World Bank-Netherlands Partnership Program (BNPP), "Evaluating and Disseminating Experiences in Local Economic Development

Investigation of Pro Poor Local Economic Development in South Africa

October 2005

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ACKNOWLEDGEMENTS

This research has been funded by the World Bank through the Netherlands Trust Fund. We are very grateful for the support we have received, as well as the time and effort put in by the Reference Group, including SALGA, Mangaung, DPLG, Local Government and Water SETA, and the DBSA. The DBSA has also funded a complementary study looking specifically at rural areas, and in time these results will be integrated with those from this study to provide an even broader view around LED in South Africa.

The funding for this study was limited, and I am grateful to all the researchers who put in much unpaid time to ensure that we had a good product at the end of the day. My thanks go to Thandi Henson, Lindi Mdhluli and Ian Goldman of Khanya-aicdd, Chris Rogerson of Wits, Glenn Robbins of the University of Kwazulu Natal, Rashnee Parhensee from SALGA and the case-study researchers.

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This research was funded by the World Bank. However the findings, interpretations and conclusions expressed in this paper are entirely those of the author(s) and should not be attributed to the World Bank, which does not guarantee their accuracy and can accept no responsibility for any consequences of their use.

This is the final report which is also available from Rhodes, DPLG, SALGA, LGSETA and at www.khanya-aicdd.org
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GLOSSARY

ABC Audit Bureau of Circulation
AICDD African Institute for Community-Driven Development
ANC African National Congress
BEE Black Economic Empowerment
BNPP World Bank-Netherlands Partnership Program
DEAT Department of Environmental Affairs and Tourism
DM District municipality
DTI Department of Trade and Industry
DWAF Department of Water Affairs and Forestry
EDF (eThekwini’s) Economic Development Framework
EPWP Extended Public Works Programme
GEAR Growth, Employment and Redistribution
IDP Integrated Development Plan
IDZ Industrial development zone
LED Local Economic Development
LAEDF (eThekwini’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
SETA Sector education and training authority
SMME Small, micro and medium sized enterprises
ZCB Zululand Chamber of Business
EXECUTIVE SUMMARY

1 Introduction

1.1 In order to promote economic development it is increasingly being recognised that microeconomic measures at the local level are needed as well as macroeconomic measures at the national level. The former are often collectively referred to as Local Economic Development (LED) and in the South 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 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. Hence the World Bank commissioned this particular study into Pro-poor LED in South Africa, with a specific focus on seeking to ascertain lessons which can be derived from the application of LED, primarily by local governments.

1.2 The study is the outcome of a grant to the World Bank by the Dutch Government 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 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 emphasis was on urban areas and what local governments can do in terms of acting as catalysts or as a key locus of intervention. Partners in the project included Rhodes University, the African Institute for Community-Driven Development (AICDD, formerly Khanya-managing rural change), 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.

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. However a local economy may well also ‘develop’ as a result of a range of devolved governmental grants and private sector investments. 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;

1 The Bloemfontein office of the HSRC was a partner, but due to other commitments had to withdraw.
(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 municipalities (approximately 30 centres), with an emailed questionnaire following up with telephone interviews with key cities and towns (with a 67% return);

(iv) Eight case studies, building on existing research and data collection.

(v) An end of project workshop including the reference group and practitioners.

The eight case-studies chosen were selected on the basis of known LED achievements and the degree to which their analysis sheds light on both the definition and application of LED, with a particular focus on pro-poor dimensions and the degree to which achievements to date lend themselves to the development of monitoring and evaluation mechanisms.

1.4 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)
Part C Covers the findings of the research, from the survey (Section 4) and from the case studies (Section 5)
Part D Covers the emerging lessons and their implications (Section 6) and conclusions (Section 7).

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 on welfare grants and the informal sector to survive. This duality is being characterised in South Africa as the formal (First) and informal (Second) economy and the Deputy President has been given responsibility for measures to promote the second economy. Meanwhile 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).

In planning for development in one of the most unequal societies in the world, the South African government is placing considerable emphasis on what it terms ‘developmental local government’, increasing the role of 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 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). As part of the local government 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 cities 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.

