior planner. This indicates differing degrees to which economic development has been differentiated as a specific function, and the prominence it is given.

5.3.7 Interface with Government

All municipalities interface with a range of government departments to varying degrees. Primary links are with provincial departments concerned with Local Government, Housing, Economic Affairs, Public Works and Agriculture.

5.3.8 External partnerships

a) Formal

Of the 17 municipalities reporting on this question, 14 have formalised partnerships. The most common partnerships are with business (8) and with educational authorities (3). Other links are with a City Improvement District, the Gauteng Economic Development Agency, communities, SMME Trust, foreign agencies, a range of government agencies/departments and a Development Centre.

b) Informal

Most of the municipalities (16) have informal links with a range of organizations – primarily educational, business, business support centres, civil society and government.

5.4 LED-specific policies and focus

5.4.1 Economic development focus

Fourteen municipalities provided details of their economic development foci. Common themes included:

- job creation;
- skills development;
- economic development;
- making the city a world class city;
- sectoral development;
- investment attraction;
- inner city redevelopment;
- infrastructural development.

Typical approaches include those of Matjhabeng (Welkom) and Mangaung which are shown in Box 1 and 2.

Box 1 Matjhabeng's approach to economic development

The focus is the diversification of the economic base, growth of the local economy with specific emphasis on the creation of employment mainly through development within the following five sectors:

- Creation of a distribution hub;
- Tourism;
- Agriculture;
- Training and support;
- Gold Jewellery.

Box 2 Strategic Thrusts of Mangaung's Economic Development Strategy (EDS)

- Economic Diversification;
- Employment Creation;
- Creating an environment conducive to economic growth;
- Developing into a regional economic centre.

5.4.2 Poverty responses from other municipal departments

Almost all local authorities (17) claim to have poverty-focused strategies as part of the foci of their LED units/Economic Development Departments. Foci of these strategies include:

- provision of free/subsidized services in terms of an indigent policy (8 cases);
- social development (6);
- procurement policies (4);
- infrastructure provision (2);
- business development (2);
- job creation / training/public works (5);
- food packages/nutrition (2);
- housing policies (1);
- rural planning (1).

5.4.3 Perception of pro-poor - is addressing poverty perceived as distinct from promoting economic growth?

Of the 18 local authorities 12 see no distinction while 6 recognise one. The 11 all regard poverty relief and economic development as being linked concepts. For example, Nelson Mandela Metro (Port Elizabeth) states that 'they are integrated and both are addressed in the Economic Growth and Development Strategy'. George regards economic growth as being a stimulus for job creation and hence poverty alleviation, while Ndlambe (Port Alfred) argues that providing services and infrastructure should provide for growth and addressing both poverty. Ekurhuleni seeks to mainstream informal activities into the economy, and to absorb labour and skills from co-operatives etc. According to Msunduzi (Pietermaritzburg), the two concepts are related as:

Focusing exclusively on addressing poverty without looking at growth leads to unsustainable projects/programmes. On the other hand growth alone that does not create jobs is also not desirable because it does not address unemployment which is a direct cause of poverty.

By contrast, Johannesburg adopts a more middle of the road approach and stated:

"Poverty will be alleviated by long-term economic growth and job creation. In the short-term however, more direct interventions have to be made".

Of the 6 municipalities which see the two concepts as distinct, 2 argued the job creation focus of poverty approaches. Umhlatuze state that 'poverty alleviation is temporary but economic growth is permanent'. This is an aspect to be investigated in the case studies as economic growth per se is not sufficient to address poverty, notably where there is persistent and widespread inequality as is the case in South Africa. In the view of Buffalo City, targeted development policies are needed to address poverty, which do not focus exclusively on growth and, in so doing, the needs of the 'second economy' will be met.

5.4.4 Differentiation between LED and Economic Development

This question was posed as earlier research revealed a disjuncture in the minds of many local authorities between economic development and LED, which many saw as purely linked to community-based poverty relief interventions, because of the nature and focus of previous government LED support. The results indicate that this distinction still appears to exist, albeit to a diminished degree. 13 out of 19 reporting local authorities see no distinction, whilst 6 recognise a difference.

The comments about those who recognise a distinction are important to note, particularly since some of the 6 are among the biggest municipalities in the country. For example according to Umhlatuze:

"LED is about job creation through local partnerships; Economic development is about growing and retaining GGP and increasing revenue."

In the view of Johannesburg, LED is a 'micro and meso-level intervention' and economic development is a 'macro approach'. For Cape Town it is a question of scale, with economic development being seen as a city-wide strategy, while LED deals with local areas. Rustenburg sees economic development about 'broader' development and LED about 'local' issues. Port Alfred associates LED with government's former LED Fund. Buffalo City argues that 'LED is a local focus and therefore quite limiting', while economic development focuses on broader issues such as trade, investment and partnerships.

Again this raises some questions about limited sophistication in understanding that very local issues, strengths and opportunities need to be built on in order to address poverty.

5.4.5 Community involvement in LED

Seventeen local authorities claimed to directly involve communities in planning and implementation of LED (one intends to initiate contact). Involvement mainly consists of workshops, representative forums and meetings, often linked directly to the IDP process. Direct participation in programmes would appear to be limited and contact seems to be at the level of information provision, discussion and seeking endorsement. Interestingly enough Mbombela (Nelspruit) employs a community facilitator tasked to

manage community-based processes, while Buffalo City involves community members on project steering committees.

5.4.6 Main Economic Development Strategies

An extremely diverse array of strategies are practiced by the local authorities. Despite this, there are a limited number of common themes, which include:

- skills development (10 cases);
- SMME support (8);
- Job creation (5);
- Tourism (5);
- Marketing (2);
- Economic development / manufacturing support (3);
- Infrastructure and planning (3);
- Sector support (2);
- Environmental management (2);
- Services (2).

Note that job creation, and economic development are objectives/outcomes, not strategies. Single responses were recorded to a wide range of activities including: promotion of sectors with growth potential, integrated development, CBD renewal, area regeneration, settlement upgrade, major events, arts and culture, research, partnerships, business support, business retention, transport, support for co-operatives, investment promotion, procurement, clusters, partnership arrangements, environmental management, social development and rural development.

Some contradictions appear in the responses, for example business support/links does not score prominently here, yet in response to earlier questions regarding links and partnerships these were listed as being in existence. Overall, there appears to be a distinction as a result between consultative approaches and actual implementation. It is also very surprising that more of these strategies are not used by more municipalities, so most are using quite limited approaches.

5.4.7 Key government programmes within the municipal area

There is a high degree of involvement with two core government programmes which have defined LED implications, namely the Urban Renewal Programme (9 cases) which targets support to poor areas within cities and the Expanded Public Works Programme (EPWP) (5). Beyond these two initiatives, individual authorities use and access other national government support programmes such as learnerships, trade points centres and tender advice centres and industrial development zones (IDZs). Considering the national focus on the EPWP and the then recently introduced MIG (Municipal Infrastructure Grant), it is surprising that so few claimed to be involved with them.

5.5 Other key stakeholders involved in LED

The results illustrate that local municipalities are not the only agents promoting LED within local municipalities. Unfortunately budgetary constraints prevented interviews being undertaken with non-local government role-players and hence this assessment is solely based on the understanding of local municipal officials. In 75% of cases it was reported that Business Chambers were active in this regard. Beyond this business involvement, engagement by other defined groups drops dramatically. According to the municipal respondents, who may not have had access to all relevant information, NGOs are active in LED in only four localities. Beyond this, there are 14 other institutions listed as being active in at least one locality. Examples include tertiary educational institutions, an SMME trust, Local Business Support Centres, provincial development agency, sector education and training authority (SETAs), Tourism Boards and a bank. To develop a comprehensive picture, the views of District Municipalities would also have been of interest to establish.

5.6 Operationalising LED

This section of the document discusses the key policies and strategies which these large urban municipalities are applying in practice, i.e. what sort of LED “toolkit” they are using.

5.6.1 Development of an economic strategy

In 19 cases, a defined economic development strategy has been adopted by the respective municipalities or is being developed. In several cases it is part of the related IDP document. The most comprehensive strategy in the country would seem to be the ‘Joburg 2030’ strategy implemented by the City of Johannesburg which spells out a development path for the city up to 2030. The strategy addresses key challenges facing the city and identifies key growth options which can be pursued. Ekurhuleni reviews its Growth and Development strategy twice a year. Perceptions of economic development need to be seen relative to the local IDP and how prominently economic development features in them and various political agendas at the local level.

5.6.2 Improving the local business climate

In 18 cases the local authorities claim that they were active in promoting the local business environment. Key processes involved include:

- business support interventions, including area support – tax free zones/IDZ;
- the provision of incentives;
- small business support/support for the informal sector;
- provision of business information /guides;
- moves to reduce the amount of red tape which entrepreneurs have to contend with.

Cities like Cape Town continually review policies based upon the feedback received from stakeholders and Msunduzi have an Investment Facilitation Team which meets to facilitate development.

5.6.3 Privatisation

Moves to privatise municipal services appear to be limited, probably owing to strong union opposition. Only 7 local authorities claim to be engaged in the process. Services privatised include transport in eThekweni, water in Mbombela and gas supply in Johannesburg.

5.6.4 Use of grants/rebates

To attract inward investment

Twelve municipalities claim to have grants/rebates to attract new investors. Whilst some assert that they are done on an *ad hoc* basis or are still being developed, two regard available government incentives as part of their overall development package. In other cases precise details are not specified, albeit it is common practice to make available rental and service charges rebates.

To attract local investment/expansion/retention

In terms of trying to strengthen existing businesses, municipalities appear to be modestly active, with only 11 localities asserting that they had support in place, while three said they were working on a support package. The most comprehensive support seems to be that offered through the Urban Development Zone in Johannesburg and support for the Toyota Corporation in eThekweni.

5.6.5 Investment in infrastructure

Eighteen municipalities are engaged in this form of support and even though not all places provided details, there is an apparent bias towards the provision of transport infrastructure and to some degree of trade zones. Key examples include collaboration with the port in eThekweni and Cape Town, informal trading areas and logistics/freight hubs in Johannesburg; and road development in localities such as Matjhabeng, Umhlatuze (Richards Bay) and Rustenburg.

5.6.6 Investment in industrial/commercial sites

Involvement in processes to develop industrial and commercial sites is commonly undertaken (17 respondents). Overall, there is a bias in favour of industrial land (servicing and sale) and several municipalities collaborate actively with the private sector in this regard. Smaller centres develop sites on an *ad hoc* basis as is illustrated by developments in Matjhabeng and Ndlambe. By contrast, in larger

cities such as eThekweni and Johannesburg, there are several major industrial sites under development and Buffalo City has as 26% shareholding in the recently proclaimed IDZ in the city.

5.6.7 Support for SMMEs

General SMME support - Working with other business organizations to support SMMEs is undertaken by 13 municipalities. Support includes subsidies for business development centres and collaboration with government's manufacturing advisory centres. In Johannesburg support also includes mentoring and business plan development.

Procurement - 17 municipalities claim to be active in this regard, with most engaged in procurement policies to support SMMEs. Other forms of support include encouraging business linkages, the running of showcase events and encouraging links with established business.

SMME support centres - in 13 cases SMME support centres/business incubators have been established or are in the process of being built.

Support for new SMME businesses - 13 municipalities provide support for the establishment of new SMME businesses. Support takes the form of business support, training, mentoring, workspace, workshops, reduced rental, incubators and advisory centres.

Support for existing SMME businesses - On-going support is common practice (14 municipalities) taking the form of either incentives, support through trade points, business advice centres or urban renewal programmes or, in the case of Johannesburg, defined support for 5 key sectors which are seen as critical to the future of the city's economy.

Support to the informal sector - Support for the informal sector is undertaken by 15 municipalities. This support predominantly takes the form of skills development incentives and the provision of infrastructure (eg Cape Town and Ekurhuleni). In some cases the focus is on the development of strategies, regulation and an informal trade plan (eg Umhlathuze and Matjhabeng).

5.6.8 Development of specific sectors

Most municipalities (16) see themselves as providing defined support for business sectors/ clusters. Support varies widely from the encouragement of call centres, freight, logistics and creative industries in Johannesburg to tourism and the automotive industry in Nelson Mandela, to agriculture in Rustenburg and automobiles, tourism, manufacturing and agriculture in Buffalo City. Overall, there are spatial variations according to local comparative resource advantages (eg support for timber industries in Mbombela) and the position of localities in the national/global economy (eg Johannesburg's service sector focus).

Agriculture - Agricultural support (either urban agriculture or small-scale farming in the rural areas surrounding towns) is another common initiative, with 10 responding municipalities engaged (or planned support) in some form of support and 1 is currently investigating support. This support predominantly takes the form of advice and policy development. Other support initiatives were recorded; in Tshwane water infrastructure is provided, in Mangaung access to commonages is a defined intervention and in Matjhabeng there is a programme to grow paprika on old mine land.

5.6.9 Support for disadvantaged groups

Support for the poorest sections of the community is part of the economic interventions of 11 municipalities. Such intervention takes the form of skills training, local area support, housing support, advisory services, procurement and public works.

Women - 11 municipalities have specific programmes targeted to support women. Common interventions include support for co-operatives, training, housing development and LED projects in general.

Youth - Targeted economic support for the youth is undertaken in 10 municipalities. Overall, there is a defined focus on training, skills development, co-operative development, the Umsombomvu Fund and entrepreneurship development. The best example of a youth support initiative is perhaps in Johannesburg with The Business Place.

Special employment schemes - 14 municipalities employ special employment schemes. The most common appears to be acting as conduits/agents for the national Government's Expanded Public Works Programme. Other support takes the form of government learnerships, urban renewal or provincial/transport public works programmes.

5.6.10 Special development zones

In terms of area-based support, 13 municipalities have defined strategies in place, mainly for larger firms. Interventions either take the form of inner-city redevelopment (eg Johannesburg and Cape Town) or the development of special industrial zones (eg Nelson Mandela, Umhlatuze and Mbombela).

5.6.11 Research and information supply

Maintaining a database of economic trends, sector information and relevant information is undertaken in 14 centres. In certain cases (Cape Town, Msunduzi, Ekurhuleni and Mangaung) there is collaboration with local research/tertiary institutions in this regard. In Johannesburg support is sourced from the research base of the South African Property Owners Association.

5.6.12 Support for export and marketing

Eleven municipalities provide support for export and marketing either through the establishment of trade centres/points, training to comply with international standards, sector support or various form of facilitation, such as through provincial development agencies.

Area marketing - Place promotion is a widespread activity (16 cases) and takes the form of either tourism promotion or marketing for investment attraction. Cape Town, Johannesburg and Nelson Mandela have established dedicated marketing/investment agencies, whilst other centres employ dedicated officials and generate relevant promotional material and participate in trade shows.

5.6.13 Non-financial support for inward investment

Non-financial support takes the form of information provision, lobbying of business, investment facilitation and technical support (13 municipalities) Whilst some support is *ad hoc* (Tshwane), in other cases, there are dedicated support agencies (Wesgro in Cape Town) or novel approaches are adopted eg Newcastle has marketing agents in China and Taiwan.

5.6.14 Other Forms of Support

The above 22 categories would seem to have provided a comprehensive coverage of the range of possible options for LED support/intervention in the country as only three additional examples of support were listed under this open category, namely:

- Johannesburg which provides an investment fast tracking service;
- Ekurhuleni which has set up industrial hives and 25 co-operatives, and encourages Corporate Social Responsibility (linked to the IDP); and
- Sol Plaatjie (Kimberley) which coordinates investor visits.

5.7 Funding of economic development

5.7.1 Information provided

Feedback in relation to this category was disappointingly low. Only 11 municipalities provided information and none of the 11 filled in more than 1 or 2 categories on the matrix. Possible factors for this situation include, *inter alia*, that budgets fail to correspond to all the questionnaire categories, that localities often only budget for selected items as reported on, that LED is often part of the functions and integrated budget of a larger municipal entity and that there may have been reluctance to provide information on these matters. Figures quoted are in SA Rands (US \$1 = R 6.80 in July 2005).

Of all the responses that were received relating to finance, Johannesburg was the only centre to provide a global figure for all forms of LED support which stood at R 36 million in 2003-2004.

5.7.2 Funds for LED Units

Operational funding for reporting LED units ranged from R100 000 (Umhlatuze) to R 48.5 million (Cape Town) in 2003-04, with R100 000 and R 51.8 million budgeted for 2004-5. Overall, there is clear gap in financing of the operations of LED units between the smaller centres (which are generally less than R600 000 pa) and the larger ones (over R6 million per annum).

In terms of capital funds similar gaps were in evidence between larger and smaller centres. The range recorded was R75 000 in Thoyandou to R16 million in Ekurhuleni in 2003-04 (Cape Town recorded R200 000 to R49.2 million for 2004-05).

5.7.3 Funds for partnership structures

Funding for partnership structures is clearly limited and focused often on grants to SMME support centres. Only three municipalities reported in this category in terms of operational expenses, all of which were larger centres which provided or will provide between R20 million – R35.9 million for such support initiatives.

5.7.4 Funds for specific economic structures

Support for specific economic structures also does not appear widespread (eg for business incubators). While eThekweni and Cape Town spent R5 million and R15 million on such activities in 2003-04, this budget support is planned to be reduced in the next financial year. A new development is Mbombela's proposed R500 000 subsidy for an Economic Development Agency. Capital budgets are extremely limited (R1.8 million for Rustenburg in 2003-04 and a proposed R1 million in Mangaung in 2004-05).

5.7.5 Funds for LED-related services

This category served a catch-all of activities not summarised above. Details were, however, limited in terms of both operational and capital expenditure with cities such as Mangaung and Umhlatuze spending less than R 2 million on operational expenses. In terms of capital expenses only Umhlatuze provided such information. It was reported that a significant increase in expenditure was planned from R2.6 million to R34.6 million in 2004-05.

6 QUESTIONNAIRE SURVEY OF THE STATUS OF LED IN RURAL MUNICIPALITIES/SMALL TOWNS

6.1 Introduction

In order to complement the survey of the 30 largest urban centres undertaken in 2004/05 a study of the remaining municipalities (local and district) was undertaken in 2006. In general terms the target was the remaining 254 municipalities where no major urban centres⁹ occur and where the population and economy of the municipalities are generally rural or small town focused.

6.2 Methodology

It was initially proposed that the survey utilise the same questionnaire as for the urban study. However a pilot survey indicated that the longer, detailed questionnaire was inappropriate to use, given the much narrower range of activities which the smaller municipalities engage in. As a result a smaller, more focused questionnaire was designed to establish information on definition of LED, institutionalisation of LED, operationalization of LED, networking, LED and the IDP process, achievements. A copy of this questionnaire is attached as Annex 4.

Municipalities were purposively selected in order to ensure a balanced spread across the different geographically regions in the eight provinces which have significant numbers of small towns and extensive rural areas, aiming for 5-6 per province. Gauteng was excluded given its highly urbanised nature and the fact that its main municipalities were all questioned in the earlier urban survey. The survey was administered using a telephonic survey or face-to-face contact.

Table 6.2 Names of responding municipalities

Province	Local Municipality	Capital
Eastern Cape	Amahlathi	Stutterheim
	Blue Crane Route	Somerset East
	Camdeboo	Graaff-Reinet
	Mbhashe	Idutywa
	Ngqushwa	Peddie
	Nxuba	Adelaide
Free State	Kopanong	Trompsburg
	Mantsopa	Ladybrand
	Metsimaholo	Sasolburg
	Naledi	Dewetsdorp
	Nketoana	Reitz
KwaZulu Natal	eNdondakusuka	Mandeni
	Ingwe	Creighton
	Mpofana	Mooi River
	Richmond	Richmond
	The Big Five False Bay	Hluhluwe
	Ulundi	Ulundi
	Umlazi	Eshowe

⁹ defined as places with more than 200 000 urban residents

Province	Local Municipality	Capital
Limpopo	Lephalale	Onverswacht
	Molemole	Dendron
	Mukhuduthamaga	Jane Furse
Mpumalanga	Albert Luthuli	Carolina
	Delmas	Delmas
	Dipaleseng	Balfour
	Dr JS Moroka	Siyabuswa
	Umjindi	Baberton
North West	Kagisano	Ganyesa
	Lekwa Teenmane	Christiana
	Mamusa	Mamusa
	Maquassi Hills	Wolmaransstad
	Molopho	Pomfret
	Ramotshere	Zeerust
Northern Cape	Kai! Garib	Kakamas
	Kai-Ma	Pofadder
	Magareng	Warrenton
	Thembelihle	Hopetown
Western Cape	Kannaland	Ladismith
	Prince Albert	Prince Albert

Province	District Municipality	Capital
Eastern Cape	Amathole	Buffalo City
	Ukhahlambe	Barkley East
Free State	Motheo	Bloemfontein
KwaZulu-Natal	Amajuba	New Castle
	Zululand	Ulundi
Limpopo	Vhembe	Thohoyandou
	Waterberg	Modimolle
Limpopo / Mpumalanga	Greater Sekhukhune	Groblersdal
Mpumalanga	Gert Sibande	Secunda
Northern Cape	Kgalagadi	Kuruman
	Pixley Ka Seme	Volksrust
Western Cape	Overberg	Bredasdorp

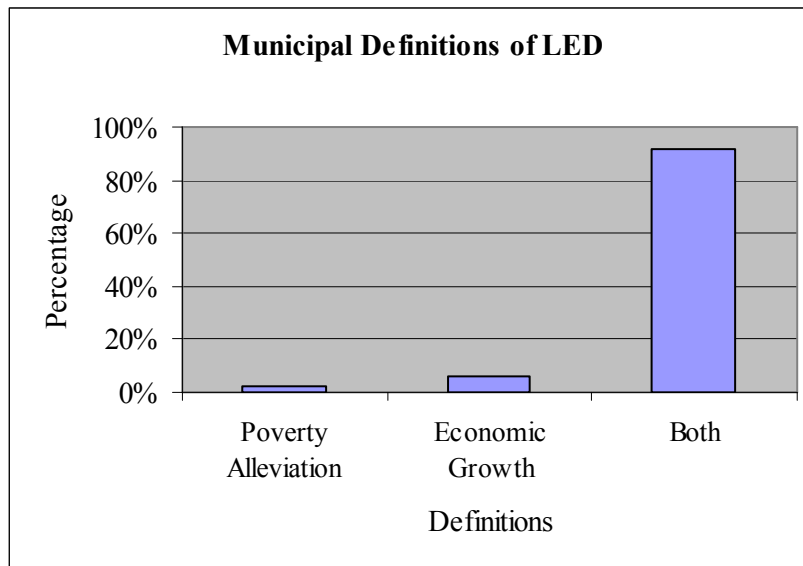
In total 50 completed returns were secured (38 local and 12 district municipalities) out of a total potential database of 254. The return rate of effectively 20% is statistically significant and enables defined conclusions to be drawn about the status of local government LED outside of the major urban centres. Table 6.2 lists the responding municipalities.

6.3 Key findings

6.3.1 Definition of LED

This question sought to establish if municipalities interpret LED as being exclusively about poverty relief or the promotion of economic growth, or a combination of the two. Contrary to the urban survey it is significant that most of the smaller municipalities in the country now regard LED as an integrated concept. This is a very important advance from the narrow perspective, which prevailed in the late-1990s. Even more significant is the fact that 92% of municipalities see LED as being a multi-faceted strategy (see Figure 6.3.1).

Figure 6.3.1 Municipal definitions of LED



6.3.2. The institutionalization of LED

The survey of 50 rural municipalities revealed the following key findings pertaining to the degree to which LED has become institutionalized within local municipalities:

- LED Policy – only 48% of municipalities have developed a defined LED policy;
- LED Unit – in 56% of cases an LED Unit has been established;
- LED Officer – in 82% of municipalities an LED Officer has been appointed;
- IDP Officer – this position exists in 52% of municipalities;
- Responsible Councillor – only 12% of municipalities report having a councillor for LED;
- Development Agency – 18% have established a development agency;
- Small Business Advice Centre – 10% have established such centres.

The key conclusions from these findings are:

- (i) the absence of a defined LED policy in 52% of municipalities and the fact that 88% of municipalities don't have a councillor directly overseeing LED suggests that at a policy, conceptual and political level LED is not as embedded as it could be;
- (ii) it is surprising to note the degree to which municipalities have appointed LED staff (82%) in the absence of defined LED policies for them to work with regards to;
- (iii) the low rates of establishment of agencies and advice centres reflects both resource constraints and the probable absence of guiding policy which does not lay an effective grounding for LED.

6.3.3 Operationalising LED

The survey focused on a series of key themes pertaining to the operation of LED:

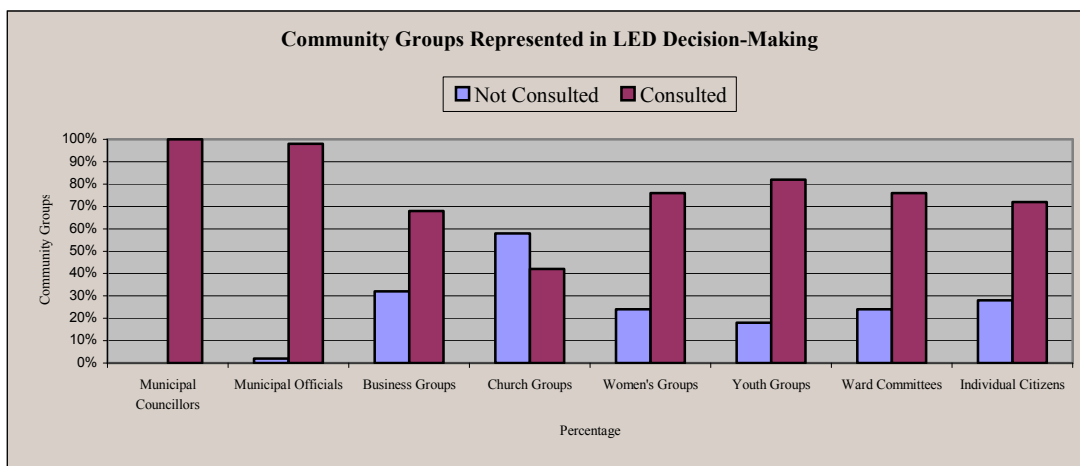
- Provision of incentives – 30% provide incentives to attract business;
- Privatization – 46% have begun privatizing functions;
- Formal links with Chambers of Commerce – only 46% have links with local Chambers of Commerce.

This suggests that support levels are still reasonable low, and that the limited nature of links with the private sector will detract from the potential benefits of partnership formation and working with market opportunities.

6.3.4 LED networking

Figure 6.3.4 indicates the range of institutions which the local municipalities network with in LED decision-making. The figure indicates that the principal of consultation and presumably participatory planning is well entrenched with municipalities actively making contact with local stakeholders. What is sobering is that while political level contacts with ward committees are relative high, business contacts are the second lowest. Given the critical importance of working through partnership with business to create employment and economic growth this is unfortunate.

Figure 6.3.4 Community groups represented in LED decision-making



6.3.5 LED and the IDP process

Figure 6.3.5a shows that LED features to some degree in all municipal IDPs, with the exception of 4% of municipalities. In 54% of municipalities, LED is over 25% of priorities in the IDP. The results also indicate that in budget terms most municipalities are allocating up to 25% of their IDP budgets to LED-related activities (see Figure 6.3.5b). However, only 20% are allocating more than 26% to LED.

Figure 6.3.5a Municipal estimates of percentage of IDP that deals specifically with LED

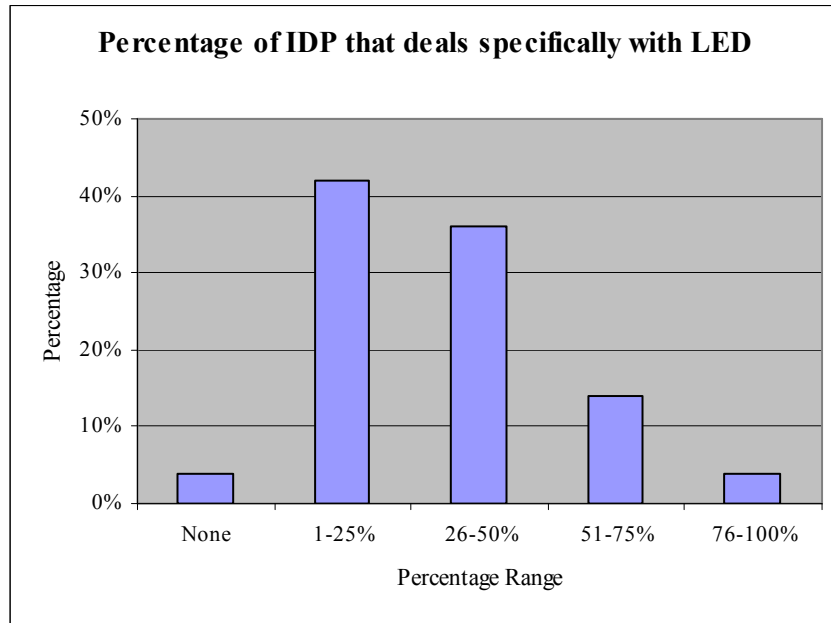
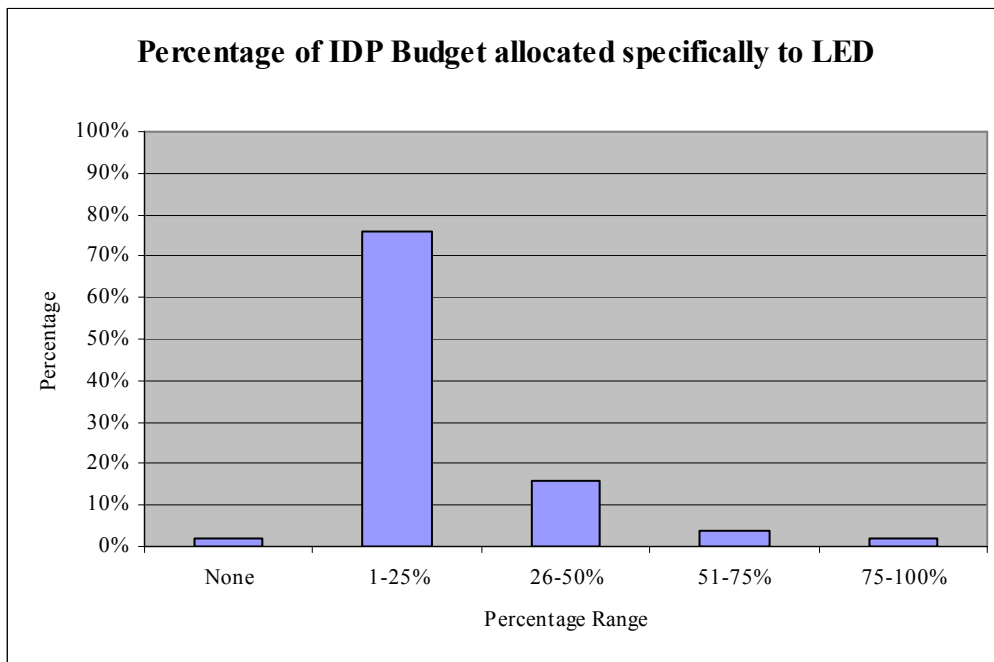


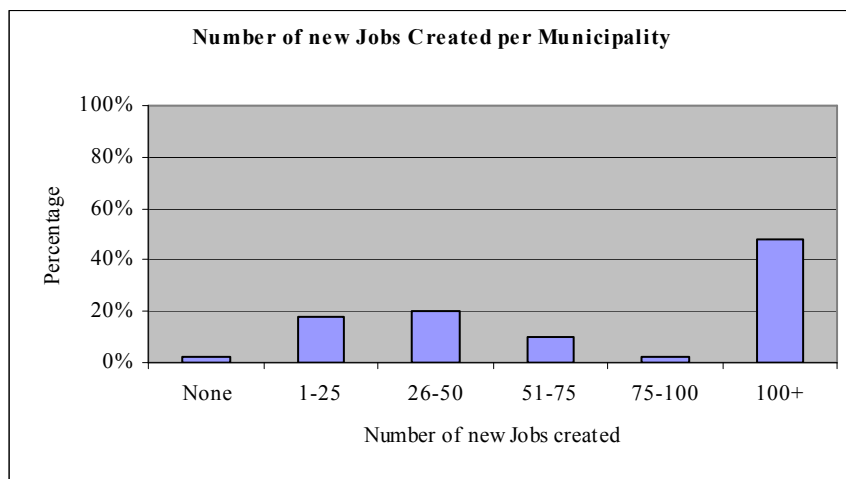
Figure 6.3.5b Percentage of IDP budget allocated specifically to LED



In actual figures, nearly a quarter of municipalities (22%) are not spending money on LED, 16% spend less than R100 000 p.a. and 60% are spending R 100 000 or more. Low budget allocations in many municipalities are clearly cause for concern and will limit the ability of LED to impact meaningfully. At a broader level, the local success of the IDP also depends on its relevance and the degree to which it reflects and incorporates the concerns of stakeholders. 54% of municipalities indicated the IDP forums are meeting between 4-6 times per annum. Such high levels of contact over IDPs and by implication around LED will help to ensure the relevance of planning and decision-making. Obviously the need to translate high levels of participatory planning into applied development is critical and may, in reality, be curtailed by low budget allocation and capacity and resource constraints.

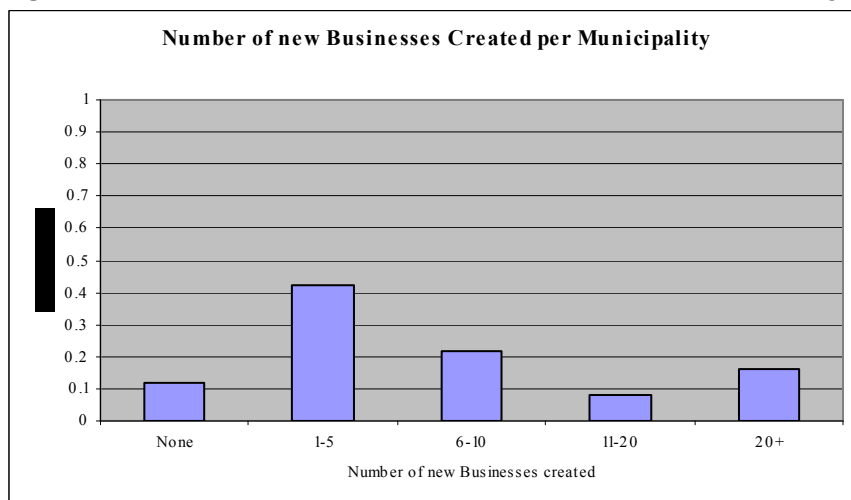
6.3.6 Positive achievements from LED interventions

Figure 6.3.6a Numbers of new jobs created per municipality



The ultimate success of applied LED is not gauged in terms of policy, budget allocation or networking but rather in terms of the actual number of jobs created and firms established. Figures 6.3.6a and 6.3.6b respectively indicate the number of jobs created and firms established as a direct result of LED activities. There is a dual peak around 26-50, and 100+ jobs, and 1-5 and 20+ firms, probably reflected smaller and larger municipalities. 98% of municipalities reported that some jobs were created, although in only 50% are they creating more than 100 jobs. In 24% of cases more than 10 businesses had been established. The survey did not gauge whether the jobs or new businesses were permanent and had growth potential.

Figure 6.3.6b Numbers of new firms created per municipality



6.3.7 Aggregated results

In order to develop a comprehensive overview of how embedded LED is in local governments, the results from the various questions in the survey were allocated values e.g. 0 for the absence of an LED post, 1 for having an LED officer etc. This permitted the aggregation of results to give a score for each municipality out of a potential maximum value of 50 if all elements were in place. Figure 6.3.7 below indicates the aggregated values for each of the municipalities surveyed. Certain key findings emerge from the figure:

- the range of scores for local municipalities is from 16-41 with an average of only 27.67. This latter value is only marginally above a 50% score and indicates that on an aggregate level for each individual municipality, in most cases LED is not that embedded;
- in the case of district municipalities, the range of scores is 22-39 with a significantly higher average score of 36.25. This indicates that LED is far more embedded in district than local municipalities and that both LED policy and practice tends to be more established, but not in all cases;
- Low scores for both types of municipalities after the results were aggregated – with significant numbers scoring below 25 (16 cases) and below 30 (25 cases) is clearly cause for concern, suggests

at the significantly underdeveloped capacity and policy to implement effective LED in between 33%-50% of all municipalities. This latter consideration clearly makes the case for more intense levels of support and encouragement of LED.

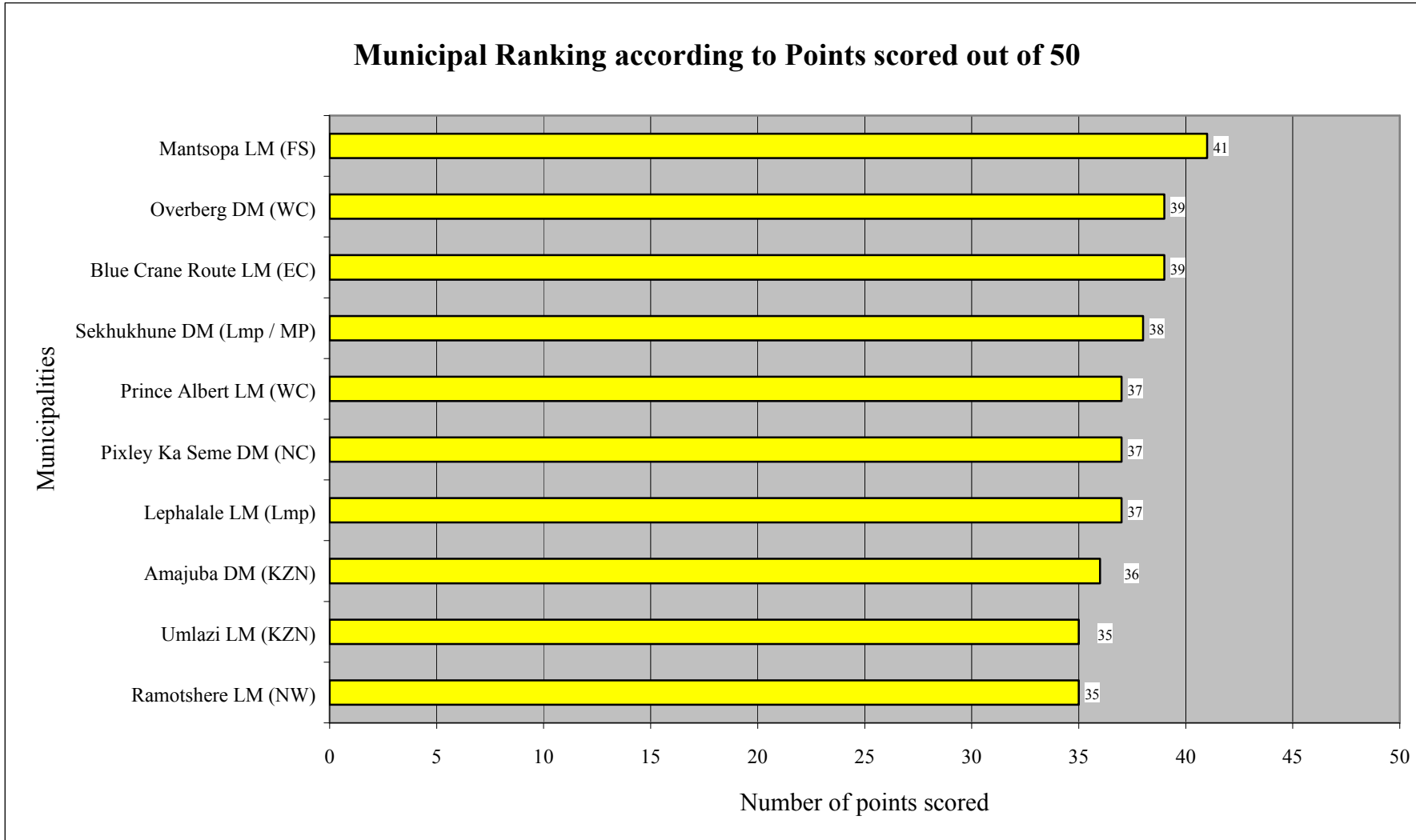
- The highest scoring (41) – Mantsopa in the Free State - is one of the recipients of the Vuna awards, despite being a small local municipality, and contrasts with its neighbour Naledi which only scored 29;
- On the whole the municipalities are mixed by province, but there are no Eastern Cape municipalities in the bottom 10.

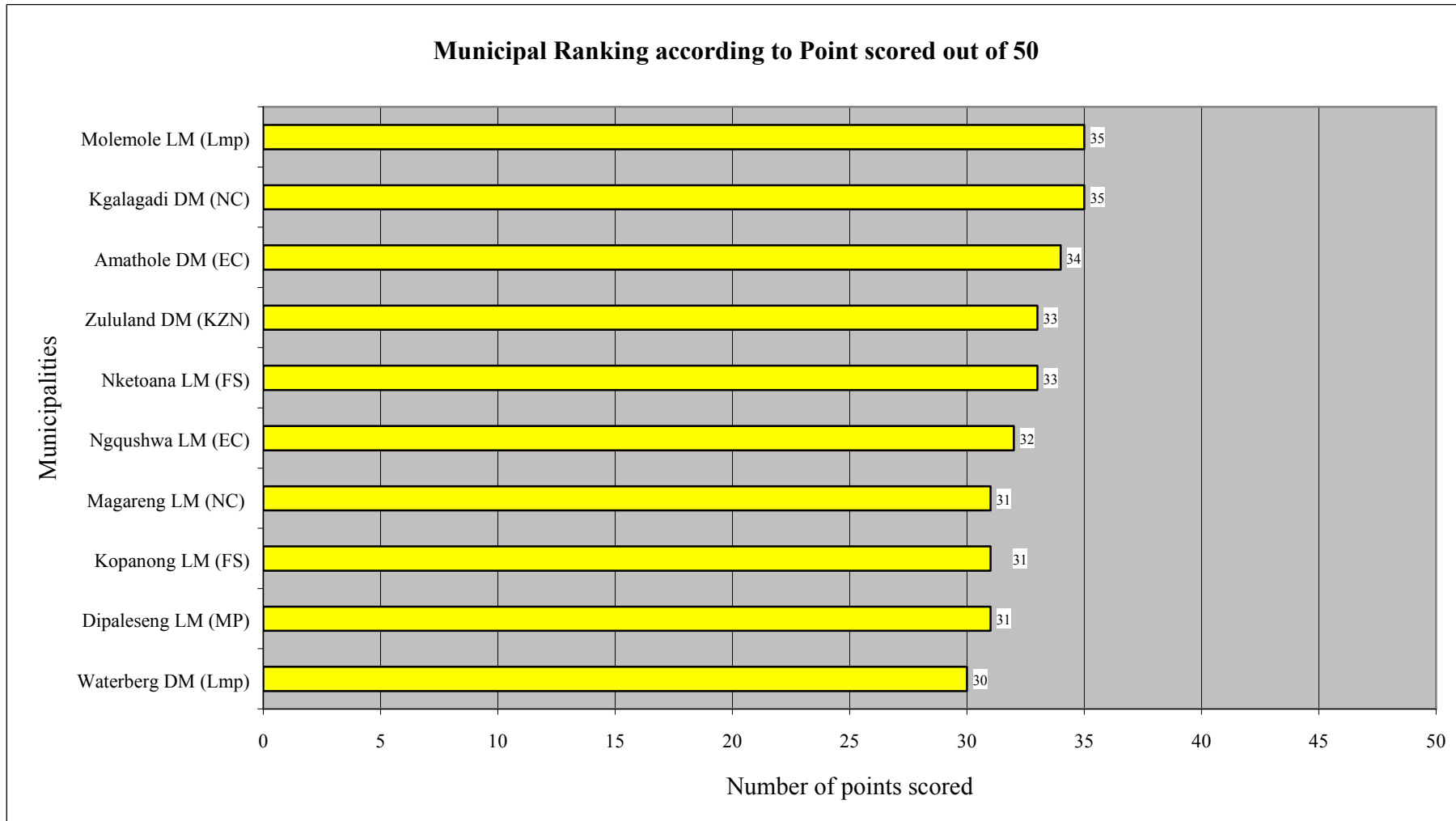
6.4 Synthesis

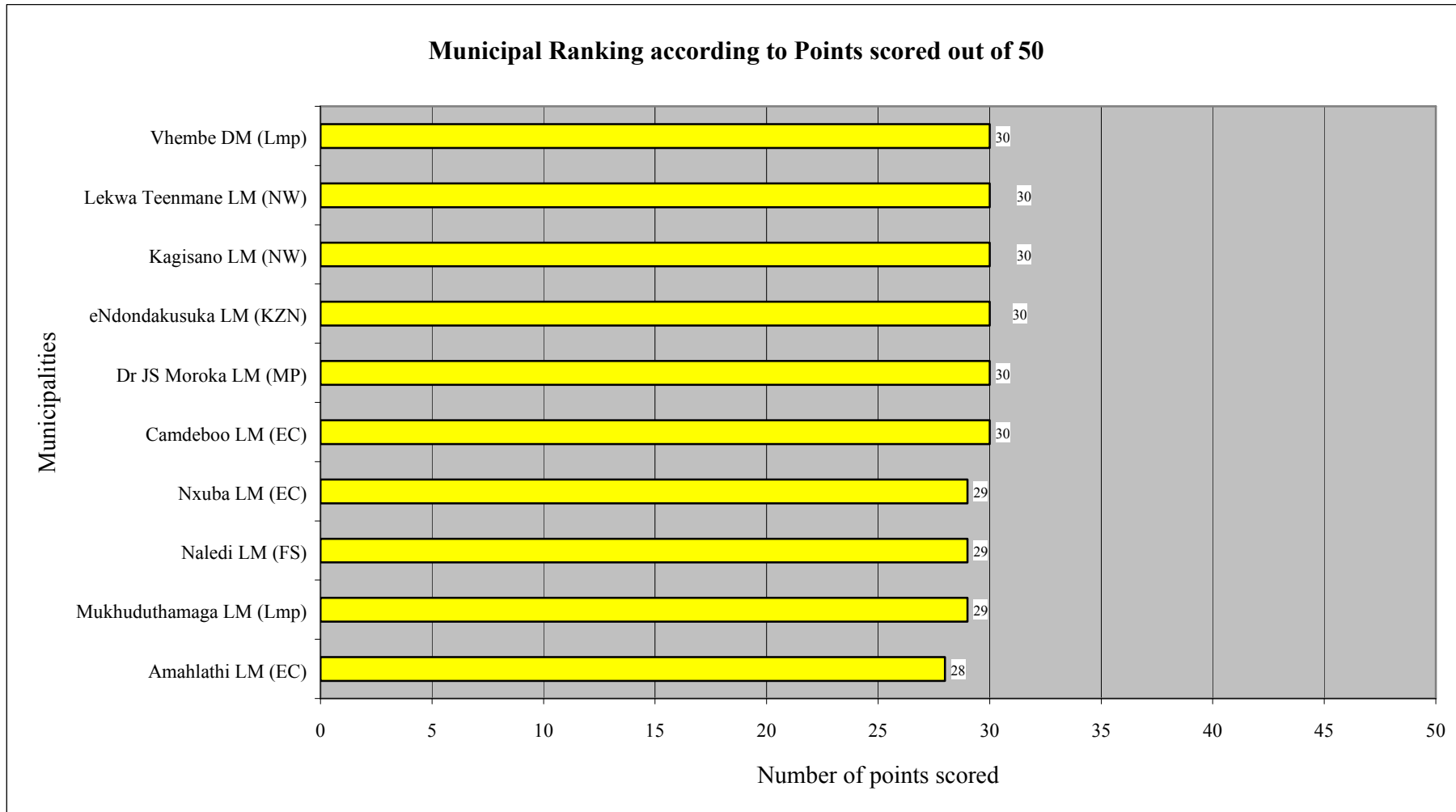
This survey of 20% of the more rural municipalities in the country revealed certain key findings regarding the status of LED:

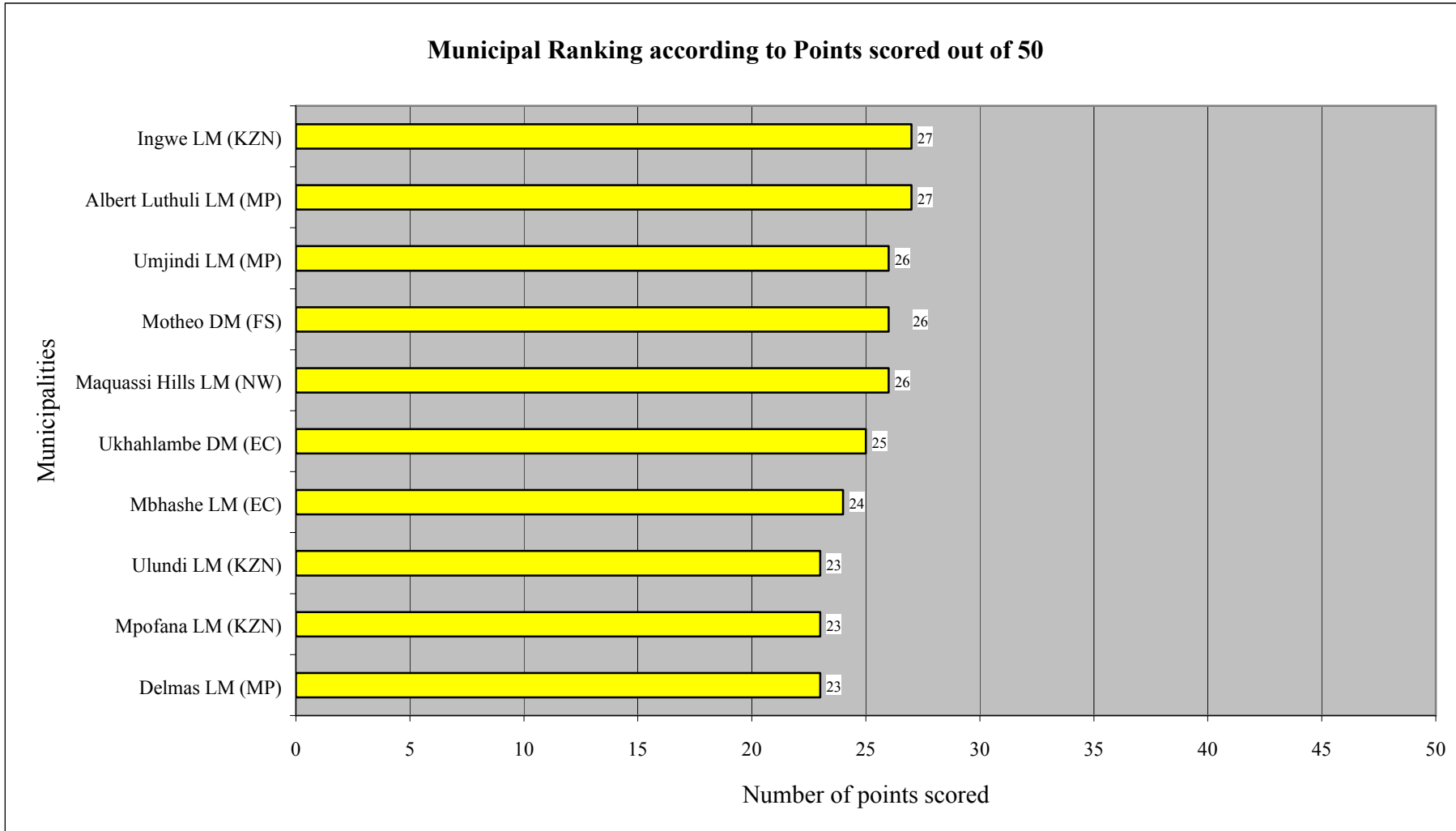
- most municipalities (92%) now appreciate the role LED can play in both the pursuit of economic growth and poverty relief;
- however this is countered by the absence of LED policy in 52% of municipalities, the fact that few municipalities have councillors responsible for LED nor have not set up agencies or business advice centres;
- LED features prominently in most IDPs, both in terms of the overall degree to which features in the documents and the percent of the IDP budget allocated to LED. However the actual budget allocations are low in real terms, which presumably reflect small local resource and tax bases are unfortunately unlikely to allow LED to reach its full potential;
- In terms of embeddedness, or the number of LED-related elements in place, it is of concern that significant numbers of municipalities scored very low scores – 50% or less indicating that LED policy and practise is not yet as entrenched as would be ideal. However it would appear that generally LED is more embedded in district than local municipalities;
- while LED officers have been appointed in most municipalities and in many cases LED Units established the absence of guiding policy, direct political links and weak institutional support systems cannot be regarded as ideal and can be extended. Relatively low levels of collaboration with the private sector are also a cause for concern and will not aid in the attainment of sustainable economic development
- Despite these low budget allocations, whether from municipal or other local activities, not insignificant local job creation and new business formation is occurring in most municipalities;

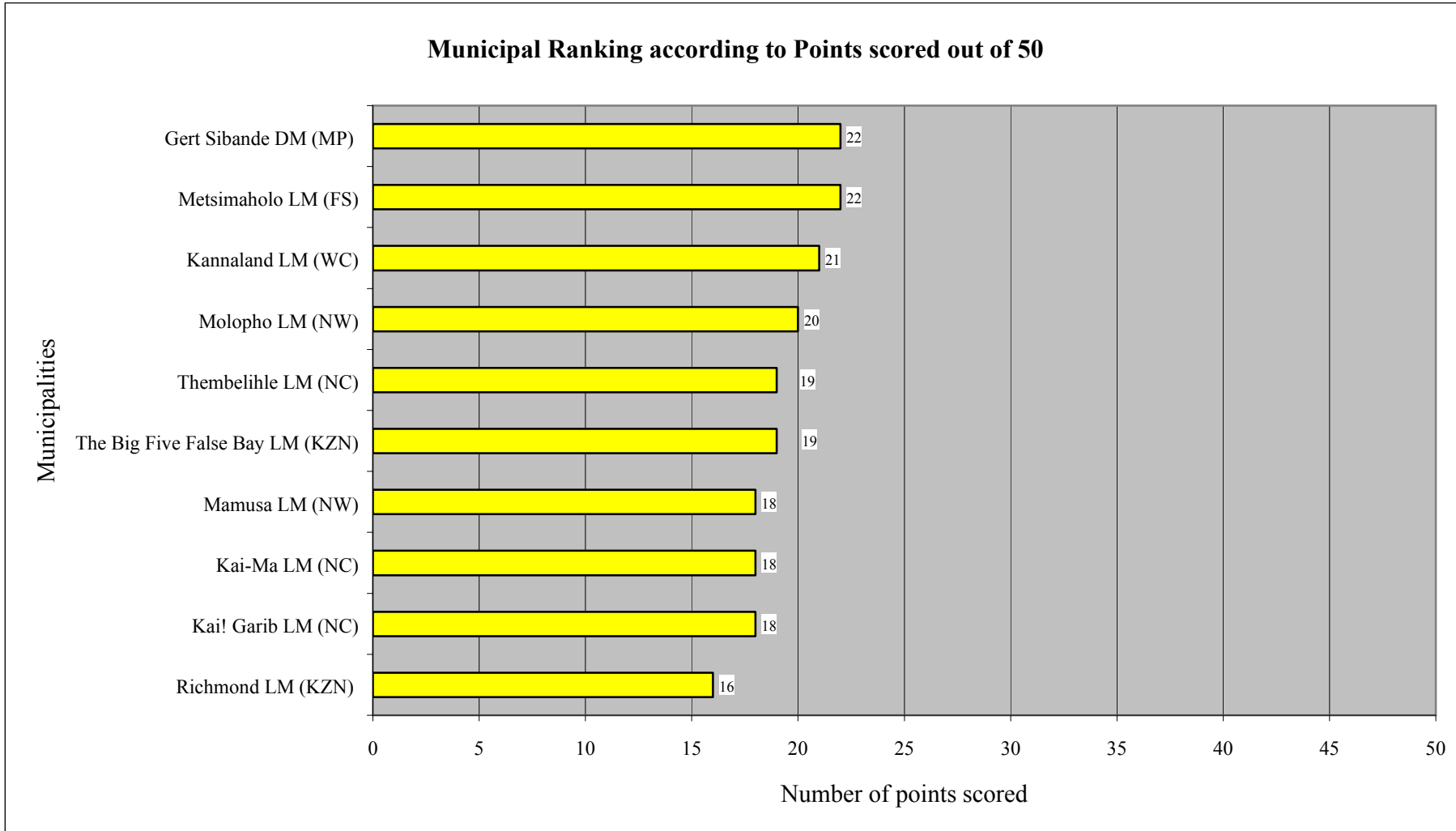
Figure 6.3.7 Municipal ranking according to points scored out of 50 (overpage)











7 URBAN CASE STUDIES

7.1 Introduction

Eight urban case studies were undertaken, ranging from metros to smaller urban centres, and most cases studies focused on one or two LED interventions or approaches in the municipal area. Note that Ingwe (Creighton) was one of the original case studies undertaken under the urban study but fits more naturally under the rural study and so is in section 8. The case-studies investigated reveal widely differing characteristics in terms of key issues such as policy, strategies embarked on and results achieved. The mix of centres ranging from metropolitan areas, to secondary cities to smaller centres reveals an interesting diversity of approaches and responses to local contextual considerations and policy differences. This section highlights some of the key findings from the cases, and outlines the lessons emerging. Whilst in the smaller centres it was possible to detail the full range of LED activities engaged in as well as specific projects (see section 8), this is too complex in the larger centres. In these cases after sketching the local policy context, the focus is rather on interesting examples of key strategies which exemplify pro-poor LED in that centre. It should also be noted that while some centres have detailed policy prescriptions in place, this is often in anticipation of actual implementation e.g. Ekurhuleni. Other cases are of pro-poor LED in operation, which have emerged through local resourcefulness, somewhat in anticipation of policy e.g. Ndlambe (Port Alfred).

Whilst the cases were deliberately chosen on the basis on known pro-poor LED policy and practice occurring within them, they do reveal that in terms of both considerations, pro-poor thinking and strategies are clearly embedded in local government activities. The balance between growth-focused and poverty relief-targeted interventions varies between cities and significantly within cities themselves in terms of budget allocations, and these differences are in themselves instructive. Information detailed below is drawn directly from the research papers commissioned from the individual report writers. The full reports are contained in a separate volume. The case studies covered are in the following sections:

- 7.2 Johannesburg
- 7.3 eThekweni
- 7.4 Cape Town
- 7.5 Ekurhuleni
- 7.6 Mangaung and hinterland
- 7.7 Umhlatuze (Richards Bay)
- 7.8 Ndlambe (Port Alfred)

While the full case-studies are included in the appendix of this report, in this section of the chapter, summaries are presented of the key details pertaining to each study before proceeding to a synthesis of the findings.

METROS

7.2 Johannesburg

7.2.1 Introduction

The Johannesburg case-study provides details of a city whose municipal policy is overtly pro-growth in focus, albeit that it clearly makes allowances for support measures which directly or indirectly will facilitate economic growth in the poorer sections of the community. The case study uses the Johannesburg Fashion District initiative as an example of a market-focused project which will have/is having a direct impact on pro-poor development in the city.

7.2.2 Economic overview

From an economic perspective Johannesburg is the most important city in sub-Saharan Africa. This position is being enhanced by the rapid growth experienced in the financial and business services sectors and also in retail and wholesaling in recent years. Other sectors experiencing growth include high-technology manufacturing and the tertiary sector in general. Sectors experiencing long-term decline are mining and manufacturing. At present employment growth is limited in the more capital-intensive growth sectors, resulting in persistent high unemployment levels. In response, there has emerged a vibrant small business and informal sector economy.

7.2.3 Policy and planning

In terms of policy development, Johannesburg probably has the most sophisticated policy framework in place of any city in South Africa. Known as 'Johannesburg 2030', the document aligns the city with a definedly pro-growth policy that strives to develop a knowledge-based economy and enhance the city's status as a 'world city'. The strategy places emphasis on issues such as skills development, the promotion of the tertiary sector and infrastructure development. The document makes few explicitly pro-poor links and sees issues of poverty as being addressed through the general development of the city's economy.

In its planning the city is aligned with the provincial focus on knowledge-based development known as 'Blue-IQ' which seeks to develop high-tech, logistics, tourism and transport facilities.

7.2.4 Institutional issues

Economic development is overseen by the city's Economic Development Unit and is strongly supportive of partnership arrangements with both the private sector and state bodies, such as is the case in terms of inner city redevelopment and the Blue-IQ programme.

7.2.5 Strategy

The City is engaged in an extensive portfolio of development initiatives, some of the more significant include:

- development of the City Deep freight and logistics depot – which is critical to the continued economic development and linkages of the city;
- support for urban agriculture;
- support for small businesses, primarily through procurement policies;
- support for financial service development; and
- support for marketing the city as a venue for conferences and events.

The pro-growth bias of much of the preceding aligns the city with the approaches of similar key cities globally.

The case-study report makes the point that while the city has poorly developed mechanisms to respond to poverty, positive moves in this direction are now being made. In this context, the Johannesburg Fashion District initiative is detailed in the paper as an example of a catalytic project which has significantly pro-poor growth implications.

The area covered by the Fashion District covers 20 city blocks. Intervention takes the form of a partnership between the city, provincial and national government, the private sector and a tertiary training institution. Foci of activities include training, the development of a training centre, the formation of a production network and an operators association. The initiative has involved some 1000 clothing micro-manufacturers and has encouraged a focus on niche markets, out-sourcing and integration of migrant workers.

7.2.6 Evaluation and lessons

Evaluation of the Fashion District initiative shows that the output of supported firms has increased significantly as have employment opportunities and networking between firms. The intervention has

helped small businesses to penetrate markets both local and even international, and jobs and income have been provided for the poor. The following are some lessons emerging:

- poverty reduction interventions require explicit policy and strategy support;
- training is critical in the formalization of poverty relief interventions;
- positioning small operators in a niche market is critical to success in a competitive market environment;
- there are clear advantages to be derived from tapping into collective efficiencies;
- the case-study of the fashion district shows how pro-poor growth initiatives can be embedded into a city's search for global competitiveness and still impact positively on the poor.

7.3 Ekurhuleni

7.3.1 Introduction

Ekurhuleni was only formed as a unified metropolitan entity in 2000 as a result of the amalgamation of several towns and cities immediately east of Johannesburg in the area collectively referred to as the East Rand. As a result there has only been limited time to formalise and implement a range of policy interventions for the new authority. In consequence the focus of this case-study is more on policy development and potential strategies than applied practice.

7.3.2 Economic overview

The area is reported as having the largest industrial concentration in Africa. However the manufacturing base in the area has been in decline since the 1980s, with a reported 100 000 jobs have been lost, raising the unemployment rate to approximately 40%. In the last few years there has been noticeably growth however in the higher technology sectors.

7.3.3 Policy and planning

In contrast to Johannesburg's explicitly pro-growth policy, LED policy in Ekurhuleni is distinctively pro-poor in focus. However, while the pro-poor arguments are clearly stated, actually economic strategies are still weakly developed and rely on assumed growth taking place. Efforts are however being made to understand and address current development challenges.

The key policy document, entitled the 'Ekurhuleni Local Economic Development Policy' argues that its focus is on the development of a 'people-centred economy' and is explicitly pro-poor in its vision and thinking. It aligns itself with the national Reconstruction and Development Programme, which has a strong community development orientation and identifies the following key objectives for the metropolitan area:

- local production for local markets;
- supporting the co-operative movement;
- skills development;
- support for urban and commercial agriculture;
- waste recycling;
- building local development capacity;
- participatory and integrated planning;
- forming industrial links;
- small medium and micro enterprise development;
- local procurement policies.

The document argues that the development principles on which development should be built include:

- development must put people first;
- the micro and macro economies must be linked;
- mainstreaming environmental issues;

- state-led partnerships.

The parallel Economic Development Strategy seeks to capacitate the economy and develop core infrastructure. It expresses a belief in the market economy and identifies the following key strategies:

- service provision;
- development zones;
- mainstreaming the informal sector;
- procurement;
- building key sectors.

A final key document is the LED Policy and Strategy Implementation Framework which importantly, and in contrast to other centres, defines explicit considerations for monitoring as part of its 'Key Performance Indicators' (see Table 3 in the relevant case study paper). This focus is significant and no doubt will prove to be an extremely useful mechanism for future monitoring and evaluation in the metropolitan area. Given how few centres seem to have M&E in place, this well-thought out strategy is noteworthy in the South African context.

7.3.4 Institutional issues

LED is overseen by the metropole's Economic Development Department.

7.3.5 Strategy

At the time of the case-study, LED is still in the phase of policy development/early implementation and hence no details regarding implementation can be provided at this stage.

One key document which could well lay the basis for significant LED strategy development is the study the metropole commissioned into 'Local Industrial Policy'. The study focused on the performance of various industries in the area and identified the importance of enterprise competitiveness, value-chain analysis, inter-firm relations and sectoral foci. The study encouraged a strategic focus on existing firms and support for medium-sized enterprises in particular. It also argued that the municipality should target support to transport services, skills upgrading, technology development and sectoral support.

7.3.6 Evaluation and lessons

The case-study document argues that while pro-poor LED is clearly a significant and key focus of LED in the centre, the strategy also needs to identify key economic drivers. Key lessons derived from the tentative experience with LED in Ekurhuleni are:

- the range of pro-poor issues which can be filtered into LED policy;
- the need to identify 'Key Performance Indicators' which allow for monitoring of projects / LED;
- the need to identify key economic drivers on which to build a strategy.

7.4 eThekweni Municipality (Durban)

7.4.1 Introduction

eThekweni has a long-established track record in the area of economic development. This is a result of defined, strategic interventions starting in the 1980s and the fact that the metropole is recognised as one of the most efficient and effective in the country. This is reflected in the development of LED and the diverse attempts to enshrine a pro-poor orientation in such policy.

7.4.2 Economic overview

Following economic slow-down in the 1980s, the city started to experience growth again from the 1990s. While overall industrial growth has been slow and sectors such as textile and clothing have been negatively affected by cheap imports, general economic growth and job creation is taking place,

particularly in the tertiary sector and in export-focused industries. Despite this, unemployment is growing as a result of the challenge of rapid urbanization.

7.4.3 Policy

LED policy in the city has evolved through a series of key phases. The 1996 Green Paper on Economic Development focused on providing services to the poor, while the 2000 Long Term Development Framework adopted a linked three-fold focus on economic growth, skills development and meeting basic needs. Overall the policies focus on addressing the apartheid past and prevailing economic threats and have the following three core targets:

- accessing economic opportunities for the poor;
- growing the economy through private sector growth and the provision of infrastructure;
- capacity development.

In 2004 the IDP Review suggested that economic development policy in the city had still not been finalised. The review started to start the shift from a household focus to a more specific pro-growth orientation. While addressing poverty is clear a concern and a focus in policy it is not as explicitly articulated and prioritised as it is in other centres.

7.4.4 Institutional issues

Economic development is overseen by the metropole's Economic Development Department.

7.4.5 Strategy

Key strategic interventions include flagship projects and regeneration projects. Pro-poor foci are important in many of the projects as reflected in Table 1 of the relevant case-study. Key pro-poor interventions are in areas such as small business support, community tourism, providing township business centres, markets and urban agriculture. Well known projects include the key Warwick Junction project and the Regeneration Fund.

7.4.6 Evaluation and lessons

In terms of assessing the LED experience of Durban it would seem that certain key conclusions can be reached with respect to policy and strategy in the city and its overall pro-poor orientation:

- (i) Pro-poor issues are a central focus of policy, but not necessarily of expenditure;
- (ii) The poor are prioritised in policy, particularly in terms of service provision. However in terms of the economic development of the poor there is a sense at the local-level that addressing this will depend on national developments not local responses. Core pro-poor policies are in place, such as support for the Informal Sector and Community Economic Development, township regeneration and an affirmative procurement policy. However the view was expressed that more could be done;
- (iii) In terms of funding only about 15-20% of the capital budget is allocated to pro-poor issues and there is a reliance on national government rather than local funds for pro-poor projects. Inertia and staff shortages are major barriers to implementation;
- (iv) In terms of the participation of the poor in projects, their involvement would seem to have decreased through time, as strategy has become more formalised and committee-driven;
- (v) In terms of linkages between the poor and infrastructure and service provision, linkages would appear to be poor, except in the European Union-funded Cato Manor project (which seeks the redevelopment of an apartheid affected low income area);
- (vi) It is argued that there is no explicit set of programmes to deal with the needs of the poor;
- (vii) Partnership formation – beyond links with government – do not really exist in terms of pro-poor development. By contrast the Durban Growth Coalition represents a strong pro-growth coalition;
- (viii) In terms of whether pro-poor and pro-growth policies are linked, the answer is a negative one and it would seem as if operational departments do not prioritise this.
- (ix) Monitoring and evaluation is regarded as 'uneven and erratic' and a key challenge experienced is the pressure to spend budgets within strict time limits;

- (x) Overall pro-poor policy is seen as fragmented and the poor are seldom placed at the centre of development initiatives.

Lessons derived from the eThekweni experience include:

- stability in policy and politics is critical in development;
- responses need to be comprehensive in nature;
- both policy and process need to be focused on together;
- the absence of effective monitoring and evaluation undermines effective pro-poor development;
- there is a need for more defined planning;
- explicit support for pro-poor development, in terms of funding, participatory development, policy and partnerships, clearly needs to be in place.

7.5 Cape Town

7.5.1 Introduction

As one of South Africa's major cities, Cape Town is a locus of key economic activity, and is experiencing rapid population growth, entrenched poverty and significant environmental challenges (in terms of resource scarcity and the presence of a national park around Table Mountain in the heart of the city). As a result, addressing poverty and ensuring sound environmental management are explicitly linked in this city and feature prominently in pro-poor interventions. Current unemployment stands at some 20% and 20% of households are below the subsistence level. As in the Johannesburg case study, given the wide diversity of LED interventions embarked on, after sketching the overall policy framework, the case study focuses on two key pro-poor LED interventions. In this case, the focus is on the creative use of Extended Public Works programmes to create employment opportunities for the poor.