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 key basis for all legislation in the country is the national Constitution of the country (RSA, 1996a). In terms of local government affairs, the Constitution recognises them 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-type foci, 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, despite first being mooted in 1997 there is still no formally approved LED policy. The latest draft of that document is currently embargoed. The 2002 version had a defined pro-poor focus (it was called Refocusing Development on the Poor), and it is alleged that this did not meet with the full approval of market aligned decision-makers. 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;
To bring the poor and disadvantaged to the centre of development. In order to achieve this, LED needs to be holistic and LED must be innovative, creative and redistributive.

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.

2.6 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 process which requires an economic and spatial development component, promotion of participation and appropriate institutional and funding mechanisms. 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 (DPLG, 2000b).

A range of financing mechanisms have been established including a LED Fund, Municipal Infrastructure Grant, Integrated Sustainable Rural Development Programme and the Urban Renewal Programme.

2.7 In conclusion 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 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. 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.

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). 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. In post-apartheid South Africa, however, LED planning has gained considerable prominence in development planning.

3.2 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). 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). Currently, with the growth in significance of tourism as a new economic driver for the post-apartheid economy, there is considerable local activity and emphasis upon tourism-led LED planning across large cities, smaller localities and rural areas. 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).

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.

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. The final details of the re-styled Integrated Small Business Development Strategy are still to be released. Nevertheless, it is known that the new strategy accords recognition to the demonstrated importance of local level interventions for supporting the SMME economy (TIPS, 2004). In particular, the critical role of local governments 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) is now openly acknowledged.
4 South African research on LED and emerging findings

4.1 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. Since 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. Although there are areas of overlap, the existing sets of studies fall into four major 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.

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 in a range of different South African localities of what has been termed ‘incipient LED’, where place entrepreneurialism generally was coincident with place marketing initiatives for inward investment. Between 1994 and 2000 there appeared several studies 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 In terms of the locality focus for LED in cities, 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). 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). 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 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 small towns and rural 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. There have been a number of locality-focused case studies of small town or rural LED across South Africa. 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 The most undeveloped aspect of South African research on LED relate to thematic or sectoral investigations. 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 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.

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 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;
- there is 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. As local governments are meant to 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;
• 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.

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 30 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 local municipalities / metropoles selected. 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 In terms of the municipal economy:
• **dominant sector** - 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, indicating the dominance of primary and secondary industry and government employment as opposed to the tertiary and quaternary sectors;
• **employment** - in terms of employment, the dominant sectors are manufacturing, community services, mining, agriculture and trade;
• **decline** - 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:
• **Perception of LED** - 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’ (eThekwini) 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). 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.

5.4 In terms of their economic development focus:
- common themes included: job creation; skills development; making the city a world class city; sectoral development; 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);
- Of the 18 local authorities responding to this question, 12 see no distinction between addressing poverty as distinct from promoting economic growth while 6 recognise one. 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, namely the Urban Renewal Programme (9 cases) which targets support to poor areas within cities and the new 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. 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. 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.

5.6 In terms of specific LED interventions:
- In all cases, a defined Economic Development Strategy has been adopted by the respective municipalities or is being developed, often as part of the Integrated Development Plan;
- In most cases (18) the local authorities claim that they were active in promoting the local business environment;
• Moves to privatise municipal services appear to be limited (7 cases), probably owing to strong union opposition;
• Twelve municipalities claim to have grants/rebates to attract new investors, while only 11 localities asserting that they had support in place for existing investors, with three saying that they were working on a support package;
• 18 municipalities provide infrastructure;
• Involvement in industrial and commercial sites is common (17 respondents);
• Working with other business organizations to support SMMEs is undertaken by 13 municipalities. Seventeen municipalities claim to be active in preferential procurement for SMMEs and in 13 cases SMME support centres/business incubators have been established or are in the process of 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 defined support for business sectors/clusters;
• 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;
• 13 municipalities have area-based support, mainly for larger firms;
• 14 centres undertake some research or information activities, eg a database of economic trends, sector information and relevant information;
• Eleven municipalities provide support for export and marketing. Non-financial support for inward investment takes the form of information provision, lobbying of business, investment facilitation and technical support (13 municipalities)

5.7 Operational funding for reporting LED units ranged from R100 000 (Umhlatuze) to R48.5 million (Cape Town) in 2003-04, with R100 000 and R51.8 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 R 6 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 and R49.2 million for Cape Town in 2004-05.