7.5.2 Economic overview

Similar to Johannesburg, the city is experiencing significant growth in terms of the tertiary sector – particularly in terms of business services and tourism. Manufacturing has been affected by its traditional reliance on textiles and clothing which are vulnerable to cheap foreign imports.

7.5.3 Policy

Economic development policy in Cape Town places particular emphasis on issues such as service subsidies for the poor, local area implementation of community-based economic development, linking poverty reduction and growth, trying to address the multi-dimensional nature of poverty and the need to mainstream and institutionalise anti-poverty issues. Development policy is framed in terms of two key documents: the 1999 Economic Development Framework (EDF) and the 2003 Local Area Economic Development Framework (LAEDF).

The 1999 EDF established the city's goal of simultaneously seeking to reduce poverty and stimulate economic growth. It also established the principle that as a developmental state, addressing poverty and poverty reduction interventions are a key focus of concern. Specific interventions to address poverty detailed in the EDF include:

- providing a social safety net (primarily in terms of services);
- providing infrastructure;
- addressing spatial aspects of inequality;
- employment; and
- livelihood strategies.

The link between growth and poverty relief is implicit in the 2003 LAEDF, and the document argues the need for overt poverty reduction strategies due to the limited benefits for the poor derived from growth-based interventions. The document makes the case for localised interventions which prioritise job creation and infrastructural development.

7.5.4 Institutional issues

Economic development in the city is overseen by the: Economic Development and Tourism Directorate. Line departments also impact directly on economic development/poverty relief through their activities.

7.5.5 Strategy

The case study provides evidence of two explicit pro-poor interventions, both of which have a focus on employment and environmental management.

(i) Community-based Waste Management System

This strategy has been implemented in informal settlements in the city and currently accounts for the disposal of 20% of the city's refuse. The intervention is based on the use of public works/labour-intensive activity whereby waste removal contracts are awarded to local community contractors. The intervention is based on a partnership between the city, and NGO, private business and the government. Services have been improved as a result, skills imparted, small businesses supported and the local environments improved in a cost-effective manner. On the negative side, community expectations have not always been realised, there is union opposition and there is no effective M& E.

(ii) Ukuvuku – Operation Firestart

In response to the known fire risk posed by extensive alien vegetation on Table Mountain, this project sought to remove alien vegetation using a public works approach and community contractors and in so doing address poverty and employment needs. It was run by a partnership between the city, national parks, government departments, donors and business concerns. In total some 5000 ha were cleared and 334 people employed. The project was not renewed and suffered from the absence of an institutional base, high expenses incurred, poor planning and training.

7.5.6 Evaluation and lessons

Overall it is apparent that the policy and development context in Cape Town is conducive to support pro-poor development. However, while the 1999 and 2003 policy is committed to a comprehensive understanding of poverty, delivery is a challenge and it is questionable whether interventions are cost-effective. There is poor integration of poverty interventions with other programmes and ultimately pro-poor interventions are only a small component of overall LED in the city. Key lessons which emerge, which are important to ensure the effectiveness of pro-poor LED are:

- there needs to be a conducive policy environment;
- appropriate institutional mechanisms need to be in place;
- the physical environment provides scope for development;
- poverty is not one dimensional;
- programmes implemented must be sustainable.
- the need to understand the multi-dimensional nature of poverty and the need to look beyond temporary income improvement solutions,
- the importance of having effective institutional structures for poverty relief.

As these cases indicate an effective M&E system needs to be in place.

SECONDARY CENTRES:

7.6 Mangaung Municipality – the informal economy

7.6.1 Introduction

Mangaung is a municipality including the secondary city of Bloemfontein and two other towns (Botshabelo and Thaba Nchu), located in the centre of the country. It has a total population of some 650 000. It has many of the elements of South Africa ranging from well developed urban centre, commercial farming, small farmer resettlement, former Bantustan and the classic apartheid dormitory township of Botshabelo, established 50km from Bloemfontein. It has one of the largest areas of any municipality in the country. In terms of economic policy, economic growth has been prioritised by the municipality whilst the city's IDP is based on the objective of achieving both poverty reduction and economic growth.

7.6.2 Policy

Mangaung's approach was defined in its IDP, developed in 2001/2. The four thrusts of the city's IDP are:

- economic growth;
- community resilience and self reliance;
- service excellence and sustainability;
- civic leadership and common purpose.

In terms of the economic growth aspect there are two objectives set:

- achieving poverty reduction (reduce from 40 to 35% the percentage of the city's population living in poverty);
- economic growth (to achieve a 4.5% economic growth rate and create 6 000 jobs).

Overall pro-poor commitment is clearly shown through the community resilience thrust, and in terms of the large investment on basic services (roads, water and sanitation) for the disadvantaged. However in practice the investment in economic growth for the poorest is limited to date, with little impact so far on income and employment. There has been a major investment in participatory planning (community-based planning) in which it has led the country.

7.6.3 Institutional issues

An Economic Growth Programme was developed in the IDP in 2001/2, which included creation of the LED Unit, and the possibility of an Economic Development Agency. The City had support from USAID to develop an economic strategy and to consider the partnership options. The city has established the LED Unit, but has for the moment decided not to go forward with an economic development agency. The Municipality has established a specific programme, Mangaung Compact, to develop memorandums of understanding (MoUs) with development partners;

7.6.4 Strategy

Key strategies identified to achieve the city's goal as part of the Economic Growth Programme are:

- investor attraction;
- local procurement;
- support for key sectors – such as through the development of a science park and land development;
- small business support – including providing a business centre;
- support for the informal sector – providing facilities, information;
- entrepreneurial support;
- training;
- small business finance;
- livelihood improvement;
- establishing an Economic Development Partnership;
- developing a Development Corridor along the N8 towards Lesotho.

7.6.5 Issues emerging re the informal economy

The informal economy of Mangaung, which accounts for some 50% of local jobs, was the focus of the Mangaung case study which involved interviewing some 48 informal sector operators. The results echoed the findings of a large survey on the informal sector carried out by UNISA. Some key issues revealed included:

- the largest part of the informal economy are street traders, although there are a diverse range of businesses;
- 30% of operators were women and 42% had previously worked in the formal sector;
- some are large, with turnovers up to R90 000 per month;
- there is an urgent need for services, shelter and bulk-buying.

The local municipality has established a unit to register traders, and it is committed to facilitating growth and awareness-raising. Identifying sites, offering training and facilitating development are all key foci. They are currently developing an informal sector policy. Non-municipal support includes that from government departments and a commercial bank.

Needs identified in a survey included those of: expanding the market, improving facilities and profits, assisting access to finances, business advice and training, creating an enabling environment and improving coordination between support agencies.

7.6.6 Evaluation and lessons

- in common with much of SA, the municipality has proved better at planning than implementing what is in its plans, and still has a number of unfilled vacancies which limit its ability to take forward its plans. This reflects a difference between professed priorities (with LED top) and actual investment;
- in terms of pro-poor outcomes infrastructure development has been easier to achieve, apart from which it is too early to see tangible benefits. There has been limited focus to date on rural parts of the Municipality, which is being rectified now with a Rural Development Programme;
- the municipality is moving forward with an approach to promote the informal economy, including an Informal Economy Policy. However the LED strategy needs to target the informal sector more effectively, with a suitable policy and practical support mechanisms;
- policy must also address issues of improved productivity.

7.7 Umhlatuze Municipality (Richards Bay)

7.7.1 Introduction

The city of uMhlatuze, incorporating the primary core of Richards Bay and the secondary core of Empangeni is one of the country's key ports and industrial nodes. The current population is some 200 000 people. Promotion of LED in the city is undertaken by the local municipality, the district municipality and significantly by the various big firms either individually or collectively through supporting development projects run by the Zululand Chamber of Business. While the city has a strong pro-growth orientation, the District Municipality (DM) and the big firms are engaged in various support programmes which have clear pro-poor implications.

7.7.2 Economic overview

The city has significant industrial and infrastructural resources. It hosts the world's biggest coal export terminal, two aluminium smelters, two heavy metal refineries and several other major enterprises. Small business development appears to be rather constrained despite the presence of major firms, which are capital intensive and have few backward linkages in the local area.

7.7.3 Policy

The city's LED policy is a pro-growth focused one seeking to promote economic development and job creation. Key foci include support for clusters, hard and soft infrastructure, tourism, agriculture and business retention.

7.7.4 Institutional issues

Both municipalities have staff who take on LED responsibilities while all big firms have corporate social responsibility departments. In addition a Joint Development Forum has been established to link all role-players in the sound management of development of the city.

7.7.5 Strategy

In terms of implementation the impact of the various role players can be noted:

a) The Local Municipality

In 1998 the then Empangeni Municipality attempted a pro-poor intervention using national LED Funds to build an arts and crafts market. The centre has met with only marginal success despite strenuous efforts to support it. More mainstream interventions include CBD renewal in Empangeni and support for the Joint Development Forum.

b) The District Municipality (DM)

Umhlatuze falls within a DM covering several municipalities. The rural character of the area and high levels of poverty have led to a targeting of support to agricultural projects and some smaller industrial developments. As the Umhlatuze area is a key contributor of the DM's revenue base, the redistribution impact is significant.

c) The Private Sector

All of the major firms have significant Corporate Social Responsibility programmes which all support educational and health provision in the area, and selectively support small business development, sustainable environmental management/conservation, small-scale mining and downstreaming of aluminium production to small businesses. Collectively they support the Zululand Chamber of Business (ZCB) which provides SMME support, a learning centre, business linkages services and has built and supported an 'AIDS Village' as a care facility for victims of the disease.

In future the city has been targeted as one of the few in the province which will have access to EU LED support, which specifically focuses on pro-poor policies and this should have some degree of impact on the local area. In terms of impact it is reported that some 75 000 people have been influenced by the various ZCB programmes to some degree and 3 500 have sought small business support or gained some form of employment.

7.7.6 Evaluation and lessons

In terms of assessing what is taking place on the ground, the following can be noted:

- 1) While pro-poor development is supported, only limited intervention has been undertaken by the city which seems to have a pro-growth focus. The DM has a stronger pro-poor focus, but projects are still getting off the ground;
- 2) In terms of impact, while the corporates obviously engage in developmental activity for image-building reasons, impacts of social, and to a lesser degree economic development appear to be significant. Joint support for the Zululand Chamber of Business is an interesting approach. The impact of both municipalities to date seems to have been rather limited;
- 3) In terms of lessons:
 - Corporate interventions, individually and collectively can have a key impact on poor communities;
 - Strong District Municipalities such as the one in this case can play a significant role in seeking to address economic imbalances, even where there is a strong local municipality within the district, as in this case¹⁰;
 - Forming a Joint Development Forum, which can lay a basis for a growth coalition is a useful intervention;
 - As in this case, for smaller local authorities, there would appear to be resource and capacity constraints impacting on the ability to effect LED.

¹⁰ Often where there is a strong local municipality within what may be a weaker district, eg Mangaung within Motheo District, there is a lot of competition between local and district, and the district's role can be difficult.

SMALLER CENTRES:**7.8 Ndlambe Municipality (centred on Port Alfred)****7.8.1 Introduction**

Ndlambe is a small municipality lying on the south-eastern coast of the Eastern Cape Province. It incorporates the formerly independent towns of Bathurst, Port Alfred and Alexandria and several smaller centres. The case of pro-poor LED is of particular interest in that what seemed to be sustainable pro-poor, community-based LED projects were established in the municipality using national LED Funds. As such the case provides insight into successful government support, effective municipal facilitation of development and the establishment of viable, market-competitive enterprises in a poor community. The two key enterprises in this regard are a pineapple pulp processing factory and a brick-making works. In addition, there are a range of less successful business and farming undertakings which have had some impact and to which the municipality has provided informal support. Subsequent to the case study both enterprises have closed, illustrating the difficulties of creating sustainable community businesses. The case study thus reflects what appeared to be successful examples at that stage.

7.8.2 Economic overview

The municipality's economy is heavily reliant on commercial agriculture and tourism.

7.8.3 Policy

Despite the presence of seemingly successful pro-poor initiatives, the case-study makes the point that pro-poor LED is poorly defined and articulated locally. The IDP is the key guide and focuses on issues of service provision and facilitating socio-economic development, albeit that disadvantaged communities are the priority in this regard.

7.8.4 Institutional issues

The municipality has only recently appointed an LED official, prior to which LED was undertaken by involved local officials who held other portfolios as well. GTZ is supporting LED in the area.

7.8.5 Strategy/projects

Support for projects varies from those directly supported by the municipality, where they applied for funds on behalf of the community, to the more informal support rendered to urban farmers and rural farmers on a Department of Labour project e.g. with water supply and ploughing. There are two key LED Fund projects which were successful at the time of the case study:

(i) The Umsombomvu Pineapple Pulping project

This project was community-based but firmly linked into the market, having links with the municipality, commercial farmers and manufacturing firms. People from Bathurst Township approached the municipality to help them buy a farm adjacent to the township on which a pineapple pulping factory had operated. Funds were sourced from the LED Fund and a viable commercially linked community enterprise was operating, selling fruit pulp to juice manufacturers around the country. There were constraints in terms of skills, transport and links with the farmers, but the community project was selling on the open market. The project had moved beyond the subsistence phase and begun to operate in a sustainable fashion. However subsequently as municipal support declined this project also declined and is no longer operating.

(ii) Isitema Brick-making

As with the last project, community members from Bathurst Township approached the municipality to help establish a brick-making enterprise. LED Funds were sourced and at the time the enterprise was operating successfully employing 20 people and had been running for nearly 5 years. Success was accounted for by inherent skills, municipal support, operating in a business-like fashion, forming partnerships with other operators and securing contracts to supply bricks to government housing projects. Unfortunately this project has also subsequently failed in a similar fashion to the previous project.

(iii) Nzamo Small Business Hive

A small business hive was established in old air force buildings near the town using LED Funds. Despite initial enthusiasm and considerable municipal support it met with limited success and has never really blossomed. Reasons include isolation of the site, limited skills and market.

(iv) Small-scale farming

The municipality provides limited support to various community farming groups. Support takes the form of interventions such as access to land, water supply and assistance with ploughing. The focus is on food security and produce is seldom sold.

7.8.6 Evaluation and lessons

In terms of evaluating LED in Ndlambe the following can be stated:

- 1) The municipality has adopted an overtly pro-poor focus, has responded to appeals for support from the community and accessed funds where possible. Although there is no clearly articulated pro-poor LED policy, policy does focus on improving conditions for the disadvantaged and objectives tend to be articulated in terms of service and infrastructural provision. On the positive side, informal aid is provided whenever possible;
- 2) At a broader level the economy of the area is expanding, notably tourism, and this is providing development opportunities;
- 3) Interventions, particular in the two key projects did improve incomes for beneficiaries and their families for some time, but were not sustainable, in common with many projects supported by the LED Fund;
- 4) No M&E is place, outside of the IDP review process.

Lessons emerging include:

- informal/ad-hoc support e.g. to urban farmers and to potential small business operators can play a meaningful role in LED;
- Community-based projects can be competitive in the open market and can be supported by government/municipalities, provided there are adequate skills and market demand for the product. However it is a major challenge for these to be sustainable and to wean them off the support provided. These two were successful for some time and this really calls into question this approach to supporting LED "projects".

8 CASE STUDIES OF RURAL AND SMALL TOWN LOCAL ECONOMIC DEVELOPMENT

8.1 Introduction

To complement the case studies of LED undertaken in the metropolitan areas, cities and towns in South Africa, a parallel and later study of LED in six rural areas and small towns was undertaken, to which one of the small urban studies (Ingwe) has been added. Four of the six cases specifically focussed on known cases of LED success in the poorer rural areas of the country, namely – Wuppertal, Alicedale, Magaliesberg and Sodwana Bay. While there is a risk that, because of the degree of success achieved, the studies may be somewhat atypical of rural/small town South Africa, their selection was justified by the necessity of show-casing methods and cases of LED success in order to serve as examples and inspiration for other centres. To provide a more balanced picture of the challenges facing small towns/rural municipalities two additional cases – Motheo and Senqu were undertaken to overview development opportunities and constraints in typical rural municipalities.

The research undertaken in the first four cases deliberately sought to investigate the role played by a range of key local level stakeholders acting either independently or through partnerships. As such, the study was grounded on two principles, namely:

- in line with international experience and best practice, LED is not the exclusive domain of local government and other role-players can play a key role, usually through partnerships,
- given the severe capacity and resource constraints that many of the smaller, more rural municipalities experience, it is important to investigate ways in which local government LED actions can be extended through partnerships or innovative LED.

The six case studies chosen were:

- 1) Motheo District – a largely rural district municipality which incorporates small towns and part of the hinterland of Bloemfontein and illustrates urban-rural links;
- 2) Senqu – a rural municipality in the Eastern Cape, which has its capital in Lady Grey, an agricultural region with one part of the former Transkei as well as commercial farming area and tourism potential;
- 3) Alicedale - a case of small town revival as the result of a strong public-private partnership in which the private sector is taking a leading role;
- 4) Wuppertal – a case of community-based and NGO supported rural development based on the use of natural resources;
- 5) Sodwana Bay – a case of the potential benefits derived from private sector expansion in a developing tourism node;
- 6) Magaliesberg Meander - a case of the development and impacts of the growth of a tourism cluster, in which the private sector and to a lesser degree the public sector have played key roles;

To this has been added:

- 7) Ingwe (Creighton) – this case study undertaken in the urban study has been added to this section which is an interesting example of the municipality driving development through tourism in a small town.

In this chapter, summarised details of each case study are presented below before proceeding to a comparative analysis of the outcomes of these seven projects. The full case-study reports for the seven cases are contained in the Appendix. The first two cases focus on overviews of the opportunities and constraints facing municipalities covering large rural areas and present generalised overviews of Motheo and Senqu respectively. The next four cases move from general overviews of rural municipalities' opportunities and constraints to a project level focus and examine specific LED interventions (either through defined LED projects or through general changes in the local economy).

8.2 Urban-rural dynamics in Motheo District (around Bloemfontein)

8.2.1 Introduction

This research focused on the urban-rural dynamics in Motheo District in the Free State, South Africa. The study mainly focused on the movement patterns of people, goods and services in Motheo and its significance for rural-urban local economic development planning. The data was collected through observations and interviews and surveys coupled with statistical analysis, and analysis of secondary data. The study covered Motheo District which includes Mangaung, Naledi and Mantsopa municipalities.

8.2.2 Overview of Motheo District

Motheo District is located in the southern Free State and includes the city of Bloemfontein. Motheo has an estimated population of approximately 728 259 with 655 433 (90 %) living in urban areas and 72 826 (10 %) living in rural areas. 50% of people live in poverty, with unemployment figures of 40% in Mangaung, 36% in Mantsopa and 37% in Naledi. Two of the local municipalities (Mantsopa and Naledi) are situated along the Lesotho Border. The main economic sectors are the service sector (including government) primarily in Mangaung and agriculture in the Mantsopa and Naledi areas. The main areas within Motheo can be characterised as:

- The city of Bloemfontein with wealthy and less wealthy suburbs, an established central business district, industrial areas and township;
- The large rural towns of Thaba N'chu and Botshabelo, with small industrial areas, large areas of formalised but poor settlements;
- The small towns of Ladybrand, Excelsior, Hobhouse and Tweespruit in Mantsopa Municipality, and Dewetsdorp, Wepener and Vanstadensrus in Naledi;
- The bulk of the area of the district consists of commercial farms and farmworkers;
- An area of small farmers around Thaba N'chu and some resettled through land reform around Botshabelo.

Mangaung contributes 94% of the economy of the district, Mantsopa 4.4% and Naledi 1.5%. Sectors showing growth in general within the district are agriculture, transport and the finance sectors. Mangaung is a high capacity municipality with a well established LED programme, while Naledi and Mantsopa are much smaller with lower capacity.

8.2.3 Movement of people

African people have **migrated** to all areas of Motheo whilst the numbers of white people has dropped. In the urban areas there has been an average of a 14.4% increase of African people and a 29% drop in white people. In the rural small towns the white population has dropped on average by 13% and the African population has increased by 26% in Mantsopa and 14.8% in Naledi respectively.

Despite the presence of the N8 road to Lesotho through Mantsopa, transport causes major concerns in almost all rural areas. Bus services are absent, irregular and/or not accessible, while taxi services are irregular and often unaffordable, often waiting for the taxis to be full before departing, which can take some time in rural areas. People **commute** from larger rural towns to and from work. At least 260 000 people travel monthly up to 200km per day, spend up to 4 hours travelling per day which can cost 18% or more of their income. In Naledi people commute daily to and from Lesotho. Many people travel for **shopping** as major retail shops are totally absent in rural areas. Major chain stores in Bloemfontein reach rural areas through courier and delivery services. Up to 10% of their clientele come from rural towns.

Other activities drawing people to the city include **recreation**, sport, studying and visiting friends and relatives. The level of services, infrastructure and educational facilities in the city of Bloemfontein are a natural pull-factor for people to combine personal, business, and shopping and recreational trips. More than 80% of the informants surveyed who were seeking recreation were not residents of Bloemfontein, coming from as far as Kimberley in the Northern Cape. There are limited recreational opportunities in

rural areas but there are some promising examples such as the golf course in Dewetsdorp which is limited by the absence of other supporting services and infrastructure.

8.2.4 Movement of goods and services

In terms of **goods**, agricultural products from the Motheo district are transported to fresh produce markets in Bloemfontein and large quantities of products are traded internationally with Lesotho. There are examples of some products manufactured in rural areas being sold locally, e.g. fired bricks manufactured in Thaba N'chu. Goods exported to Lesotho range from fresh produce to medicine, cosmetic, meat, paper, coffins and flammable gasoline. Goods imported from Lesotho are mainly motor parts to be taken for repairs, scrap metal, old furniture and goods bought from the local shops in Mafeteng.

In terms of **public services**, most provincial or national government departments are based in Bloemfontein. The Departments of Social Development, Health and Agriculture have offices and service points in most rural towns, and there are public schools in all towns. Coverage may not be adequate, for example one agricultural extension officer has to serve over 100 000 people in Botshabelo. In terms of **private services** (i.e. banking, telecoms, etc.) these are available to some extent in the small towns. Vodacom has independent offices in rural towns and ensures that people have access to their products through a variety of retail stores. Banking services are available in most of the small towns, as well as mini ATM service points in some local stores in other towns. Electrical repair and maintenance services are available in Dewetsdorps and Wepener, but they are apparently not viable.

8.2.5 Implications of findings

Some key **characteristics** of the study area which emerge are:

- The economies of the small towns and rural areas are very dependant on agriculture, while the unemployed rely heavily on social grants, and retail services in these centres are suffering as much purchasing now takes place in Bloemfontein's booming retail sector;
- There has been long-term migration from Thaba N'chu villages to Thaba N'chu town, from there to Botshabelo and from Botshabelo to Bloemfontein, putting strain on Bloemfontein's infrastructure;
- Government services are available in some towns (eg Social Development, Health and Agriculture), and there are some efforts to provide mobile services, but some of the dispersed services, such as farm schools are being withdrawn;
- Technology is assisting certain activities and economic well-being, including cellphones and, ATMs in stores;
- In terms of other services some innovation is being seen for example in the use of community-based extension workers, or home-based carers as ways of getting services into remote communities;
- There is extensive movement across the Lesotho border, for shopping, for work, and to visit relatives. There is also considerable movement of illegal goods in both directions, such as stolen cars from South Africa, or dagga from Lesotho.