6 Case Studies

6.1 Eight case studies were undertaken, ranging from metros to smaller urban centres. Most cases studies focused on one or two LED interventions or approaches in the municipal area. The case studies were:

Metros: eThekwini (Durban), Cape Town, Johannesburg, Ekurhuleni (East Rand)
Secondary cities: Mangaung (Bloemfontein), Umhlatuze (Richards Bay)
Small towns: Indambe (Port Alfred), Ingwe (Creighton)

6.2 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. In terms of policy development, Johannesburg probably has the most sophisticated policy framework in place of any city in South Africa. 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. 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 initiative has involved some 1000 clothing micro-manufacturers and has encouraged a focus on niche markets, out-sourcing and integration of migrant workers.

6.3 **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 focus. However 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.

6.4 **eThekwini** has a long-established track record in the area of economic development, starting in the 1980s and the metropole is recognised as one of the most efficient and effective 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.

6.5 **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 improved as a result, skills were 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, 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 incurred, poor planning and training and was not renewed.

**Secondary cities**

6.6 **Mangaung** (Bloemfontein) is a municipality including the secondary city of Bloemfontein and two other towns, located in the centre of 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, for which it has clear targets. The informal economy of Mangaung, which accounts for some 50% of local jobs, was the focus of the Mangaung case study. There are a wide variety of types of informal business. Some informal businesses are large, with turnovers up to R90,000 per month. Some mechanisms to assist these are suggested.

6.7 The city of **Umhlatuze** is one of the country’s key ports and industrial nodes, and incorporates the primary core of Richards Bay as well as Empangeni. 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. Some interesting lessons include:

- Corporate interventions, individually and collectively can have a key impact on poor communities;
- Strong District Municipalities can play a significant role in seeking to address economic imbalances, even where there is a strong local municipality within the district;
- a Joint Development Forum can be a useful intervention, which can lay a basis for a growth coalition.

**Smaller centres**

6.8 The **Ingwe** Municipality in the midlands of KwaZulu-Natal Province is a small, largely rural municipality centred on the town of Creighton. The Municipality 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

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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.
national awards scheme. The tourism intervention 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.

6.9 Ndlambe is a small municipality lying on the south-eastern coast of the Eastern Cape Province including the towns of Bathurst, Port Alfred, Alexandria and several smaller centres. It is heavily reliant on commercial agriculture and tourism. The case of pro-poor LED is of particular interest in that sustainable pro-poor, community-based LED projects were established in the municipality using national LED Funds. 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.

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. Funds were sourced from the LED Fund and a viable commercially linked community enterprise now operates, which sells fruit pulp to juice manufacturers around the country. The lessons from Ndlambe include that informal/ad-hoc support, e.g. to urban farmers and to potential small business operators, can play a meaningful role in LED. It also shows that 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.

Part D: Lessons

7 Emerging lessons for Pro-Poor LED in South Africa

7.1 Overall, the preliminary findings of this survey 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. Some key points overall are that:

- LED is unevenly developed and operationalised across the South African urban system;
- Major divides exist as a group between the largest, most well-resourced and 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. However there are some exceptions to this general picture;
- The definition and understanding of LED exhibits considerable variation, a finding which reflects the absence of national LED guidelines, and the short time with which municipalities have been actively taking forward LED approaches;
• 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.

Municipalities in South Africa 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. 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. In parallel, the near-absence of the use and application of Monitoring and Evaluation methods is cause for concern.

7.2 Only 5 centres reported on impacts 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 range from Ekurhuleni showing 1% growth p.a. between 1996-2003 to Johannesburg indicating 4.2% growth between 1996-2002.

7.3 Few of the municipalities appear to have poverty reduction targets in place. An exception is Mangaung which 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 very worrying, while there are examples of job creation, and specific project impacts (eg the Fashion District).

7.4 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. Striking differences exist between the policy approaches adopted to 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 determined more middle of the road approaches, which 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.

7.5 A wide range of interventions to support LED are used in 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. The project range differs from one or two interventions in smaller centres such as Ndlambe to an impressive portfolio, such as the case in eThekwini. **Government support**, such as the LED Fund in Ndlambe, if managed correctly and targeted to economically viable projects can catalyse meaningful development on the ground. Public procurement, urban renewal, SMME programmes and public works are the most significant government programmes.

Mangaung and eThekwini 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 e.g. in Ndlambe and in Durban’s Warwick Junction.

7.6 Institutionally, a LED unit is used as the major vehicle for LED operations, while the capacity, staffing and resourcing of units is very variable. However 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. The compartmentalization of economic development also seems to be a significant problem, with limited buy-in from other line-function municipal departments which impedes the overall scale and impact of council LED policies and the seeming failure to link line-function interventions or national government-funded projects explicitly into LED e.g. housing construction and infrastructure. The varying size of units, the presence or absence of professional staffs and resource differences creates a very diverse profile in terms of what exists and also in terms of actual impact.

7.7 Smaller centres 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.

7.8 Generally M&E is poorly developed. Cost and time considerations are generally advanced as explanations for this scenario. 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.

7.9 Some of the implications that emerge from this section are that:

- 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;
- Policy can explicitly target pro-poor development, either directly or indirectly, through the encouragement of appropriate market interventions;
- Poverty reduction interventions require explicit policy and strategy support and both policy and process need to be focused on together;
- Stability in policy and politics is critical in development;
- Planning needs to be effective and thorough, but an obsession with planning should not limit learning by doing and the undertaking of implementation.
8 Conclusions

8.1 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 would however seem that in many instances across the country, results are patchy and often very little has been achieved on the ground. Reasons for limited success seem most obviously to be related to capacity and funding constraints, as well as issues such as poor partnership formation and the reality that many projects are not economically sustainable.

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? In addition, lack of clarity over the nature and focus of LED need to be addressed at national level. One issue of note in this regard could be the need to specifically seek to respond to market failure.

In any assessment however it is important to acknowledge what has been achieved, often by officials operating with limited resources;

8.2 Almost without exception, municipalities recognize their developmental responsibilities in general and the need to address poverty specifically. However there seems to be a significant degree of ‘silo’ thinking in many municipal departments, who do not necessarily see the LED implications of their actions.

8.3 The case studies have not specifically investigated the impact of different stakeholders, as they have focused primarily on the role of municipalities. Most municipalities are initiating some form of partnerships, even if many are weak. Although there are forums or some mechanisms for public-private interaction in most places, there seem to be relatively few cases of direct collaboration in joint projects. The Umhlatuze case clearly shows that the private sector, either individually or collectively can have a significant developmental impact on both social and economic considerations. 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. 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.

8.4 Overall there is little evidence of impact on growth, although it is still early days in some municipalities. There is evidence of significant impacts on employment, eg in Cape Town, or the 1000 jobs created in Johannesburg’s Fashion District. Some of the jobs are temporary, and the long-term impact of these on livelihoods is not clear. In terms of broader issues such as the building of capacity, the results are
more varied – ranging from low impacts, such as Cape Town’s employment schemes, to sustainable micro-enterprise in Ndlambe.

8.5 The **cost effectiveness** of directly-funded LED activities was difficult to ascertain, with limited cost data, as well as impact data. 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 over and above cost considerations one also needs to bear in mind social gains and the long-term impacts of training, empowerment and exposure in association with principles of self-actualisation.

8.6 In terms of **coherence** in policy and practice, there are pro-poor statements in the policies of many municipalities, but this is often not translated into significant LED budgets, nor the actions of other municipal departments.

8.7 At this juncture it is rather difficult to be definitive about the 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, e.g. the Fashion District/Warwick Junction;

(ii) Secondary cities where the range of activities are narrower, but where there are reasonably adequate budgets and staff complements;

(iii) Small centres, which are impoverished in terms of resources and where LED activities are often most discernable at the level of the small project.

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 (as revealed in the majority of the case-studies investigated);

(ii) Those in which pro-poor interventions are seen as the dominant LED focus;

(iii) Those in which there exists a local growth path which simultaneously achieves both pro-growth and pro-poor interventions.

8.8 **M&E** comes out consistently as weak, with the most that is achieved being the development of key performance indicators in a number of municipalities. Over and above implementing and refining M&E is the need to identify the minimum criteria required to assure success and sustainability.