In terms of **building local economies and viable communities**, despite the struggle faced by many of the smaller towns there are areas where interventions can be made:

- Developing production for local markets such as fired bricks for RDP housing and local production of sour milk.
- Land reform based on family farms linked to effective agricultural extension, marketing and credit systems;
- Building the recreation and tourism potential of rural areas, investing in infrastructure and marketing;
- There are opportunities for agroprocessing at the craft and industrial levels;
- Maximising access to information and markets by using the telecommunications infrastructure through telecentres and related mechanisms;
- Encouraging people wishing to move to the small towns for the quality of life, either for retirement or for a new life style;
- Taking advantage of underutilised buildings and land.

Until there is increasing purchasing power in these smaller towns services may well continue to decline, and people will continue to flood into urban areas, putting additional pressure on urban services. The poor infrastructure in many rural areas limits economic development. The key infrastructure needed is cheap and reliable transport.

It is critical that the spatial development frameworks which inform plans take account of urban-rural links and the dynamics occurring between these, rather than taking a static picture. Different sector plans, the IDP and national and provincial development programmes (eg EPWP/MIG) need to take account of urban-rural dynamics. It is also critical to involve local communities in identifying their assets, priorities and possible opportunities through meaningful public participation processes such as the community-based planning approach. If we can take a more integrated systems view of urban-rural economies hopefully we can promote improved development and quality of life in both urban and rural areas.

8.3 Senqu Municipality

8.3.1 Background to the area

The case study documents an example of how LED is being applied in a rural municipality bordering Lesotho in the Eastern Cape.. Senqu Municipality is part of Ukhahlamba District in the north of the Eastern Cape Province and covers a commercial farming and tourism area including Lady Grey, Rhodes and Barkley East and villages from the former Transkei, including the towns of Sterkspruit. According to the 2001 census the population is 135141. The impact of migrant labour can still with women comprising 53% of the population overall, and 58% in the 35-64 year group.

The area is very poor. Only 15% of the population are in formal employment and only about 18% of the population are actively seeking employment. 75% of individuals report no income. There appears to be increasing inequality in incomes and educational levels, with an increasing number of adults with no schooling, while there are increases in those with secondary and higher education. In other aspects of livelihoods there have been improvements over the last 5 years, including increased access to electricity, telecommunications, and water, and larger house sizes. Levels of HIV/AIDS are high.

The economy is dominated by agriculture (primarily mixed sheep, cattle dairy, with limited crop farming), community services (government), and services such as retail, with some mining. Much of the area is mountainous, with spectacular scenery, road and rail passes. Tourism is important and the area includes Rhodes, the only skiing location in the country. There are a range of bed and breakfasts, hiking trails, farm-based tourism, and the area is famous for fishing and partridge hunting. There is significant cross-border movement of people and goods to and from Lesotho, both legal and illegal, with a major problem of rustling. Many Basotho seek employment and improved services in South Africa.

The area is still experiencing a brain drain, high levels of unschooled people, deserted farms, informal congestion, which means that significant challenges remain to create an area where communities are able to survive and thrive.

8.3.2 Support for Pro-Poor LED

The District Municipality sees its role as to capacitate LED in the region and not to implement LED projects and they have entered into a service level agreement with Senqu Municipality. There is a LED Officer in Senqu Local Municipality while the District has appointed a Tourism Development Coordinator, as well as Agricultural and LED coordinators. There are 20 objectives in Senqu's IDP. The first three IDP Strategic Development Objectives relate to LED:

- 1 3% increase in economic growth by June 2007;
- 2 Develop skills base for the community of Senqu Municipal Area by end of December 2010;
- 3 To mobilise community for the reduction of crime and divert young people in criminal activities by the end of June 2008.

Despite the high priority in the IDP, there is no specific economic development strategy nor a M&E system to monitor LED performance.

Ukhahlamba is one of the 11 rural nodes under the Integrated Sustainable Rural Development Programme. Senqu has 164 staff and 253 vacancies illustrating a major capacity problem. The total capital budget for 2005/6 was R47.6 million of which R18.5 million has been allocated to the LED-related projects, mostly agricultural.

A range of service providers operate in the area ranging from government departments (including Agriculture, Social Development and DEAT) to commercial banks. The latter are criticised for not providing finance for business expansion. The nearest offices of the Eastern Cape Development Corporation are in Queenstown, as is the provincial Department of Economic Affairs, Environment and Tourism (DEAET).

The Municipalities are perceived differently in the Sterkspruit and Lady Grey areas. In the former they feel that both the District and Local Municipalities are not visible or supportive enough to the local community and are too top-down. In the latter businesses did feel that the municipality was committed to economic growth and they were more visible and approachable but of course the headquarters are in Lady Grey, where there is an opportunity for formal and informal interaction.

8.3.3 Possible ways forward

The Municipality has made a significant commitment to LED, but it appears the work needs to receive a higher priority and be better integrated into all aspects of the municipality's activities, including creation of a LED Unit, development of an LED Strategy, aligning different departmental functions within the municipality with LED.

There do appear to be a number of opportunities in agriculture and agro-processing. The landscape while a challenge to agriculture is a major attraction for **tourists**, linked to the strong outdoor attractions of the southern Drakensberg as well as cultural tourism as well as the Art College, Passion Play etc. There is the potential for community-based tourism ventures, wherever possible linked to existing tourism ventures to favour joint marketing and business mentoring.

There is a need for a viable business support system, backed by financing if SMMEs are to be able to grow. Agricultural and other business support is needed, eg using farming and business mentors. Local businesses seem open to this. There also needs to be more emphasis on assisting existing predominantly white SMMEs, which have potential to create jobs.

Despite some efforts to consult with communities, there is a widespread perception of a top-down approach by the municipality, a lack of involvement of traditional authorities, and associated with this a lack of commitment by communities to what they see as government projects, not their own. This dynamic needs to change.

LED requires a multi-disciplinary, cross-departmental development approach and it is critical that all these stakeholders' programmes are aligned in an appropriate way to maximise the impact on LED. This needs to happen at all levels. An LED Forum/committee should be established to meet regularly on local economic development direction and opportunities, etc. Amongst other things this needs to clarify and communicate LED roles of all stakeholders in the region.

8.4 LED and small town revival through a private-public partnership in Alicedale

8.4.1 Introduction

Located approximately 100 km from Port Elizabeth and 50 km from Grahamstown, Alicedale grew in importance in the late 1800s as a railway junction servicing the interior of the Cape Colony. The decline in the use of the country's rail network in the late 1900s spelled the end for Alicedale's economy. It continued to decline until Alicedale came to the attention of provincial politicians and area businessmen who came together to form a multi-pronged partnership and formulate a plan to save the town. Alicedale now falls under Makana Municipality centred on Grahamstown. This study traces the recent evolution of

LED in Alicedale focusing on a private-public partnership that has successfully stimulated the local economy of this small town and created a number of jobs and business opportunities for several entrepreneurial residents.

8.4.2 The partnership

The partnership became known as the Qhorha Project, which was quickly enlarged to include Makana Municipality and the community of Alicedale itself in order to obtain community buy-in. The private sector would provide the bulk of the finance capital and management experience, the public sector would provide project facilitation, bulk services, and a certain amount of capital, while the community was included to provide ownership over the initiative. A steering committee was established to oversee the public-private partnership, to push forward the development of the project, as well as serve as an engine for the communication of local development issues back to the community.

8.4.3 Developments in Alicedale

The private public partnership finally decided on the creation of a multi-faceted tourism village that would boast a world-class golf course, a game reserve, a residential golf estate, four star hotel, cultural village, conference centre, spa and wellness facility, and a new bar/ restaurant collectively known as Bushmans Sands. Linked to the development of Bushman Sands are a number of additional improvements that have enhance the economic viability of the town including the established of pay phones, an ATM cash machine, and a petrol station, as well as the tarring of roads and convincing the local post-office to remain open. The private-public partnership has also yielded important lessons for community development through a cattle and veld care initiative, supporting a community garden and refurbishing local sports fields.

8.4.4 Impacts of the Private Public Partnership

From the start, the private sector was adamant that it could only provide so much of the development in Alicedale and that others would need to seize the opportunities that it created. Therefore, in addition to local hundreds of residents now earning salaries through direct employment at the Bushman Sands complex, there are several people now earning an income through one of the many small businesses created to supplement the services offered at the hotel including golf caddies, security personnel, transport staff, and cultural dancers. Bushman Sands has also served as a catalyst for independent entrepreneurial activity in the wider community and some of the businesses that are opening or are expanding include gift shops, factory boutiques, furniture makers, B & Bs, restaurants, and retail shops. The private-public partnership and the development of Bushman Sands have mobilised various levels of government, different elements within the private sector, and members of the wider community. Alicedale has gone from a declining small town, with close to 100% unemployment, to one with a renewed reason for living. With such a previously dire economic forecast for the town, the 412 temporary and 129 permanent job opportunities that Bushman Sands has created represents a not insignificant injection of skills, wages, and hope into Alicedale. Notwithstanding the economic benefits and attitude changes that Bushman Sands has brought to Alicedale generally, it is however crucial to note the desire to gain the support of community members has not been entirely without problems and pledge to keep residents informed has been difficult to realize and maintain.

8.4.5 Lessons for small town local economic development

This particular study has revealed that the private sector can play a leading role in private-public partnerships and has demonstrated that it has the financial leveraging power to embark on such projects. It further has the contacts and experience to know where to best allocate funds, and the business acumen required to make small town development profitable. At the same time, the private sector adds a certain element of permanence to the partnership.

This type of relationship demonstrates the value of close working ties between government and the private sector and perhaps the influence politicians have in cajoling business people into action and encouraging them to include different role-players in the process. Government can also be instrumental in fast-tracking development projects and/or injecting substantial amounts of capital investment to kick-start development. From a municipal government perspective, local officials have the further

responsibility of mobilising local stakeholders in an attempt to formulate a comprehensive process that includes all interested and affected parties.

There needs to be an inordinate amount of information transfer between various elements from within the community. From the start, clarity is needed across the board and the community needs to be made aware of how they are expected to participate, what they stand to benefit from such participation, the concessions they should make, and intended outcomes of the proposed development. Although this study has shown that the community may have little to offer the partnership in the way of tangible inputs, their involvement is nonetheless of vital importance.

LED in Alicedale does provide a model for private-sector led small town renewal, and the community as a whole has benefited from increased access to job opportunities, business activity, and localised poverty alleviation that the private sector has stimulated. At a more micro-level, it is very much a top-down process, which has been weakened by limited decision-making input from ordinary residents who have struggled to see the individual value of a luxury hotel development in their backyards.

8.5 Wupperthal

8.5.1 Background to the area

Nestled deep in the Cederberg, Wupperthal hosts a Moravian mission-station and incorporates a central village and 14 outstations (or religious meeting points) in a total area of 36,000 hectares with an estimated population of 2,500 people, of which 550 are estimated to live in the central village. The Moravian church took over the mission in 1965 and still own the land.

The vegetation is fynbos and the topography and climate of the area limits the potential for wide-ranging agricultural activities. The area receives between 125-300 mm of rainfall annually, and only 7% out of the total 36,000 hectares are suitable for agricultural purposes.

In terms of human occupation Wupperthal was originally settled by the local Khoisan people, numerous rock-art drawings in the area stand testament to their presence. The population is now predominantly Coloured (Mixed-race) and Afrikaans speaking, whilst many can trace their ancestry to the original Khoisan inhabitants of the area. Forced to counter various waves of European- and White-hegemony in the development of contemporary South Africa, the local people have galvanised social-capital and local-capital networks that have in turn united the cultural and historical linkages between people and the environment.

These linkages between the environment and the shared history and culture of the Wupperthal community are at the forefront of the present local development project. local skills and natural resource potential have been supported by an NGO who has facilitated skills and knowledge exchanges, targeting of external government support, and developing linkages with the international market.

8.5.2 Basic details of project

The Wupperthal Rooibos Project has involved the development of a localised industry in regard to the production and harvest of the indigenous Rooibos plant in a labour-intensive process. The foundations were laid in 1997 when the community and the church subsequently decided to initiate the Rooibos tea project, and approached the NGO A-SNAPP (Agribusiness in Sustainable Natural African Plant Products) to assist in developing a business plan. Wupperthal have received support from the RDP fund, and Provincial Departments of Agriculture, and Social Services (Western Cape). The support has assisted in the resurrection and extension of the village tea-court, and the construction of a new store and storage shed, whilst a tractor for the tea-court and tractor-trailer unit have also been purchased. The legal structure is a co-op.

One of the most important roles of the NGO been the facilitation of meaningful market linkages with various Alternative Trade Organisations, in particular the European and North American 'Fair Trade' markets. When established in 1998, the project involved the engagement of 25 farmers with a combined total volume of 16 tonnes, by 2001 these figures have increased to 70 farmers and a total of 91 tonnes.

This year (2006) a total of 175 farmers are sending Rooibos to the tea-court to be harvested, with an estimated 100 tonnes expected. Farmers' individual outputs vary between 200kg to 2 tonnes, and will employ up to 15 labourers during the harvest period. However, the rooibos project has not meant wide-ranging job-creation across the region, with some estimates suggesting that the unemployment rate remains around 75-80%.

The association has recently invested in a packaging operation in Cape Town, which should add precious value to the distribution chain. The packaging plant (Fair Packers) is evenly shared between another small-farmer rooibos operation in the Suid Bokkeveld (Heiveld Co-op.) and a businessman from Cape Town, and will prioritise all employment opportunities for youth leaving Wupperthal or Heiveld in search of employment.

8.5.3 Lessons

The study-area subsequently provides an interesting evaluation of rural LED, particularly when considering the context of community-driven and NGO-facilitated local development.

A major strength of the Wupperthal experience is that the community is firmly at the centre of the development process, using local skills, local resources, social-capital, and drawing on the shared history and culture of a region and community. In turn, the community have actively engaged in the project and assumed the role as key-driver of a realistic and pragmatic development initiative. In terms of rooibos, the resource is symbolised in both historical and cultural terms. Many small farmers and local people equate rooibos with a strong connection to their ancestors, or in appreciation of the products various uses. For example, many in Wupperthal speak warmly of their forebears collecting wild rooibos from the surrounding hills, or of mothers substituting mothers-milk for rooibos at a young age. Various other LED projects may struggle for success if the area is lacking the cultural and historical binds that characterise Wupperthal, where it is apparent that strong local networks and high degrees of interaction have been essential to the relative success of the local development initiative.

Another key strength has been the engagement and support from the NGO A-SNAPP. Whilst A-SNAPP still play a supportive role for Wupperthal, the Co-op are largely self-sustaining now, which avoids direction from a top-down perspective that can often stunt the organic growth of a local development initiative. In addition, the development of a true and meaningful market direction cannot be underestimated in the Wupperthal success to date. It is essential that development projects pay heed to the broader market realities, and the linkages with Fair Trade have ensured that small-farmers have a viable economic opportunity.

However, the project is too small to engage the entire region in terms of wide-ranging employment. Due to the environmental demands of the region, it is not possible for rooibos production to become a major agricultural output in the region. Therefore, unemployment is still estimated at between 75-80%, an issue that has led to various social problems such as alcohol abuse, whilst many young and old have to leave the area in search of seasonal or long-term employment. The Co-op and community have identified the need for increasing employment opportunities, which has led to the establishment of various employment offshoots, such as tourist accommodation, a hand-made soap shop, and a local nursery. Moreover, the investment in a packing operation in Cape Town is another potential employment outlet for those leaving the area.

Future growth of the project is further hampered by land-ownership issues, the church still presently owns the land and the community and many small-farmers would appreciate the opportunity to legally own the land they have used for many generations. Land-Affairs is seeking to engage the church and the community in the process of land redistribution this year, although the uncertainty of the process is something that is a concern to many in the area.

Finally, another concern for the Co-op and small-farmers is the rumours that have been circulating in regard to large white-owned commercial farms in the area developing linkages with Fair Trade markets under the premise of farm-labourer development. Wupperthal have successfully developed linkages with

other small rooibos farmers in Heiveld, however, it essential for the ongoing success of both projects that the Fair Trade linkages continue to support the small-farmer development.

If present challenges and uncertainties can be surpassed with a minimum of disruption in conjunction with the continuing growth in localised assets and social-capital, then the Wupperthal experience can continue to be viewed as a predominantly successful example of community-driven and NGO-facilitated LED in rural South Africa.

8.6 Sodwana Bay

8.6.1 Background to the area

This case study examines a particular example of tourism development in small town South Africa, Sodwana Bay in Maputaland, KwaZulu-Natal, a tourism destination in which local growth has been driven by a special form of niche tourism, viz, dive tourism. The Maputaland coastal region is characterised by large inter-connecting lakes, high-forested dunes, sandy beaches and low cliffs which support a diverse array of wildlife. This stretch of coastline is well known for its warm coastal waters - these being the only truly tropical waters in South Africa, with the southernmost coral reef system in the Indian Ocean, and home to an enormous array of tropical reef corals, fish, whales, dolphins and sharks. The beaches also provide important nesting sites for loggerhead and leatherback turtles. Overall, the Maputaland region has been identified as a prime tourist destination because of its unique natural characteristics and cultural attractions.

Sodwana Bay has many parallels across small town South Africa in terms of localities which have an economic base which is dominated by a particular form of niche tourism. As our knowledge is currently limited of the variable impacts of different forms of niche tourism, which might include for example bird watching, white water rafting, whale watching, skiing or trout fishing, the Sodwana Bay case study offers a glimpse into the issues around maximising local impacts of a specialized form of tourism.

8.6.2 Economic Expansion

The pro-poor economic impacts of the development of tourism at Sodwana Bay are measured in terms of the creation of permanent or casual employment opportunities, new business opportunities, local multipliers and the funding derived from the collective fees through the community levy. The pro-poor impacts of any individual enterprise are clearly related to the number of local employees, as shown in the example of Coral Divers. In terms of enterprise development and business opportunities, these are largely in the hands of white entrepreneurs; the limited role of black entrepreneurs is attributed to the shortage of skills and resources available to the local Black community.

All major repairs and servicing of diving and fishing boats are carried out in Hluhluwe and Richards Bay. In addition, most consumables and building materials are bought from recognised national or provincial suppliers from outside the area, as well as for materials and consumables for non tourism-related purposes. The provision of a shuttle service to the beach from both within and outside the park represents another business opportunity. Such a transport service would alleviate the problems of traffic congestion and the problems associated with the number of vehicles parking on the beach, especially over the peak season and long weekends. A further opportunity in the tourism industry is that of showcasing the cultural heritage of the local Black community. These are a group of market niches which potentially could be captured by local Black entrepreneurs.

8.6.3 Lessons

The local Sodwana Bay tourism economy is one in which control, decision-making power and most revenue is accruing to white tourism operators. Nevertheless, there are pro-poor impacts from dive tourism developments, the most critical being through the creation of wage and employment opportunities for members of the local community. Opportunities exist for a greater pro-poor impact if several challenges can be addressed in terms of improving skill levels and access to small business opportunities in the local community. Notwithstanding these opportunities, several obstacles represent challenges to achieving a greater degree of pro-poor impacts of tourism growth at Sodwana Bay:

- First, is the institutional complexity surrounding development at Sodwana Bay with the different layers of responsibility as represented by the Greater St Lucia Wetland Park (GSLWPA), the KZN Nature Conservation Service, local authority and tribal authorities. The GSLWPA does not have a development plan for the bay;
- the common problem in rural South Africa of the low education and skills of the local community;
- local procurement possibilities (such as Coral Divers) are restricted by several considerations, *inter alia*, poor quality of local roads; lack of information within the community of the operational needs of tourism enterprises; local skills and products may not be suitably publicised to enterprises (who are thus unaware of their availability), and lack of access to capital to initiate or expand businesses;
- there are the sets of problems that surround the continued high levels of crime, the absence of beach-use control (especially in terms of launching of boats), and the poor maintenance of park facilities, which tarnish the image of Sodwana Bay as a dive tourism destination.

8.7 The Magaliesberg Meander

8.7.1 Route tourism

Some observers describe the notion of 'route development' as "the world's best hope to secure sustainability in travel and tourism". Not surprisingly, in the international context, therefore, "the development of themed routes as tourist attractions has gained prominence in recent years" linking together of the tourism resources of a number of smaller centres and collectively marketing them as a single tourism destination region, eg wine routes. The activity of route tourism is of special interest for it often involves developing *cooperative* planning arrangements and relationships taking place between different localities in order for them to collectively compete as tourism spaces. Tourism route planning is thus a subset of what is termed as cooperative tourism planning or 'collaborative' tourism planning. The case study under analysis is the Magaliesberg Meander, a recent route tourism initiative that straddles two Provinces, namely Gauteng and North West Province.

A review of the international experience across tourism routes in both developed and developing countries identify five factors as particularly significant ingredients for success:

- Cooperation networks, regional thinking and leadership;
- Product development, infrastructure and access;
- Community participation, micro-enterprise development and innovation;
- Information and promotion;
- An explicit pro-poor focus.

8.7.2 The Magaliesburg Meander

The Magaliesberg area represents a critical part of the tourism 'pleasure periphery' of Johannesburg and Tshwane. The Magaliesberg Route Tourism Initiative was established in 1998 and falls primarily within the area of Mogale City. Key elements in the initiative were:

- The recognition by the municipality of the importance of tourism for economic restructuring and the local economy but, the absence of any LED strategy or coordinated strategy for tourism development in the municipality; and
- The development of the world class tourism infrastructure at the Cradle of Humankind – the major tourism attraction in Mogale City - falls under the auspices of blue IQ, the provincial economic development agency.

The Magaliesberg Meander represents a classic example of a private sector-led initiative for led in the form of route tourism. It is an example of the private sector taking leadership for a coordinated tourism development initiative in the absence of any such policy initiatives emanating from the responsible local municipality.

8.7.3 Development impacts

The development and impacts of the Magaliesberg Meander are, in most respects, similar to the record of other route tourism initiatives that have been established in post-apartheid South Africa. The central finding is that whilst this route tourism initiative has heightened the growth potential of tourism in the Magaliesberg area its wider impacts upon surrounding (black) communities have been limited to direct job creation in the local tourism enterprises. In large measure, this outcome is not surprising given that the Magaliesberg Meander is a voluntary private sector initiative which is almost wholly reliant for funding upon membership subscriptions. Although Mogale City local municipality proclaims a commitment to support of tourism in the municipality, little concrete support has so far materialised. Local government leadership, collaboration and direction in terms of shaping the Meander has been entirely absent, one of the key ingredients for successful route development as found in the international experience. It can be argued also that the route falls somewhat short also on international best practice for successful route development in terms of marketing, community participation, SMME development and the need for a pro-poor focus.

With its location in the immediate catchment for South Africa's richest urban areas as well as the massive tourism potential of the opening of the Cradle of Humankind, the Magaliesberg Meander must be viewed as having considerable potential as a future catalyst for rural local economic development. At present, however, it must be argued that the missed opportunities for rural LED are the consequence of local government's inactivity or inability to address the policy issues concerning tourism development in the locality.

8.8 Ingwe Municipality (centred on Creighton)

8.8.1 Background to the area

The Ingwe Municipality in the midlands of KwaZulu-Natal province is a small, largely rural municipality centred on the town of Creighton. The Municipality has prioritised addressing poverty in its IDP and identified an innovative range of mechanisms to achieve this – the most important being around tourism. The municipality is rated as one of the best performing in the country in terms of a national awards scheme. The town and its hinterland have been impacted on by declining economic activity, yet rising population numbers. The economy is dependent on commercial agriculture, but few benefit directly from it. Some 90% of the population are regarded as disadvantaged and dealing with poverty and unemployment are major challenges. Significant service backlogs and the small rates base are key barriers.

8.8.2 Approaches to LED

The key document is the IDP which identified poverty reduction as the core focus of activity. It also argues the need to develop the local economic base and improve service delivery. Key economic development strategies identified include: tourism, carpet weaving and farming. The municipality has an LED Steering Committee and a single LED officer. The role of the latter individual has proven to be critical in driving LED, as is common in small town interventions.

The municipality's LED actions are explicitly designed to address poverty either through direct interventions or improving the overall economy to create opportunities for the poor. In addition to housing and service provision projects, the following are the key economic interventions:

1) Tourism

This intervention has focused on reviving the local railway-line as a tourist attraction. Through networking with the national rail authority the track has been upgraded and rolling stock donated. Links have been formed with various train operators and a tourism route through the district is being developed which will show-case key attraction. Key on the route is a visit to Centocow Mission where a tourism facility and art gallery is being developed. The process is partnership driven involving the municipality, mission, rail and tourism authorities and local interest groups. The new municipal building doubles as a railway station. Rail facilities have been upgraded creating opportunities for caterers and tourism assistance.

2) Other projects

These include the Bhengu art gallery, a carpet weaving studio, the Woodhurst farming co-operative and a thatching-grass project.

8.8.3 Evaluation and Lessons

To date some 229 jobs have been created, mostly of a short-term nature, and a significant reorientation of the focus of the local economy is taking place. On the negative side community involvement has been limited. In terms of assessing the initiative:

- 1) The municipality recognises and accepts its responsibilities, which means prioritising pro-poor development. Addressing poverty however requires enhanced development of the broader economy to create employment. However the LED process is rather top-down and is driven by the municipality;
- 2) In terms of its commitment to pro-poor LED, the municipality is trying to create opportunities for residents. It supports the poor through the granting of procurement tenders, housing and service provision and attempts to improve the overall economy. On the negative side, few permanent jobs have been created;
- 3) M&E is being developed through the IDP Performance Management System;
- 4) In terms of the long-term, skills shortages are a barrier and the question of how many will finally benefit from a tourism-based initiative is a pertinent one to raise;
- 5) The use of partnerships is significant, and as the case has shown, has helped to raise funds or direct action to support local endeavours.

Key lessons derived include:

- The realisation that economic development is a long-term process and dedicated action is needed before significant goals will be attained;
- The need to create an overall supportive economic environment;
- Partnership formation is critical;
- Effective marketing is important to draw in tourists and to market produce;
- Effective business research / establishing the existence of a market needs to be undertaken;
- Strong and committed leadership plays a key role; and
- The case shows that despite limited resources a municipality can play a key role in development

8.9 The situation in rural municipalities/small towns

The two cases of **Motheo and Senqu** vividly illustrate the realities and constraints facing South African rural municipalities and small towns. Certain key issues can be identified from the two cases:

- poverty is widespread and formal sector employment levels are low (only 15% in the case of Senqu);
- small town economies are generally characterised by agricultural links and a dependence on state welfare;
- services – especially retailing and certain social services are often weakly developed in small towns. In some areas even farm schools are being lost;
- infrastructure is often inadequate;
- economies are dominated by the larger economic centres which often deflect purchasing power and activity away from smaller centres and lead directly to reduced retailing activity in smaller centre, but do provide access to services and employment, often leading to daily/weekly/seasonal or permanent migration;
- one of the few positive trends relates to the actual or potential for enhanced economic activity facilitated by the extension of access to cell phone coverage and the provision of mini-ATM machines.

The two cases indicate that LED opportunities exist in the areas of tourism, farming and small business, however at present constraints exist in terms of:

- municipal staff and funding constraints;
- the need to establish LED structures such as Forums, LED partnerships and the need for multi-stakeholder involvement in LED;
- the need to involve local communities more directly;
- the need to put in place more defined strategies, and monitoring and evaluation;
- the need for concrete services such as improved business and SMME support.

Table 8.10 Comparison of issues emerging from rural case studies

Alicedale	Wuppertal	Sodwana Bay	Magaliesburg Meander	Creighton
Economic impacts				
<ul style="list-style-type: none"> • Prior to the initiation of the development initiative the town was in a state of collapse. 	<ul style="list-style-type: none"> • Prior to the initiation of the development initiative the village was in an extremely depressed economic state. 	<ul style="list-style-type: none"> • 404 permanent and 233 casual jobs (296 people benefit from the coral diving industry alone) 	<ul style="list-style-type: none"> • estimated that 700 jobs have been created, albeit not all as a direct result of the initiative. 	<ul style="list-style-type: none"> • To date some 229 jobs have been created, mostly of a short-term nature
<ul style="list-style-type: none"> • the establishment of 500 temporary/permanent jobs 	<ul style="list-style-type: none"> • over 170 farmers are now growing rooibos and deriving direct benefits 	<ul style="list-style-type: none"> • establishment of a community levy, paid by visitors, has improved local community facilities 	<ul style="list-style-type: none"> • The route drawn together 43 accommodation businesses, 17 adventure tourism businesses and 21 retail and food establishments. 	<ul style="list-style-type: none"> • significant reorientation of the focus of the local economy is taking place.:
<ul style="list-style-type: none"> • involvement of community and key stakeholders in integrated development process 	<ul style="list-style-type: none"> • many more employed on the farms and at the tea-court 	<ul style="list-style-type: none"> • some small BEEs developed in response to the new market 	<ul style="list-style-type: none"> • significant growth but local black community only really benefited from employment opportunities. 	<ul style="list-style-type: none"> • Rail facilities upgraded creating opportunities for caterers and tourism assistance.
<ul style="list-style-type: none"> • the provision of improved facilities locally 	<ul style="list-style-type: none"> • significant benefits have accrued to the community in terms of communal facilities and farming investments. 			
<ul style="list-style-type: none"> • the growth of new economic activities as spin-offs from the main project 				
<ul style="list-style-type: none"> • heightened civic pride and renewed hope for the future and positive attitudes amongst residents 				
Policy and Planning				
<ul style="list-style-type: none"> • the inclusion of private sector interests with significant experience and contacts 	<ul style="list-style-type: none"> • Planning was pragmatic and was based on indigenous skills and has evolved to meet local needs and to gear the 	<ul style="list-style-type: none"> • Government policy can encourage pro-poor tourism through the 'Tourism Enterprise Programme' and 	<ul style="list-style-type: none"> • municipality recognises the importance of tourism. Not yet developed a coordinated tourism strategy and doesn't 	<ul style="list-style-type: none"> • key document is IDP which identified poverty reduction as core focus of activity. It also argues the need to develop the

Alicedale	Wuppertal	Sodwana Bay	Magaliesburg Meander	Creighton
	project for market opportunities.	'responsible Tourism Guidelines'.	provide significant inputs into process. Private sector driven.	local economic base and improve service delivery.
<ul style="list-style-type: none"> development to take advantage of market opportunities and available resources and skills 		<ul style="list-style-type: none"> The province plans to upgrade facilities and infrastructure in the area. 		<ul style="list-style-type: none"> Key economic development strategies identified include: tourism, carpet weaving and farming.
<ul style="list-style-type: none"> government to identify areas of development need, facilitate development, provide infrastructure and part-fund initiatives 				<ul style="list-style-type: none"> municipality recognises and accepts its responsibilities, prioritising pro-poor development. Addressing poverty however requires enhanced development of the broader economy to create employment.
Institutional Issues				
<ul style="list-style-type: none"> the operation of a strong partnership 	<ul style="list-style-type: none"> High levels of social capital and the effective support of an NGO have been critical in driving the development process 	<ul style="list-style-type: none"> local/district municipalities have had only limited involvement in the area, beyond general support for tourism and most ideas are still in the planning stage. 	<ul style="list-style-type: none"> The initiative has largely been driven by the private sector although there is clear municipal recognition of the importance of tourism. 	<ul style="list-style-type: none"> municipality has LED Steering Committee and single LED officer who has proven to be critical in driving LED, as is common in small town interventions.
<ul style="list-style-type: none"> the operation of a Community Trust 	<ul style="list-style-type: none"> The initiative has no obvious government involvement, aside from earlier funding of facilities 	<ul style="list-style-type: none"> absence of concerted local government action or formalised partnerships 	<ul style="list-style-type: none"> route promoted by a voluntary private initiative which has drawn together service providers/facilities to provide joint marketing and coordination. 	<ul style="list-style-type: none"> LED process is rather top-down and is driven by the municipality
<ul style="list-style-type: none"> the facilitation of different levels of government 	<ul style="list-style-type: none"> The informal links between the church, which owns the land, and the Farmers Association 	<ul style="list-style-type: none"> The broader management of the area however falls under the provincial conservation services, the 	<ul style="list-style-type: none"> depended on establishment of collaborative working relationship between key 	

Alicedale	Wuppertal	Sodwana Bay	Magaliesburg Meander	Creighton
	has created an effective local-level development initiative.	St. Lucia Wetlands Park Authority and the private operators which play key roles in the area's management.	localities and operators.	
<ul style="list-style-type: none"> strong partnerships involving the provincial and local governments, the provincial development agency, the private sector and the community 	<ul style="list-style-type: none"> The Farmer's Association operates in a democratic fashion (drawing on the advise and guidance of the relevant NGO). 	<ul style="list-style-type: none"> most LED activities are the result of private sector initiatives. 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
<ul style="list-style-type: none"> Community to be consistently informed and included in relevant decision-making 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Budget and capacity constraints are reported to impede local government action. 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
Economic strategy				
<ul style="list-style-type: none"> The strategy drew on the local area's existing experience in and potential for additional tourism and leisure activities 	<ul style="list-style-type: none"> Drawing on indigenous knowledge and local resources Using known market opportunities and international demand for Fair Trade commodities 	<ul style="list-style-type: none"> no defined strategy as such, illustrates the spin offs from the establishment of vibrant tourism enterprise which can positively benefit the host community and the local area through job creation, business opportunities and physical improvements to the area. 	<ul style="list-style-type: none"> significant economic benefits can result from linking likeminded tourism establishments in a defined 'tourism route' which maximises links, markets area as single unit and presents visitors with a package of activities and services. The Mogale City IDP identified the importance of promoting tourism and the need to create an enabling environment to support development, however at the time of writing the LED strategies still had to be fully implemented. 	<ul style="list-style-type: none"> focused on reviving the local railway-line as a tourist attraction. a tourism route is being developed to show-case key attraction. Cost-effective - the new municipal building doubles as a railway station. Supporting additional linked ventures for route Municipality supports the poor through the granting of procurement tenders, housing and service provision
<ul style="list-style-type: none"> Also tapped into known market opportunities in the tourism / leisure / second homes market. 	<ul style="list-style-type: none"> 			

Alicedale	Wuppertal	Sodwana Bay	Magaliesburg Meander	Creighton
Evaluation and Lessons	•	•	•	
<ul style="list-style-type: none"> the key role played by committed stakeholders in a meaningful public-private partnership and need to ensure all partners meaningfully involved 	<ul style="list-style-type: none"> the need to identify and utilise available natural resources and indigenous knowledge, in a sustainable fashion, 	<ul style="list-style-type: none"> the actual and potential benefits of both pro-poor tourism and niche tourism if well managed, including the potential BEE spin-offs 	<ul style="list-style-type: none"> Establishing tourism routes clearly promotes clustering, synergy and growth but it needs support and marketing to ensure greater success. 	<ul style="list-style-type: none"> The process is partnership driven involving the municipality, mission, rail and tourism authorities and local interest groups.
<ul style="list-style-type: none"> the need to work within the market and to engage in viable profit-orientated activities 	<ul style="list-style-type: none"> strong social capital and common foci in the community assisted in pursuit of common vision; 	<ul style="list-style-type: none"> that institutional complexity and layers can complicate developmental processes 	<ul style="list-style-type: none"> prevailing levels of co-operation make a major difference 	<ul style="list-style-type: none"> Through networking with the national rail authority the track upgraded and rolling stock donated. Links formed with various train operators
<ul style="list-style-type: none"> the need to actively engage the community, and to ensure that they benefit from training, employment and business opportunities 	<ul style="list-style-type: none"> Building on existing levels of collaboration between community and pro-active NGO to lobby for external linkages and support (funds and market), critical in the absence of significant local gov or other support, 	<ul style="list-style-type: none"> barriers to development include: crime, low skills levels and poor infrastructure 	<ul style="list-style-type: none"> need for product development, infrastructure provision and community participation 	<ul style="list-style-type: none"> skills shortages are a barrier
<ul style="list-style-type: none"> the viability and importance of encouraging spin-off activities 	<ul style="list-style-type: none"> Community producers can supply goods to global market economy providing right niche found. 	<ul style="list-style-type: none"> positive local spin offs can result from: 'buy-local' campaigns, local employment policies and forming partnerships with communities. 	<ul style="list-style-type: none"> the need for greater municipal and community buy-in and support 	<ul style="list-style-type: none"> economic development is a long-term process and dedicated action is needed before significant goals will be attained
<ul style="list-style-type: none"> a private sector-led initiative (with buy-in by other partners) can revive a flagging small town economy provided that there are marketable business opportunities in place. 	<ul style="list-style-type: none"> Tapping into Fair Trade markets, is an avenue to investigate. 		<ul style="list-style-type: none"> the need to provide adequate infrastructure and marketing to enhance success 	<ul style="list-style-type: none"> The need to create an overall supportive economic environment
<ul style="list-style-type: none"> The private sector's 			<ul style="list-style-type: none"> Need for adequate 	<ul style="list-style-type: none"> Partnership formation is

Alicedale	Wuppertal	Sodwana Bay	Magaliesburg Meander	Creighton
<p>vision, drive and ability to operate at speed clearly have been critical to significant local-level development and employment,</p>			<p>information and promotion</p>	<p>critical, and has helped to raise funds or direct action to support local endeavours</p>
<ul style="list-style-type: none"> The principal of synergy clearly has been important with strong involvement from multiple stakeholders and the development of a package of interventions helping to account for success. 			<ul style="list-style-type: none"> having a pro-poor focus 	<ul style="list-style-type: none"> Effective marketing is important to draw in tourists and to market produce
<ul style="list-style-type: none"> Government (at various levels) can support development through facilitation, funds and infrastructure provision 				<ul style="list-style-type: none"> Effective business research / establishing the existence of a market needs to be undertaken;
				<ul style="list-style-type: none"> Strong and committed leadership important despite limited resources a municipality can play a key role in development

8.10 Issues emerging across the case studies

Table 8.10 summarises the issues emerging from the case studies. Key conclusions and lessons can be derived from the experience of the five rural LED cases examined in this study where defined LED strategies are being pursued include:

- despite the survey findings which show only limited job creation from LED activities the case studies show much higher levels of impacts, with up to 500 jobs being created in small rural economies. This shows that significant impacts are possible;
- in only two of the seven rural case studies are local governments making a major contribution to LED (Creighton and Mangaung). In Creighton the LED Officer is a local farmer and so knows the private sector well;
- In other cases non-local government stakeholders can lead and play a critical role in LED – as shown by the Alicedale and Sodwana examples, or tourism operators in Senqu. In all cases partnerships are critical in LED, either between private and public sectors (eg Creighton), between private sector operators (Magaliesburg Meander), or between NGO and community (Wuppertal);
- local governments need to facilitate development and meaningfully support and collaborate with other stakeholders and encourage and support private sector development. In this regard greater municipal support for development initiatives is needed, particularly in terms of facilitation, publicity and infrastructural support,
- the development and facilitation role of NGOs needs greater recognition and encouragement. As social entrepreneurs they can provide a link with an entrepreneurial culture and systems which local governments do not naturally understand. A key role can be in promoting market access as well as in business support;
- it is essential to find some unique selling point for the area as a key development catalyst, eg tapping into local natural and cultural resources to exploit or use for their tourism potential, but this must be done in a sustainable fashion, as shown by Wuppertal, or Rhodes in Senqu. This needs to find a way for the benefits to accrue in the local area and not just be sucked into the nearest big town such as Bloemfontein;
- working with the market and available market opportunities are critical to the economic success of LED projects. In this regard investigating the added benefits of selling products to Fair Trade markets may well hold significant benefits for many community markets. This is also one of the biggest challenges for LED support agencies – to make a meaningful difference on market access. We see examples of facilitating external links by an NGO in Wuppertal, or private sector in Magaliesberg;
- communities need to be engaged in LED processes to maximise pro-poor developmental benefits and for Black Economic Empowerment to be identified and supported. Otherwise benefits are just likely to occur for existing white operators (eg in Sodwana) although there may still be significant benefits in employment for the disadvantaged.

PART D: LESSONS

9 EMERGING LESSONS FOR PRO-POOR LED IN SOUTH AFRICA

9.1 Emerging typology of LED in SA

It is difficult to be definitive about the emerging typologies of LED, given the very mixed experiences on the ground. The most obvious distinctions that can be seen seem to be between:

- (iv) The Metropolitan areas with their diverse range of activities, relatively large budgets and staff complements, and their engagement in what are often large-scale interventions with significant impacts, e.g. the Fashion District/Warwick Junction;
- (v) Secondary cities where the range of activities are narrower, but where there are reasonably adequate budgets and staff complements;
- (vi) Small/rural centres, which are impoverished in terms of resources and where LED activities are often most discernable at the level of the small project and where an NGO or the private sector operating in isolation may be the key driver.

Another clear and important set of distinctions exist between the three most apparent LED approaches:

- (i) Those in which pro-poor interventions are weaker or secondary to **pro-growth or competitiveness enhancement** (eg Johannesburg and the majority of the case-studies investigated);
- (ii) Those in which **pro-poor interventions** are seen as the dominant LED focus (as in Ingwe, Ekurhuleni);
- (iii) Those in which there exists a local growth path which simultaneously achieves **both pro-growth and pro-poor interventions** (as in Mangaung, Cape Town).

In general it is difficult to find meaningful general typologies and in some ways is easier to focus on specific approaches eg SMME development, urban agriculture etc.

9.2 Impacts of LED interventions on growth

As with budgets, feedback on impacts was extremely limited in the survey. Definitions and measures of growth were left to the determination of officials interviewed and in general both target setting and M&E are problematic (see section 9.8).

Only 5 of the major urban centres surveyed reported on growth in their local economy. The figures reflect all forms of growth and not just LED-related effects. In all cases, whilst the data is interesting, it masks national trends of capital intensification and hence what is often job loss not gain. Reported figures were:

- eThekweni – 2.7% GDP growth p.a.;
- Johannesburg 4.2% growth between 1996-2002;
- Cape Town 4.1% growth in 2002;
- Ekurhuleni 1% growth p.a. between 1996-2003;
- Umhlatuze 4% growth p.a. between 1999-2001.

On the whole where results were provided from the metros, this shows a picture of moderate growth, but a more optimistic picture can be seen from some of the more local case studies such as the Johannesburg Fashion District, or Alicedale. This points to the degree to which LED is subservient to much broader shifts in the national economy and as a result the limited impact which LED may be having in a scenario of deindustrialization, mine closure and increasing poverty, but that there are good examples of where micro interventions can make a significant difference.

9.3 Impacts of LED interventions on poverty

Few of the municipalities appear to have **poverty reduction targets** in place. For example, Johannesburg simply notes a poverty rate of 25% and indicates that reducing it is a macro-goal. The absence of attention to this consideration is worrying as Ekurhuleni notes: 'all of this makes target-setting as well as analysis of the impact of the programmes on the local economy extremely trying'. Mangaung has both an economic growth and poverty reduction target, the latter to reduce from 40-35% the proportion of the population living in poverty.

Worryingly Tshwane notes that, in 1996, 24.3% of households were poor and that by 2003 this had increased to 29.7%, which indicates the enormity of the development challenges and possibly also the limited impact of LED interventions to date. In terms of overall unemployment, this rose from 26.6% to 31.7% from 1996-2003. In Ekurhuleni, the number of people living in extreme poverty (i.e. on less than \$2/day) increased by 16% from 1996-2003. On a more positive note the Human Development Index (HDI) rose from 0.65 to 0.67 in the same period, suggesting at overall improvements in access to social services as opposed to employment.

In cities such as eThekweni, the observation was made that rapid population and unemployment growth are occurring at a pace which outstrips the capacity of the city to respond adequately to the growing scale of need.

Given the poorly developed nature of M&E, determining the impact of LED interventions on poverty is difficult to ascertain. However, some tentative comments can be made:

- Poverty impacts of LED interventions are little understood and recognised with the possible exception of Cape Town;
- In terms of job creation it does appear that significant numbers of short-term jobs have been created e.g. in Ingwe, Alicedale and Cape Town. Cape Town notes that a total of 19 356 direct jobs (82% of them for previously disadvantaged individuals) and 45 000 indirect jobs have been created. As a city with a well established LED policy, this finding is a positive indicator of what can be achieved over a period of 5 or more years through LED-type interventions. Ekurhuleni notes that formal employment increased by 1.3% p.a. from 1996-2003, informal employment by 10.5% over that 7 year period and all employment by 21% over the same 7 years;
- By contrast in smaller centres where LED often focuses on a single project, the results are often more apparent e.g. in Alicedale and Wuppertal;
- one of the most impressive impacts are the approximately 1000 jobs generated in the Johannesburg Fashion District as a result of this market-based response to the facilitation of growth by the municipality;
- micro-businesses are operating in numerous centres as a result of interventions;
- The challenge however is to ensure that more permanent jobs are created, particular since public works programmes seldom lay a basis for continuity;
- Related issues include the poor local-level definition of LED and associated challenges in determining objectives and targets. This also leads to differences between councils which hinders the scope for comparison.

The individual case-studies speak for themselves in terms of what are often quite significant achievements in terms of job creation, addressing poverty and initiating sustainable economic projects. However, in the general absence of effective M&E it would seem from the questionnaire survey that municipalities are not adequately capturing and analyzing their actual achievements, which, as the case-studies suggest can in many cases, be quite significant.

There is a real sense that a bi-polar outcome can be expected. Whilst in many instances, such as the case-studies and most probably the well resourced cities, some key achievements will be attained, in smaller, under-resourced areas such as Senqu, results are not likely to be that impressive.

The **cost effectiveness** of LED interventions was difficult to ascertain, as reflected in weakly developed monitoring systems – with limited cost data, as well as impact data. While cases such as Senqu have created limited jobs, in other cases e.g. Ingwe, millions have been invested, which will hopefully realize tangible results. In Cape Town the sustainability of interventions appears evident and it is desirable to spread the application of such principles and practise. This is an important area for further work, as it can help to guide policy, for example on the balance between high-cost investment in infrastructure, versus lower cost investment in SMME support. In parallel one also needs to bear in mind social gains and the long-term impacts of training, empowerment and exposure in realising the potential of our people.

9.4 The embedding of pro-poor LED in SA development practice

The evidence gleaned from the surveys and the case-studies suggests some interesting findings relatively to the question of how embedded pro-poor LED is in South African development practice and local government action specifically.

There is widespread acknowledgement on the part of local governments regarding both their developmental responsibilities and the urgency of addressing poverty. Government policy shifts and the devolution of authority has clearly assigned municipalities a development mandate. Over and above this a range of government support programmes, e.g. public works and urban renewal do influence the nature and direction of applied LED in the country. It can however be debated whether many local governments are actually in a position to assume such responsibility given the nature of the applied constraints which they face. This is particularly pertinent in the case of smaller centres as in Senqu. Issue of note in this regard could be the need to specifically seek to respond to market failure, to identify market niches, and to work more closely with the private and NGO sectors.