8.9 LED can play an important role as part of a **response mechanism** to socio-economic change, as shown by the examples from places such as Johannesburg and Ndlambe. However, this presupposes that adequate resources, policy endorsement and political sanction are available and in place to respond to such change.
8.10 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). 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. Some recommendations can be made:

(i) It is essential that municipalities do not just conflate economic growth and poverty objectives. There is widespread international evidence that trickle-down of wealth is not significant, and specific activities are needed to promote pro-poor growth. 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. Concentrating support for the poor on basic services will not create economic livelihoods, and may continue to foster a dependency on the state;

(ii) 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. Given the lack of consensus about these terms nationally and internationally, consensus is clearly needed;

(iii) A supportive 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. Much of this is potentially available in South Africa;

(iv) 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. 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;

(v) 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;

(vi) 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 sector in particular, where it exists in significant strength, needs 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; Creating and enabling environment in which businesses, especially small operators, can flourish is essential; 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.

(vii) A clear case can be argued for a new **LED Fund** which targets support to economically sustainable services, as well as projects.

**Note:** This research investigation was finalized in April 2005 and as such does not reflect subsequent developments in terms of policy and practise.
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 it is inevitable, particularly in the South, that prioritizing the needs of the poor will and 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 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 particularly 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 particularly study into pro-poor LED in South Africa, with a specific focus on seeking to ascertain lessons which can be derived from the application of LED, primarily by local governments.
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 a detailing of the research approach adopted.

1.2 The study

The project is the outcome of 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 is 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 includes funding for a review of selected LED activities in South Africa and dissemination activities. South Africa, along with Brazil, were identified for the study as countries that have had deliberate policy and practice of strategic local economic development, intended to support opportunities for low income individuals and their communities.

The 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”.

Partners in the project included Rhodes University, the African Institute for Community-Driven Development (AICDD, formerly Khanya-managing rural change), 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 urban areas and what local governments can do in terms of acting as catalysts or as a key locus of intervention. Guiding factors in the research were also the 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.

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3 The Bloemfontein office of the HSRC was a partner, but due to other commitments had to withdraw.
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 self-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-organisation al 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), Department of Provincial and Local Government (DPLG), SA Cities Network (SACN), Local Government and Water 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);

Other concerns were

a- To 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.

(a) is being covered in a separate report. b-f are addressed in section 7.

1.3.3 Research process

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

(vii) An overview of the current legal and policy context in the country to identify current policy foci and support.

(viii) A **survey of approaches** to pro-poor LED in the largest municipalities (approximately 30 centres), with an emailed questionnaire following up with telephone interviews with key cities and towns (see Appendix 3 for a copy of the questionnaire);

(ix) Eight **case studies**, building on existing research and data collection.

(x) An **end of project workshop** including the reference group and practitioners, held from 5-6 October 2005 which discussed the findings of the report and offered positive additions and suggestions (see Appendix 4).

A reasonably high rate of return in the total number of completed 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 eight case-studies chosen were selected on the basis of known LED achievements and the degree to which their analysis sheds light on both the definition and application of LED, with a particular focus on pro-poor dimensions and the degree to which achievements to date lend themselves to the development of monitoring and evaluation mechanisms. 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 two previous reports produced as part of this research:
• the Policy and Legal Background to LED in South Africa (October 2004)
• and the 8 case study reports

In addition, a draft report has been produced entitled: A Draft Framework for Monitoring and Evaluation of Pro-Poor Local Economic Development (January 2005). A final version of this will be produced in August 2005.

Further details on the methodology are contained in Annex 2, and a copy of the survey questionnaire is in Annex 3.

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)
Part C Covers the findings of the research, from the survey (Section 4) and from the case studies (Section 5)
Part D Covers the emerging lessons and their implications (Section 6) and conclusions (Section 7).

Note: This research investigation was finalized in April 2005 and 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 depend on welfare grants and the informal sector to survive. 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, whereby by creating wealth for some the benefits will “trickle-down” to the poor, has been widely discredited. 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.”