Sections 9.2-3 suggests that there is limited evidence as to the impact of LED interventions. Hence whilst many of the selected case-studies examined are genuinely interesting, practical and significant cases of pro-poor LED, it would however seem that in many instances across the country, results are patchy and often very little has been achieved on the ground. Whilst there are often quite significant local policies and strategies in place, they are not always translated into action. Officials are often trying their best, often operating with limited resources and experience. Reasons for limited success seem most obviously to be related to capacity and funding constraints, as well as issues such as poor partnership formation, poor market research and the reality that many projects are not economically sustainable. Low and often minimal allocation of funds to LED only aggravates conditions and hinders the capacity for delivery. In addition the previous association of LED with income-generating projects supported by dplg's LED Fund has had significant negative effects. A recent national evaluation of government-supported LED Fund projects highlighted concerns regarding the viability of ventures engaged in and the support rendered.

The fact that monitoring and evaluation is weakly developed and often not applied (see section 9.8) does not help, with poverty targets often not in place and many municipalities are not able to fully ascertain the impact of their actions.

Whilst there are various nationally funded programmes, which directly or indirectly impact on poverty within municipal areas which have been up and running and have achieved significant results over the years e.g. housing, service subsidies etc., there seems to be a significant degree of 'silo' thinking in many municipal departments, which do not necessarily see the LED implications of such actions. The survey suggested that LED is often seen in a narrow mould e.g. small business support or investment attraction. **Clearly there is a need for a broader vision, understanding of just what development is and what interventions impact on poverty and so a more coherent and integrated response across the municipalities.** This is discussed further in section 9.7.

9.5 Policy/strategy differences and their pro-growth or pro-poor focus

Local government can variously adopt a **pro-growth or a pro-poor focus**, or some combination of these. There is entrenched policy support for pro-poor development – often being the primary focus of municipal vision/mission statements. In many cases it is treated as the partner of pro-growth/economic growth interventions. While there appears to be acknowledgement that pro-poor development should be taken on board by all line departments, applied evidence suggests that in an era of cost-cutting this is not always done.

In almost all of the cities examined in the survey (19), a defined **Economic Development Strategy** has been adopted by the respective municipalities or is being developed. Almost all local authorities responding in the survey indicated that they had poverty-focused strategies as part of their LED Units or Economic Development Departments. This figure is much lower for rural municipalities where only 48% of municipalities have developed a defined LED policy. There clearly is a difference in the sophistication of documents designed in the cities, according to the relative sizes of the cities. Whilst the metropolises have all devoted considerable time and resources to strategy development, in smaller centres policy is often simply an aspect of the relevant, mandatory IDP.

Two thirds (66%) of responding larger municipalities saw no distinction between pro-poor and economic growth agendas (while 92% of the smaller/rural municipalities saw the two as linked). In many of the cities whilst there is commitment to pro-poor development, it often is secondary so that the major directions and weight of LED policy and interventions are geared to the promotion of economic growth. Most municipalities assume that such support will help to alleviate poverty and unemployment, despite international evidence that trickle-down approaches from large pro-growth investments are very limited. There is very strong policy support for addressing issues of poverty, but poverty reduction targets do not seem to be in place, neither do significant results appear to have been achieved to date.

There is a lack of clarity on whether and where economic growth will or will not address poverty and hence on whether differentiated interventions to address poverty are needed to indirectly or indirect impact on poverty, for example facilitating the growth of a Fashion District in Johannesburg which indirectly creates employment, or direct support such as in Cape Town's public works schemes. Although some distinctive poverty-focused responses are identified in most municipalities, most localities regard poverty relief and economic development as integrated. Interventions such as having an indigent policy with respect to services and social development are regarded by many municipalities as the key interventions to support the poor, and do not believe that economic development activities are likely to be successful which directly target poorer people, such as measures supporting the informal sector. In fact pro-poor initiatives can help a municipality enhance its overall economic base, as for example in China where economic growth has been laid on a foundation of increasing literacy, improved health, land reform and improved market incentives in rural areas.

Striking differences exist between the policy approaches adopted to LED/economic development in the case study cities. Some of the most apparent differences are between the approach of Johannesburg which has a determined a vision for itself based on perceived World City status and Ekurhuleni and Ingwe which are overtly pro-poor in focus, prioritising interventions specifically designed to address the challenges of poverty and unemployment. Other centres, such as Mangaung, eThekweni and Cape Town, have interestingly enough, determined more middle of the road approaches, which, realistically seek to address both issues of poverty and growth and the fundamental linkages between the two. Given the dual challenges faced by South African society of needing to both address chronic poverty, yet also to achieve economic growth and global competitiveness, from a policy perspective it would seem that the approach adopted by Mangaung, Cape Town and eThekweni is the most appropriate. According to the 2003 Cape Town Local Area Economic Development Framework:

The current challenge is to ensure inclusive economic development that provides both growth and poverty reduction, based on the dynamic relationship between the two. In the past, many municipalities had parallel and even competing strategies in place, i.e., a market-led approach focusing on business development, together with a market-critical or demand-led approach focusing on community development. Increasingly, however, there is recognition that the two approaches need to be integrated. In line with this new thinking the City of Cape Town believes

that growth and poverty reduction are interdependent. To achieve this integration requires a fundamental shift in thinking and the mainstreaming of economic development.

This stated, as the cases unfortunately intimate, expenditure patterns between these two components are not equal, and often the major pro-poor investments remain in social infrastructure, and not necessarily in the economic sector. Also of concern is the fact that approximately half of the smaller local municipalities have yet to establish an LED policy, despite having LED staff in place which hints at the probability of the lack of direction or long-term planning in favour of short-term expediency in many cases.

Whilst the real test of success is in terms of actual achievements, the vision a city or town has determined for itself clearly can be of importance in terms of prioritising needs and aligning municipal operations with that objective. It is worrying to note that, apparently, not all municipal line departments necessarily have the same priorities in terms of implementation as Economic Development Departments do.

While there are defined support programmes which will directly impact on poverty – such as public works, SMME support and support for urban agriculture (see Table 10.4), impacts are also seen as coming from either the general encouragement of investment, growth in the formal sector, or through direct social interventions, such as services subsidies and social support for the poor. The diversity which exists on the ground suggests a need for greater information sharing between key role-players and possibly also for clearer national guidance of what is being striving for and how it can be achieved, and for example of a menu of possible pro-poor approaches (see Table 10.4 for an emerging list). The national policy context encourages LED but does not necessarily specify its direction and focus.

9.6 Intervention types and implementation

Operationalisation of LED takes on an array of different forms within defined local economic strategies. It is important to recognise that economic development is a long-term process and dedicated action is needed before significant goals will be attained. Sections 5.6 and 6.3 outline responses in the surveys on specific strategies/activities. Some of the specific projects and activities mentioned in the surveys include:

- Improving the local business climate;
- Grants/rebates to attract inward investment;
- Non-financial support for inward investment;
- Investment in infrastructure;
- Investment in industrial/commercial sites;
- Procurement support for SMMEs;
- SMME support;
- Sectoral development;
- Informal sector support;
- Special employment schemes;
- Special development zones;
- Research and information supply;
- Area marketing.

In general there is a need to create an overall supportive **economic environment**, within which specific interventions can be situated.

The case studies in both urban and rural areas indicate that some **pro-growth focused endeavours appear to be able to generate tangible pro-poor benefits** e.g. Johannesburg's Fashion District, eThekweni's regeneration projects, Alicedale's hotel developments and Ingwe's rail-based tourism initiatives.

Many municipalities appear to be using a **very limited range of interventions** to support LED, with the metros generally having the most diverse range of measures. The project range differs from one or two interventions in smaller centres such as Ndlambe and Wuppertal to an impressive portfolio, such as the case in eThekweni.

Interventions vary greatly from direct poverty relief/public works programmes (e.g. Cape Town), undertaken with the prospect that they *may* lay the basis for the development of sustainable businesses to direct working with the market – to the meso-level in the case of Johannesburg’s fashion district initiative, and the micro-level in the case of Ndlambe, where successful community-based businesses now operate, following support from the local municipality. **Skills development, SMME promotion and support for tourism** emerge as the most common economic development strategies. Many cases also have strong **agricultural** foci – even in metropolitan areas – which reflects the inclusion of rural areas under the control of municipalities, the scale of poverty in townships and the development option which urban agriculture offers, especially through the use of commonage land. Clearly in rural areas agriculture is critical, and improving production and the value-chain can have significant multiplier effects on local economies.

LED responses are characterised by both the search for **new market opportunities building on local strengths and opportunities** (eg Cape Town promoting call-centres, Wuppertal tapping into niche agricultural markets), as well as defending existing economic bases (as in Ekurhuleni’s safeguarding its industrial base). This appears to be key at both a large-scale (eg call-centres) and small-scale (eg rooibos). Poor market research and understanding is a barrier to many projects and businesses. In general one of the key elements of LED support is to assist with market access whether for larger industries or smaller. Examples include:

- Effective **business research**/establishing the existence of a market is often needed – NGO support in Wuppertal is particularly instructive about the role knowledgeable support agencies can play;
- The importance of finding **niche markets** and positioning small operators to be able to exploit these is critical to success in a competitive market environment and this is a key facilitation role, whether through niche markets such as the Fashion District, by tender advice centres, or NGOs enabling access to Fair Trade markets as in Wuppertal;
- Effective **marketing and promotion** is important to draw in customers/tourists and to market produce;
- Favourable SMME and BEE **procurement** followed by many of the municipalities is one example of providing a market.

In some cases, such as in Mangaung and eThekweni, the reality that the majority of the population are engaged in the **informal economy** has been recognised and there have been attempts to provide appropriate support at this level. It is important that this is not done in a way to just “tidy them up” but in a way which helps them to sell. For example Amar Casey has reported that informal traders moved into markets in Yeoville saw their turnover drop by 70% whereas those supported by formal kiosks in Bruma Lake in Johannesburg saw their turnover increase as tourists felt safe in the improved environment¹¹.

Pro-poor, **community-based initiatives** if market linked, providing a viable product and operating in an economically effective fashion can help disadvantaged community members to effectively participate in the market economy e.g. in Wuppertal, Sodwana, Ndlambe and in Durban’s Warwick Junction. These are one form of support for the informal economy. Similarly, **community-based service provision** and labour intensive employment is an effective mechanisms to extend services and create employment and business opportunities for the poor e.g. in Cape Town (which also illustrates the consequences of poorly directed endeavours), or by home-based care, crèches etc¹². Government can help to create a market by assessing which of its services can effectively be delivered using community-based mechanisms, often working with professional service providers. In general pro-poor municipal interventions centred in

¹¹ Amar Casey, personal communication, based on work undertaken in Johannesburg in various locations in 2001.

¹² Note Khanya-aicdd is managing a 4 Country Project looking specifically at the potential of community-based services to improve service delivery but also potentially to improve livelihoods – see www.khanya-aicdd.org.

public works programmes can create temporary jobs and also deliver services in an effective fashion. Examples of community-based services include:

- Waste management (eg Cape Town);
- Water supply and sanitation (eg Mvula Trust's work);
- Police and fire volunteers (eg Mangaung);
- Labour-based road construction and maintenance (eg lengthman arrangements in KZN and Limpopo);
- Home-based carers (throughout the country);
- Paralegals (throughout the country);
- Community-health workers in KZN;
- Community-based agricultural extension workers (eg in Mangaung).

Government support, if managed correctly and targeted to economically viable projects can catalyse meaningful development on the ground, eg:

- Supporting infrastructure, such as for rail tourism in Creighton;
- SMME support and innovation support, eg in eThekweni, SMME and tourism support in Buffalo City, or industrial hives in Ekurhuleni;
- Public procurement to support SMMEs and BBBEE;
- Improving market access for the informal economy, eg training traditional healers to provide support to HIV/AIDS patients;
- Urban renewal,
- Labour-based public works;
- Effective agricultural development, including small-scale farming (not seen in the case studies);
- Rural planning in Rustenburg.

However it is surprising how little use of the EPWP, a flagship national programme, was shown by the municipalities interviewed with only 4 mentioning their involvement¹³. State support via line-departments as happened in Wuppertal or through provincial Development Corporations e.g. Alicedale if correctly targeted can make a difference.

9.7 Institutional arrangements

Institutionally at least in the cities, a **LED unit** is used as the major vehicle for LED operations, while the capacity, staffing and resourcing of units is very variable. In many of the larger municipalities LED is overseen directly by the Mayoral Committee emphasising the importance which is attached to it, and/or the councillor in the Economic Development portfolio (82% of responses). Only 12% of rural municipalities report having a councillor for LED.

In 56% of rural municipalities surveyed an LED Unit has been established and in 82% of municipalities an LED Officer has been appointed. So in the smaller centres LED is often the domain of only a single official and often there are limited direct links to council. While fulfilling acknowledged responsibilities through institutionalizing LED is practiced, the fact that in many municipalities the allocation of often only a single person to the unit and low budget commitments severely handicaps the capacity to bring about change on the ground.

18% of rural municipalities surveyed have established a development agency, while many of the metros have or are part of some development agency, eg Buffalo City, or Gauteng Economic Development Agency.

¹³ This may also reflect the fact that the surveys were carried out by LED staff, who may not be aware of the EPWP which typically would be being managed by Infrastructure departments

In 4 of the urban cases the Municipal Manager was in charge of LED, and only in 5 cases was there a specific Director in charge, indicating a lack of differentiation of the LED function. With the exception of the larger cities, most LED units are clearly understaffed relative to the range and nature of activities they are supposed to be engaging in. The varying size of units, the presence or absence of professional staff and resource differences creates a very diverse profile in terms of what exists and also in terms of actual impact. What also emerges from the case studies is the importance of strong and committed leadership, even in small municipalities like Ingwe.

Another noticeable factor is the **compartmentalization** of economic development activity which occurs within local government. This is discernable at two levels, firstly:

- limited apparent buy-in from other line-function municipal departments which impedes the overall scale and impact of council LED policies;
- the seeming failure to link line-function interventions or national government-funded projects explicitly into LED e.g. housing construction and infrastructure.

Many commentators remarked that while cross-sectoral links are often acknowledged and supported in policy, they are not always followed through in practice. Thus there are pro-poor statements in many of the policies, but this is often not translated into significant LED budgets, nor the actions of other municipal departments. Some examples of this lack of coherence include the range of municipal departments which have poorly thought out capacity-building components. For example in one of the case studies the following capacity-building components exist, with no coordination between them, and similar confusion prevails between what is business development, and what is livelihoods support:

- the economic development department, (for small businesses in the formal and informal sectors);
- social development department, (for CBOs and NGOs, including those involved in income-generating projects);
- infrastructure (for small contractors);
- office of the Mayor (for NGOs and small businesses);

LED is not the exclusive domain of government as impacts must be seen in the business sector, either through emerging SMMEs, actions of individual established firms, business acting collectively or through private-public partnerships. Forming 'partnerships for growth' is critical. 14 of the urban 17 municipalities responding in the survey (82%) had formalised partnerships with other government or private sector organisations, by contrast in the rural centres links with the private sector were far more limited (46% reported formal links with business chambers). The existence of a partnership, where it does occur, does not presuppose that regular collaboration does occur. Linkages and partnerships include those with business fora or other working committees, although there appear to be few joint strategies in place, and there are few practical linkages with other organisations, notably provincial departments of economic affairs. Other mechanisms included stakeholder forums and others had links with government, mines, neighbouring municipalities and organised agriculture. However 30% of rural municipalities surveyed had not consulted business about their LED programmes.

A key element is therefore effective **partnerships** both public-private and public-public and with communities. Examples in some bigger centres such as Growth Coalitions (e.g. eThekweni) and Inner City Partnerships (e.g. Cape Town) would appear to be having a key impact, either at the level of major projects or in specific area-based schemes. In smaller centres partnerships such as in Alicedale or Creighton also show the potential impacts of such synergy. This is very important for example in linking with private sector tourism associations.

In terms of the **private sector**, there is evidence of the impact of direct private sector intervention such as in Alicedale, Sodwana, or Magaliesburg Meander. In addition Umhlatuze shows an interesting example of corporate social responsibility, or FNB in Mangaung. The Umhlatuze case clearly shows that, while limited, the private sector, either individually or collectively can have a significant developmental impact on both social and economic considerations. This aspect merits further analysis and research as well as national-level encouragement, as is happening for example in the Black Economic Empowerment

(BEE) Scorecard. Endeavours in Magaliesburg and Sodwana indicate that in the right environment private sector growth can occur to the benefit of local communities and in support of BEE. There is also evidence for the changing roles of the private sector to see a market in the poor and informal sector, eg the new accounts banks which are developing for stokvels.

The impact of other **non-government actors** – NGO and community - clearly needs greater recognition. This **community linkages** vary. While there is quite good interaction through the IDP process, over 20% of rural municipalities did not consult with ward committees over LED, and 30% did not consult business. In the survey comments often referred to consultation with communities rather than direct collaboration in joint projects. For community-based economic development to work, this requires participatory identification of strengths and opportunities at local level, and fostering of community energy and commitment to take forward their own development. This appears weak and top-down approaches seems much more common, even in otherwise very positive initiatives such as in Creighton.

Non-local government actors such **as NGOs** can have a major impact on LED, one which needs much greater recognition and encouragement. The example of Wuppertal shows a good example of the support and partnership roles they can play in economic projects, let alone the key role they play in the social sector.

Over and above the preceding it is apparent that reasons for establishing partnerships need to be more clearly articulated and the concept needs more explicit mention in IDPs.

In most of the cases examined, direct implementation is well advanced and has often been in place for several years. It is clear that strong and dedicated **leadership** is critical in driving LED whether at vision level, or at project level. The effect of individuals can often be seen, especially in smaller centres, such as Ingwe.

9.8 Funding for LED

Feedback on this issues was disappointing, with only 11 of the urban municipalities providing precise details. In terms of the smaller centres a not insignificant percentage of local IDP funds are spent on LED, however that is relative to the size of local budgets. Funding is general derived from internal sources, leveraging in of government funding e.g. for public works and the occasional contribution of external donors or the private sector (e.g. Alicedale). Funds tend to be rather limited and overall budget allocation suggests that there might be a bias on favour of pro-growth projects.

Only 20% of rural municipalities surveyed are spending more than 25% of their IDP budget on LED (see Figure 6.3.5b). Smaller cities are only able to allocate a few hundred thousand Rand to LED Units (eg R100 000 in Umhlatuze), while the larger cities can budget millions (eg over R51 million budgeted for 2003-4 in Cape Town). This picture is replicated in terms of capital spend (eg R75 000 in Thoyandou and R49 million in Cape Town), as well as on operational budgets for operational structures such as business centres etc.

However the case studies show that even where municipalities have limited resources, they can play a key role in promoting economic development, as in Creighton.

9.9 Monitoring and evaluation

Generally M&E of LED in South Africa is poorly developed and a parallel study reviewed lessons emerging re M&E (Goldman and Henson, 2005). While some cities, such as Cape Town and Pretoria are able to comment on employment and related impacts of interventions, this does not appear to be common practice. The absence of effective mechanisms to gauge success, ascertain impact and cost-effectiveness and by implication, to exercise a determining influence over future programmes is startling. Some cities use a performance management approach, but there does not appear to significant project-based assessment, and while Ekurhuleni and Mangaung are putting in place Key Performance Indicators, this will have to prove itself in practice. It is evident that if M&E is weak, results will be difficult

to ascertain, mistakes may well be repeated, clear direction may be lost and the accountability of policy, programmes and staff can't be ascertained. Given the pressing development needs and low budgets available, these oversights need to be addressed. Some explanations for this are:

- LED impacts or outcomes in terms of job creation, income generation are high level and take some time to impact from typical municipal actions on the enabling environment (eg provision of infrastructure, suitable planning regime). It is easier to track outputs (numbers of businesses supported, numbers of people trained); Linked to this is that LED is still relatively new and impacts are not clearly understood;
- In most 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 what is happening as census data is not focused enough to reveal localised LED impacts. Some of the larger metros are collecting such data (eg Cape Town), others have considered but not implemented (eg Mangaung) and smaller municipalities would not have the resources to do this;
- Pressure to spend budgets, complete projects and move on to the next task, staff shortages and pressure from councillors to continually deliver and so insufficient time or priority on M&E;
- Staff are often new and have focused primarily upon issues of policy and implementation rather than assessment;
- The lack of tracking of impact has significant impacts on policy and practice as it can lead to fuzzy thinking where decisions are not being taken based on evidence of impacts on jobs and incomes but rather other criteria.

Proposals by Ekurhuleni in this regard and the performance management system in the IDPs are a starting point. Uthungulu in KZN does an annual quality of life survey which is the sort of research that is needed.

10 IMPLICATIONS FOR POLICY AND PRACTICE IN SOUTH AFRICA AND INTERNATIONALLY

10.1 Overview of findings

Overall, the findings of this study serve to confirm and reinforce a number of observed key features concerning the current 'state of the art' of LED policy and practice in urban areas of South Africa. Many of the findings below are in line with other recent investigations (eg SACN, 2004; Nel and Rogerson, 2005). Some key points overall are that:

- LED is **unevenly developed and operationalised** across the South African municipal system. Major divides exist as a group between the largest, most well-resourced and capacitated municipalities and the smaller municipalities in terms of policy development, institutionalisation of LED and applied practice. This is even true for some of the larger secondary cities. However there are some exceptions to this general picture;
- Municipalities in South Africa generally recognise and acknowledge the key **role** that they can play in the economic development of their local areas – in terms of achieving both economic growth and poverty reduction, either in unison or as two separate interventions.
- The **definition and understanding** of LED exhibits considerable variation, a finding which reflects the absence of nationally agreed LED guidelines, and the short time with which municipalities have been actively taking forward LED approaches. In recent years local municipalities understanding of LED has evolved from what was often a focus on poverty relief projects to a more comprehensive understanding that economic growth and poverty relief projects and programmes can be linked. The absence of clear, accepted definitions of LED both as a concept and in terms of its focus, hinders effective delivery and consensus on goals and this needs to be addressed at national level;
- While most local authorities appreciate the importance of LED and larger municipalities have assigned staff to implement LED, in many local authorities local **LED policy** has yet to be developed and LED doesn't always enjoy direct support at council level. In general though it appears that the rhetoric is stronger than the practice, and investments in LED are insufficient;
- There is considerable variation in the amount of **resources** and staff devoted to LED, the degree to which LED has moved beyond policy pronouncements and the results which have been achieved. Limited funds allocated, the absence of poverty reduction targets and, with the exception of Cape Town, the lack of detail of the impact of interventions suggest that LED is not yet as embedded in municipal practice as one would like to see. It is clear that it is still early days for many municipalities and for many centres policy is still being developed and concrete results appear to be limited.
- While there are exceptions, especially in the cities, **interactions with the private sector and other stakeholders** are limited and no doubt a constraint on the potential of LED. Some of the rural case studies in particular highlight the importance of the private sector, not just as an investor, but as a catalyst for LED (eg Alicedale);
- the near-absence of the use and application of Monitoring and Evaluation methods is cause for concern. The smaller rural municipalities in particular suffer from the greatest constraints.

It is also of interest to note that questionnaires were filled in by LED officials and, as such, reflect the economic project and programme foci of line departments and not the full spectrum of broader fiscal transfers which are made by government to local authorities e.g. for housing and the MIG (which few respondents commented on). Whilst the latter clearly have a very defined impact of local-level economic development, they would appear not to be fully recognised as such within line departments, where a far narrower definition of local economics and possible interventions appears to exist. There is clearly a

danger of LED being seen as a sectoral intervention, and not an approach which should be mainstreamed across the municipality.

Overall, it is evident from the experience of urban South Africa – and especially of the country’s largest cities – that a bias in LED programming currently exists towards economic initiatives that target the building of globally competitive business environments, while pro-poor investment focuses on basic services (shelter, roads, water and sanitation). This, despite the fact that domestic investment remains the most important component in almost all countries and all the same ingredients that make for a good climate for domestic investment also attract foreign investment and promote international trade (DFID, 2004). Issues of poverty reduction, though recognised as important in municipal policy, do not seem to have received the same attention in practice as do more directly market-related interventions (Nel and Rogerson, 2004; SACN, 2004).

From the case studies it would appear that **successful interventions** would appear to be related to:

- identifying and responding to real market niches;
- effective collaboration with multiple stakeholders;
- focused on specific sectors;
- having a focus on economically sustainability;
- having strong leadership and direction;
- significant resource and capacity inputs being provided, often leveraged through the partnerships established;

In terms of pro-poor outcomes, in addition:

- being based on clearly focused pro-poor outcomes, which affect the way the intervention is designed;
- having community buy-in.

In many municipalities, while there is commitment to pro-poor LED, the existence of what are often one-person LED units means that simultaneous success in terms of policy development, strategy design and implementation is difficult to guarantee.

10.2 Pro-growth and/or pro-poor

The trap must be avoided of LED debates getting bogged down in terms of a search for an equitable or desirable balance between programmes that promote growth and competitiveness on the one hand as opposed to poverty reduction on the other hand (Marriot, 2004). Equally, the danger must be avoided of taking a position that it is possible and acceptable to achieve both global competitiveness and poverty reduction *independently* from one another. Failure to move beyond considerations of a ‘balancing act’ potentially is set to perpetuate the widely accepted concept that poverty reduction programmes are for the poor and global competitiveness projects are for the non-poor. As Marriott (2004) points out: “*applied in practice, this approach will only further contribute to the growing fragmentation and inequality within South African cities*”. Clarifying pro-poor targets and ways in which to attain them is clearly of critical importance.

In terms of pro-poor approaches, DFID’s Briefing Note 2; Sept 2004 sets out ‘four broad conditions for accelerating pro-poor growth, namely:

- *creating strong incentives for investment;*
- *fostering international economic links;*
- *providing broad access to markets; and*
- *reducing risk and vulnerability.*

Domestic investment remains the most important component in almost all countries and all the same ingredients that make for a good climate for domestic investment also attract foreign investment and promote international trade.’

In terms of moving forward, the debate should seek to address the difficult question of how South African municipalities – collectively and/or individually – can achieve a growth path or trajectory which operates to achieve *simultaneously* the goals of enhanced competitiveness on the one hand and of poverty reduction on the other.

The results of the surveys indicate that in the municipalities which responded to the surveys, LED is clearly on the development agenda. Whilst there are major variations in terms of strategies pursued and the degree of practical implementation achieved, there is, none the less, broad agreement and recognition of the need to respond to the challenges posed by poverty and the associated need to encourage economic growth. As time progresses and LED becomes more entrenched, the varieties of local experience which exist will yield interesting comparative data with respect to concrete achievements. Dissemination of results from this study should also help to ensure sharing of best practice across municipalities in the country.

10.3 The challenges for local government

Though the above listing has a bias towards local government activities, private, community and NGO LED initiatives do exist in parallel and operate either independently or occasionally in partnership with other role players. In addition, national and provincial government support eg for SMMEs also plays a key role at the local level. It is anticipated that an improved environment for supporting local governments in relation to SMMEs will emerge from the Integrated Small Enterprise Strategy due for release and implementation later this year under leadership of SEDA.

In practice there are some very practical problems in terms of local government championing LED, including:

- Severe budget and staffing constraints facing smaller local governments;
- Decentralization of authority and responsibility for social and economic development to centres which clearly lack the capacity to take on these new roles;
- Poor understanding by municipal officials of economic processes;
- Poor linkages between municipalities and the private sector;
- Challenges of linkages to national policy, and national government now trying to develop national policy once local governments have their IDPs;
- Poor results achieved to date for example in terms of the welfarist focus of the national government's LED Fund which has skewed interpretations of what exactly LED is in the smaller centres and often distanced the private sector;
- Political changes at elections/reshuffles and political interference;
- The poor definition of LED officers' job descriptions (but LGSETA is currently developing a curriculum for LED officers);
- Rapid turnover of staff;
- The poor costing of the LED function (e.g. operating costs);
- The need to co-ordinate different projects, e.g. between housing and LED;
- Difficulties associated with working with other agencies e.g. in terms of gaining access to state owned land;
- The near-absence of effective monitoring and evaluation mechanisms

Challenges faced by LED practitioners in SA's cities, town and rural areas include securing consistent political support for programmes with long yield terms as well as recognition of the need to re-align other policies with LED intentions. For many municipalities the priority remains to get the basics right, e.g. around basic infrastructure, but there are very limited human resources to support LED, both in terms of numbers and capacities.

The recognition of LED as a function has mostly come from IDPs, not from a formal allocation of functions and indeed this is not recognised in Schedules 4 and 5 of the Constitution which define the

functions of provincial and local government. There are also issues around the design of appropriate partnerships and organisational designs to address LED, with competition existing between levels of government, and also uncertainty as to what is best dealt with within or outside government. There is also the very real potential that the better resourced and staffed municipalities are starting to make real progress, leaving the majority of the generally smaller centres lagging behind.

10.4 The types of interventions that can be considered

Table 10.4 draws from the range of case studies to suggest some of the possible interventions which can be applied specifically to target pro-poor growth. These can be incorporated into plans (eg the IDP and Economic Development Strategy), policies (eg for support to the informal sector), and services (eg business development support).

Table 10.4 Examples of pro-poor interventions that can be applied

Interventions	Examples of pro-poor applications
Economic Development Strategy	<ul style="list-style-type: none"> • Can incorporate the elements in the table below • Should include interventions across the whole spectrum of municipal operations, not just in an economic development unit
Improving the local business climate	<ul style="list-style-type: none"> • Creation of zones where combined residential and small business use are permitted • Review of procurement procedures to permit informal businesses to access municipal contracts
Grants/rebates to attract inward investment	<ul style="list-style-type: none"> • Subsidised training and skills development of disadvantaged employees of investors
Non-financial support for inward investment	<ul style="list-style-type: none"> • Provision of land, planning rights if employ certain numbers of disadvantaged employees of investors • 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 • Provision of market stands for informal traders • Creation of produce markets • Creation of input supply depots for farmers • Construction of access roads • Contracts for community-based or SMME construction and maintenance • Support for specific infrastructure to support projects, eg the railway station in Creighton • Planning suitable infrastructure for service delivery in rural areas, eg cellphone payment of electricity bills • Indigent policy to support access of poor people to services
Investment in industrial/ commercial sites	<ul style="list-style-type: none"> • Provision of incubators
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"> • Subsidised business advice • Support for collective marketing processes

Interventions	Examples of pro-poor applications
	<ul style="list-style-type: none"> • Subsidised support for market research, tenders, export • Support for SMMEs (BEE or not), 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 • Support for cooperatives, particularly service and marketing cooperatives¹⁴, as well as credit unions • Promotion of accessible and fair microfinance schemes
Livelihoods support	<ul style="list-style-type: none"> • Improving access to cash transfers such as social grants • Support for agriculture for food security and incomes in both rural and urban areas • Promotion of periodic markets • Promotion of community-based service mechanisms, eg 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
Sectoral development	<ul style="list-style-type: none"> • Promotion of sectors based on local knowledge, skills and environment eg agriculture, agri-processing, culture and tourism
Special employment schemes	<ul style="list-style-type: none"> • Subsidies for specific groups, eg disabled, youth to be employed or on learnerships
Special development zones	<ul style="list-style-type: none"> • Particular incentives in 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 views of disadvantaged people on priorities and strategies • Assessing potential economic opportunities in disadvantaged areas, eg using PACA methodology

¹⁴ Secondary and marketing cooperatives have a much higher success rate than production cooperatives which have a dismal record

10.5 Recommendations

Development needs to be comprehensive in nature and poverty needs to be understood as a multi-dimensional phenomenon which cannot be simply understood as requiring only an income-based solution.

It is essential that municipalities do not just **conflate economic growth and poverty** objectives. Trickle-down of wealth is not significant, and specific activities are needed to promote pro-poor growth, as suggested in 10.4. Concentrating support for the poor on basic services will not create economic livelihoods, and may continue to foster a dependency on the state. Thus it is important to address growth of the formal First Economy, but also to target specifically the small-scale and informal Second Economy, and the case studies have indicated some means of doing so. **Policy can explicitly target pro-poor development, either directly or indirectly, through the encouragement of appropriate market interventions.**

There is a need to arrive at an acceptable series of **definitions** of just what is meant by key terms such as: LED, pro-poor LED, pro-growth LED and **pro-poor growth** or inclusive LED. **Pro-poor growth should include increasing growth linked with reducing poverty and decreasing inequality.** Given the lack of consensus about these terms nationally and internationally, consensus is clearly needed.

A **supportive and stable policy environment** is required, including: national/state laws and policy which clearly and specifically empower local authorities, define their powers and duties, encourage interaction outside of the public sector, provides adequate financial support and training and allow for external support/advice. Creating an enabling environment in which businesses can flourish is essential, especially for small operators and many laws enacted have had a disabling effect on small businesses, increasing the complexity of their establishment and operations. Stability in policy and politics is critical in development

Associated with this is the need to recognise the fundamental importance of the small/**informal sector** economy and to support its development as far as is possible. which specifically favour SMMEs, CBOs and BEE companies. Much of this is potentially available in South Africa.

Planning needs to be effective and thorough, but an obsession with planning should not limit learning by doing and the undertaking of implementation.

However, having a policy in place does not guarantee that there will be pro-poor outcomes. There are real applied constraints, notably on **implementation capacity** which impact on the ability to implement change. Local authorities need to fully 'buy-into' development and make significant financial and personnel investment in the process. Policy endorsement and application needs to take place at a municipal-wide level. The implication is that:

- Poverty reduction interventions require explicit policy and strategy support and both **policy and process** need to be focused on together;
- Municipalities must be encouraged to devote **realistic budgets and staff** to LED Units, and LED services if results are to be attained. Pro-poor LED services and projects also need to be adequately financed. The current bias in favour of pro-growth economic activities and pro-poor spending on basic needs will, in many cases, not have significant pro-poor economic impacts;
- Developmentally interventions need to be accepted as **part of all municipal functions** in practice and policy. LED officials also need to conceptualise of the broader range of interventions which impact on poverty as being part of LED.

It is critical that local governments initiate defined **monitoring and evaluation** programmes to gauge the success of their initiatives. This should be based on both financial criteria and social impact assessment. Initially there may need to be experimentation to develop ideal methodologies. Over and above the use of data collected by municipalities, use should also be made of data from government household surveys

and the DBSA to assess the nature of local economic changes. These should consider pro-poor outcomes, not just growth outcomes and outputs.

There is still far too much **competition** between levels of government including local and district municipalities, and between these municipalities and provinces. There is inadequate involvement of the private sector, with severe implications in terms of duplication and lack of synergy. **Partnership** formation/growth coalitions need to be encouraged and the private and non-government sectors in particular, where they exist in significant strength, need to be encouraged to contribute more meaningfully to local development, either through corporate social responsibility or coalition formation. The private/community/NGO sectors all have key roles to play. They should be supported and encouraged to engage in collaborative and independent action;

The current trade-off of economic investment in the formal sector, and pro-poor investment in basic services, is not likely to yield the improved livelihoods in the informal sector which will transform the lives of the poor. Indeed in some respects other countries of Africa, while poorer, have a better balance in these, promoting greater self-reliance, and lesser dependency of the poor. Despite the overtly significant legal and policy context and the not inconsiderable resources of the larger cities and the private sector, the experience of over ten years of applied LED in South Africa indicates that applying pro-poor LED is possible, but difficult. Within South Africa both clearer policy direction and greater financial and capacity investment are required before more meaningful results can be attained.

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ANNEX 2 RESEARCH METHODOLOGY

Research techniques

Those employed included:

- 1) *Documentary Analysis* – for use in the meta- and policy-analysis.
- 2) *Standard Sampling, Survey and Questionnaire* techniques - utilised in the survey of major centres in the country.
- 3) *Case Study Surveys* – based on core interviews, focus group meetings, documentary analysis and statistical and social analysis of outputs (interviews were be undertaken with key officials, councilors, project leaders, project participants and key informants such as business and community / NGO leaders).
- 4) *Evaluation* – work on appropriate monitoring and evaluation techniques (both statistical/economic and social impact) based on international experience and local realities.

Key Research Questions

In undertaking the research the team was guided by the following considerations:

- a- The need to ensure objectivity in the research and analysis and identify and develop appropriate methods for monitoring and evaluation, and the determination of relative success – in social and economic terms.
- b- To ascertain the degree to which LED is achieving its explicit and implicit pro-poor objectives and/or the ability of pro-growth and general municipal actions to achieve the same.
- c- To refine a typology of LED in South Africa which recognizes institutional and policy related variants.
- d- To consider the role, place and effectiveness of local government and non-local government stakeholders in the development process and the effectiveness of partnership arrangements.
- e- To identify the degree to which LED can serve as a response mechanism to particular crises i.e. mine closure / deindustrialization etc.
- f- To identify key outcomes which have national and international relevance.

Survey methodology and the questionnaire

The survey focused on LED policy and practice in the largest 30 centres in the country with a specific emphasis on pro-poor considerations. A questionnaire was drawn up by the researcher team including inputs from the World Bank. A copy of the questionnaire is attached as Annex 3. The questionnaire sought to establish key LED-related information from the selected municipalities. This included:

- details of the municipality and its key economic sectors;
- institutionalisation of LED / partnerships/LED management;
- LED policies and strategies;
- Key operational details;
- Funding;
- Impacts.

Administration of the questionnaire took the following form:

- 1) SALGA distributed the questionnaire to its contact people in the selected municipalities who requested the key LED official to complete the questionnaire and return it to SALGA;

- 2) In numerous cases where the questionnaire was not returned, there was face to face and telephonic follow-up from SALGA, Khanya and Rhodes over a 4 week period to ensure as high a return as possible;
- 3) Queries which were noted in the questionnaire were clarified with the officials concerned through telephonic or e-mail liaison.

A reasonably high rate of return in the total number of completed questionnaires was secured – 67%, although it was hoped that a higher rate would be achieved, given that personal contact was made with each selected municipality. In most cases, city officials were approached up to six times by researchers from SALGA, Khanya and Rhodes, and in the non-responding towns a consistent picture emerged – either the economic development posts were currently vacant, the staff member was too new to complete the questionnaire,

Locality-based case studies

Case-studies were proposed for in-depth investigation on the basis of:

- known success in developing LED policy and applying it in practice;
- known successes in terms of addressing issues of poverty (emphasis must be on actual achievements and not merely proposed actions);
- ability to yield data which lends itself to longitudinal analysis – indicators such as jobs created, investment attracted and quality of life improvements which can then serve as a basis to advance monitoring and evaluation mechanisms are also critical.

Case-studies worthy of investigation have been identified based on the existing knowledge of the research partners. However, allowance should also be made for new insights gained from the meta-analysis and more specifically the survey of major centres.

For purposes of undertaking this research the following case-studies were commissioned:

- 1) Metropolitan Centres:
 - Johannesburg
 - Ekruhuleni
 - Durban (eThekweni Municipality)
 - Cape Town
- 2) Secondary Centres:
 - Bloemfontein (Mangaung Municipality)
 - Richards Bay (uMhlatuze Municipality)
- 3) Smaller Centres:
 - Ingwe Municipality (centred on Creighton)
 - Ndlambe Municipality (centred on Port Alfred).

ANNEX 3 QUESTIONNAIRE - PRO-POOR URBAN LED SURVEY

1 Defining the municipality			
Name of municipality			
Location of HQ of municipality			
Person completing questionnaire	Name:		
	Title:		
	Phone number:	Email:	
Population (2001 census)			
Economic sectors:			
What are the 3 leading sectors in the local economy: In terms of economic turnover (GGP)			
In terms of employment			
What are the 3 main sectors in decline/stagnant			
2 How is support for economic development organised			
2.1 How is economic development defined in the municipality?			
2.2 What internal structures are there for LED (eg LED Unit etc)			
2.3 Please give details of key contacts for these if not you?	Name:		
	Title:		
	Phone number:	Email:	
	Name:		
	Title:		
	Phone number:	Email:	
2.4 How do these units fit within the structure? (eg which directorate..)			
2.5 What external mechanisms have you established? eg economic development agency, business forums, PPP.....	For economic planning		
	For implementation		
2.6 Please provide details of any interdepartmental LED teams and what their focus is			
2.7 At what level is LED overseen	Politically		
	Management		
2.8 Does the LED Unit interface with other spheres of government. If so, which Departments			
2.9 What partnerships do you have?	Formal (legal, or with written agreements)		
	Informal		

3 What LED-specific policies and focus do you have?	
3.1 What is the focus of your economic development approach (please insert from strategy or IDP)	
3.2 What are the main approaches to addressing poverty in other departments of the municipality? Which departments?	
3.3 Do you see addressing poverty as distinct from promoting growth? Comments?	
3.4 Do you differentiate LED from economic development? If so how?	
3.5 To what degree is community involvement integrated in LED planning and implementation?	
3.6 What are the main strategies you are using to promote economic development in priority order – 1 = highest (draw from IDP, or Economic Strategy)	
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
3.7 What other key government economic development programmes are operating in your municipality (eg URP, ISRDP...)	
Name	Focus
1.	
2.	
3.	
4.	
5.	
3.8 What other key stakeholders are providing economic services in the area, eg Chambers of Commerce, NGOs?	
Name	Focus
1.	
2.	
3.	
4.	
5.	
6.	

4 Operationalising LED		
Does the municipality support any of the following?	Y/N	Please specify
Promoting an enabling environment by:		
Development of economic strategy		
Improving the local business climate eg improving processes and procedures for business registration, taxation, etc., within the Municipality		
Privatisation to improve services		
Grants/rebates to attract inward investment		
Grants/rebates to attract local investment/expansion/retention		
Promoting infrastructure:		
Investment in Hard Strategic Infrastructure. eg: transport infrastructure, utilities.		
Investment in Industrial and Commercial Sites and Premises		
Supporting MMEs:		
Support for procurement by SMMEs from large organisations		
SMME support centres		
Subsidising general business advice for SMMEs		
Support for creation of new businesses		
Support for growth of existing businesses		
Targeting groups/areas:		
Development of specific sectors (and business clusters)		
Schemes to support the informal sector		
Schemes to support urban agriculture		
Schemes to support particular groups, eg disadvantaged groups/workers		
• Women		
• Youth		
Special employment schemes eg EPWP		
Special development zones (IDZs, inner city, BIDs...)		
Providing Support in:		
Research and information re		

4 Operationalising LED		
Does the municipality support any of the following?	Y/N	Please specify
economic development		
Support for export/marketing/ quality		
Marketing of the area		
Non-financial support in promoting inward investment		
Other support (specify):		

5 Funding (please attach detailed budget showing programmes and projects)							
What funds are allocated (R, 000) Please put source underneath.	Operational			Capital			Comments/details
	2003-4	2004-5	2005-6	2003-4	2004-5	2005-6	
To LED units							
To partnership structures							
To specific economic structures (eg bus centres, incubators.....)							
To other specifically LED-related services/activities?							

6 Impacts (please send copies of any impact evaluations that have been conducted)	
6.1 What have been the overall impact on growth in the area	Growth in GDP: From when to when: What evidence do you have:
6.2 Do you have targets for reduction of poverty. If so what are they? These could be regeneration targets, geographic targets (not just industrial zones, but other areas needing targeting too, marginal housing areas etc) (probably from IDP)	
6.3 What have been the overall impact on levels of poverty in the area	% of households with incomes less than R1500/m ¹⁵ : From when to when: What evidence do you have: Nutrition ¹⁶ : Skills levels:
6.4 What have been the overall impact on levels of employment in the area	Impact on unemployment: From when to when: What evidence do you have:
6.5 What have been the overall impact on levels of inequality in the area	Can we pick up changes in Gini coefficients
6.6 Please insert details of specific programmes or projects which have been successful in terms of addressing poverty	
6.7 What is your personal evaluation of LED in your municipality? Is it living up to its targets? Has it experienced difficulties and what can be done in the future to improve its impact?	

¹⁵ Check with SSA on poverty datum line to use

¹⁶ Check with SSA on poverty datum line to use

ANNEX 4 QUESTIONNAIRE - PRO-POOR LED RURAL SURVEY

Name of Municipality:	
Name of Capital:	
Name of District Municipality:	
Name of LED Officer:	Name: Title: Phone number: Email:
Person completing questionnaire:	Name: Title: Phone number: Email:

1. How does your municipality define LED?
Poverty Alleviation Economic Growth Both
2. Does your municipality have a specific LED policy?
Yes No
3. Does your municipality have a LED Unit?
Yes No
4. Does your municipality have a LED Officer?
Yes No
5. Does your municipality have a separate IDP Officer?
Yes No
6. Does your municipality have a councillor responsible for LED? Yes
No
7. Does your municipality have a development agency?
Yes No
8. Does your municipality have a small business advice centre?
Yes No
9. Does your municipality provide tax incentives to attract business?
Yes No
10. Has your municipality privatised any municipal services?
Yes No
11. Are there any formal links to chambers of commerce within your municipality?
Yes No

12. Is your municipality's LED policy specifically entrenched in its IDP?

Yes No

13. What % of your IDP deals specifically with issues of LED?

1-25 26-50 51-75 75-100

14. Is the community involved in LED decision-making in your municipality?

Yes No

15. Which groups are represented in LED decision-making?

Councillors	Women's Groups	Chambers Commerce	of	Church Groups
Municipal Officials	Youth Groups	Ward Committees		Ordinary Citizens

16. Does your municipality have an IDP Forum?

Yes No

17. How often does the IDP forum meet per year?

Never 1-3 4-6 7-9 10-12

18. What % of your IDP budgets is allocated specifically for LED?

1-25 26-50 51-75 76-100

19. How much does your municipal IDP budget for LED yearly?

None R1-R10 000 R10 000-50 000 R50 000-100 000 R100 000+

20. What LED strategies are your municipality currently implementing / planning for?

21. How many jobs has your municipal LED created?

None 1-25 26-50 51-75 75-100 100+

22. How many new businesses has your municipal LED created?

None 1-5 6-10 11-20 20+

23. Are you satisfied with the progress that your municipality is making with LED?

Yes No

24. On a scale of 1-10 how dynamic do you rate your municipality's LED strategy?

1 2 3 4 5 6 7 8 9 10

25. When does your municipality plan to have a specific LED policy in place?

1 2 3 4 5+ Years?

ANNEX 5 URBAN CASE STUDIES

- 1 Johannesburg
- 2 eThekweni
- 3 Cape Town
- 4 Ekurhuleni
- 5 Mangaung and hinterland
- 6 Umhlatuze (Richards Bay)
- 7 Ndlambe (Port Alfred)

(see separate document)

ANNEX 6 RURAL / SMALL TOWN CASE STUDIES

- 1 Motheo
- 2 Senqu
- 3 Alicedale
- 4 Wuppertal
- 5 Sodwana Bay
- 6 Magaliesberg Meander
- 7 Ingwe (Creighton)

(see separate document)