The formal sector is well developed, and is increasingly 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%). 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

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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 government argues that the locus for such activity should be on local government and 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 this objective of ‘developmental local government’, local authorities are now expected to maximise both social development and economic growth and to work with communities to ensure that local economic and social conditions are conducive for the creation of employment opportunities (Nel and Binns, 2001). The implicit bond between participatory governance and pro-poor development has clearly become a key theme in South African policy and planning.

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 is a matter of serious concern necessitating the urgent search for innovative employment generating strategies, including those at the local government level. (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 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’.

(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. Such elements of discordance are important to remember when attempting to further pro-poor thinking in a dominant neo-liberal era.

2.2 Background to the key cities in South Africa

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:

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 ‘local municipalities’ with there being no size-based distinction between the secondary cities and the 500 small towns (now grouped together into over 200 local municipalities). As a result, with the focus of this study being on the largest centres, the following working distinction was employed in the survey:
a- 6 Metropolitan Areas: centres of + 1 million people  
b- Secondary Cities: centres of approx. 400 000 – 1 million.  
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. Therefore it is difficult to employ size-based distinctions too rigidly as the population of such a centre may be aggregated with other centres and what might be a larger rural population in its hinterland. As a result the largest centres were identified with some difficulty based on earlier hierarchies, local knowledge of which the key centres are, and a careful interpretation of the 2001 census and the 2001 Municipal Demarcation Board statistics.

Some of the 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. eThekwini). 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 prioritisces 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 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. Pro-poor policies and laws are, ideally, given endorsement through popular participation, are 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 a significant policy and legal basis for pro-poor LED has clearly been laid in South Africa, it is, however, important to note that despite first being mooted in 1997 there is still no formally approved LED policy. 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.

Whilst the notion of pro-poor development is implicit in the rhetoric of almost all key post-apartheid government pronouncement and documents in South Africa, it must be borne in mind that there are often conceptual and applied dissimilarities between the strong pro-poor pronouncements in LED-related documents and the reality of an economy and economic policies strongly focused around pro-market/neo-liberal practices. 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.

A key theme running through much of the post-apartheid government policy is the need to empower people at the local level, to alleviate poverty and to ensure that the most vulnerable groups (the ultra-poor, women, children, disabled, the elderly and people suffering from HIV/AIDS) are fully incorporated into the development process (RSA, 1998a). In order to help achieve these goals, local government has been
identified as having a critical role to play, which is in line with the significant devolution of power to them. This culminated in the Municipal Systems Act (RSA, 2000a) which has strengthened the position and role of local government through assigning powers of general competence to them with an associated range of decentralised functions. 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 Reconstruction and Development Programme, 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). Whilst these are understandable and admirable objectives, they have placed a considerable burden of responsibility on the local tier of government, a situation aggravated by very real capacity and financial constraints experienced by most of the smaller local authorities (Nel and Binns, 2001). The key features of the RDP are firstly that it laid a policy basis for enhancing participation through local government and secondly, it 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, 1998, 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 (RSA, 1998a) marked a key break from past conceptualisations of local government in South Africa. It translated the objectives for participation and development set out in the RDP and the mandates outlined in the constitution into a definable statement on how local government would look and function in the future. The document clearly argued that ‘developmental 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. The policy called on municipalities (to) become more strategic, visionary and ultimately influential in the way they operate. Municipalities have a crucial role as policy-makers, as thinkers and innovators, and as institutions of local democracy. Building upon the RDP and GEAR, ‘developmental local government’ is charged with promoting empowerment and redistribution through a number of concrete programmes, including:

- 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)

The key basis for all legislation in the country is the national Constitution of the country, which is the supreme law upon which all other laws are based (RSA, 1996a). In terms of local government affairs, the Constitution recognises them 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 municipal councils 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 by the above-mentioned 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.

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 now 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 introduced measures to facilitate and accelerate the implementation of reconstruction and development programmes and projects in relation to land, laying down general principles governing land development throughout the country. Local governments are empowered to develop what are known as ‘Land Development Objectives’. 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. 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 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. Thus this Act, indirectly lays a basis for pro-poor development through ensuring fairer spatial distribution of resources.

2.4.5 The Municipal Structures Act (1998)

The second 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 is the last key piece of legislation and the one which has the most direct influence over 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 discussed, which in themselves can be regarded as 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 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 on participation below). 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)

In 2004 a new LED policy was drafted, however in mid 2005 when this paper was written, that document was still embargoed, pending discussion by key government
officials. As such its content is not in the public domain and cannot be discussed here. Instead this section considers the draft LED document written in 2002. Whilst the 2004 document may well come to reflect more pro-market than pro-poor tendencies, the current 2002 document is overtly pro-poor. Even though this latter document has not been sanctioned by the South African government, its content and foci are indicative of thinking in local policy circles and are instructive for planners in other countries in that, the document does, to some degree, represent the logical culmination of the preceding policies and laws and presents what is probably one of the clearest statements on pro-poor LED in the world. In this section, key aspects of the document are considered in turn.

The title of the paper, i.e. ‘Refocusing Development on the Poor’ is an explicit and bold statement of pro-poor LED.

It is important to note that 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, LED needs to be holistic and LED must be 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;
• A ‘lead’ LED strategy is desirable in an area.

In order to achieve the above, local government will need to focus on the following instruments:

1. Capacity Improvement Instruments;
2. Market Expansion 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 that it should co-ordinate, facilitate and stimulate LED and that its should act as an entrepreneur/developer.

2.6 Policy Guidelines for Implementing Local Economic Development in South Africa, 2005

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 identified by President Thabo Mbeki 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 was later given significantly greater emphasis 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 integrated development plan 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 Department of Provincial and Local Government (DPLG, the key ministry charged to oversee and promote local government affairs), ‘IDPs are local versions of the Reconstruction and Development Programme (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 the Department of Provincial and Local Government (DPLG), the IDP is, ‘conceived as a tool to assist municipalities in achieving their developmental mandates’ (DPLG, 2000a, p21), and as a planning and implementation instrument to bring together the various functions and development objectives of municipalities.

IDPs are designed to reflect:

- the municipality's development vision;
- its assessment of current needs;
- its priorities and objectives;
- development strategies and spatial and land development frameworks for realising such objectives;
- operational strategies and financial plans.

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). This planning procedure has fundamental LED implications, as has been stated by a DPLG representative, ’Local Economic Development is central in the IDP’ (Harrison, 2000).

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.

Local Economic Development (LED) and Integrated Development Plans (IDP) 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 IDP can assist in the promotion of socio-economic development in at least three ways; first, in helping to attract funds from other spheres of government, donor organisations and investors through defining and packaging attractive projects and programmes; secondly in helping to create an environment that is conducive to private sector investment and the general promotion of LED; and thirdly, 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).

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 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 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 Systems Act (RSA, 2000a) is a key legal provision in this regard and the law which 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).

Municipalities are specifically required to involve communities in the affairs of the municipality, to provide services in a financially sustainable manner and to promote development (RSA, 2000a). Public participation is a key element of the Systems Act, and municipalities are obliged to establish mechanisms for public participation and participatory governance. The Act makes it a municipal duty to ‘encourage the involvement of the local community ... and to consult the community with regards to issues and options for service delivery’ (RSA, 2000a, p.20). Simultaneously, it is now a community’s right ‘to contribute to the decision-making process of the municipality ... (and) to demand that proceedings of the municipal council and those of its committees must ...be open to the public’ (subject to certain restrictions) (RSA, 2000a, p.20). Municipal administrations are obligated to establish a working relationship with the local community and to provide then with accurate information.

Chapter four of the Act deals specifically with community participation and according to section 16(1) obligates 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.

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), once again requiring Municipalities to develop ‘Integrated Development Plans’. 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.

2.7.3 Applying Pro-Poor LED

DPLG has adopted a flexible approach with respect to institutional arrangements, suggesting that 'the most important issue to bear in mind when designing an institutional arrangement for LED is that the particular needs and circumstances of the community concerned should determine the nature of the institutional arrangement' (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 Town Planning. In addition, local governments can consider one or more of the following supportive arrangements, namely 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.
• **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 LED Financing

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;
- local public works interventions;
- the provision of support (i.e. advice, facilities etc.) for emerging entrepreneurs.

Over and above the preceding there 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 include:

**The Department of Provincial and Local Government (DPLG):**

(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
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 and the Urban Renewal Programme
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. Other relevant support includes the establishment of Tender Advice Centres and Manufacturing Advisory Centres.

**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 job creation strategies designed to supply physical infrastructure, environmental protection and a range of social and productive facilities.

**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.

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 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.
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.

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. In post-apartheid South Africa, however, 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.

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 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 which is 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, 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 local activity and 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). 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, of maximizing the benefits of tourism flows from sub-Saharan Africa are central elements in an array of LED activities anchored upon local
tourism promotion (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.

Overall, 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). 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.

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 – which is focused 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).

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. First, are a set of initiatives which are 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. Second, are a series of 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). Finally, another 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). During 2002, an important national LED Policy Document, entitled ‘Refocusing Development on the Poor’ was drafted (DPLG, 2002) (which is detailed in depth in the policy section of this paper). Anchored upon the work of Bond (2002, 2003), this document 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 put forward 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. This document offered a potential national framework for LED activity undertaken by municipalities to be 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 strengthen 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).

For the poor, their greatest asset is their capacity for labour (Moser, 1996, 1998). In an ILO (2002) investigation, unemployment was acknowledged to be the number one priority issue of local concern in most South African municipalities. 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, the 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. The final details of the re-styled Integrated Small Business Development Strategy are still to be released. Nevertheless, it is known that the new strategy accords recognition to the demonstrated importance of local level interventions for supporting the SMME economy (TIPS, 2004). In particular, the critical role of local governments 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) is now openly acknowledged. 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. 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 era of late apartheid stressed correctly that as local governments were not democratically elected, their development efforts would be biased towards the enfranchised 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 clearly 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 there appeared several studies 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 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 Durban research, 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 Biinns, 2002b; Abrahams, 2003b; Biinns 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.

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;
- there is 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. As local governments are meant to 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
- 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.

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, however, 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 on 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 mixed nature of 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/government;
- 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 IGR drivers at municipal level.
- The need for provincial and national facilitation support to offer guidance and support to under-capacitated areas.
- The need for targeted central state funds, which go beyond welfarist provision.
- The need for uniformity 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 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 local municipalities / metropoles selected. 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 5.2.1). (The identification of dominant sectors was subjectively determined by council interviewees based on their own understanding and data capture of the local economy).

Table 5.2.1 Most important economic sectors for 19 responding municipalities

<table>
<thead>
<tr>
<th>Sector</th>
<th>Numbers of municipalities reporting as:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lead sector</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5</td>
</tr>
<tr>
<td>Community services</td>
<td>4</td>
</tr>
<tr>
<td>Mining</td>
<td>2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2</td>
</tr>
<tr>
<td>Financial services/property</td>
<td>5</td>
</tr>
<tr>
<td>Trade /retail</td>
<td>1</td>
</tr>
<tr>
<td>Tourism</td>
<td>3</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
</tr>
</tbody>
</table>
Table 5.1.1  South Africa’s Major Urban Centres (ranked according to population size)

<table>
<thead>
<tr>
<th>CITY NAME</th>
<th>MUNICIPAL NAME (if different from city name)</th>
<th>POPULATION (of Municipality i.e. main centre + hinterland)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) METROPOLITAN CENTRES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Johannesburg</td>
<td></td>
<td>3 225 812</td>
</tr>
<tr>
<td>2) Durban</td>
<td>Ethekweni</td>
<td>3 090 121</td>
</tr>
<tr>
<td>3) Cape Town</td>
<td></td>
<td>2 893 246</td>
</tr>
<tr>
<td>4) Ekurhuleni</td>
<td></td>
<td>2 480 277</td>
</tr>
<tr>
<td>5) Pretoria</td>
<td>Tshwane</td>
<td>1 985 983</td>
</tr>
<tr>
<td>6) Port Elizabeth</td>
<td>Nelson Mandela</td>
<td>1 005 778</td>
</tr>
<tr>
<td><strong>B) SECONDARY CITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) East London</td>
<td>Buffalo City</td>
<td>701 890</td>
</tr>
<tr>
<td>8) Bloemfontein</td>
<td>Mangaung</td>
<td>645 441</td>
</tr>
<tr>
<td>9) Vereening</td>
<td>Emfuleni</td>
<td>597 948</td>
</tr>
<tr>
<td>10) Pietermaritzburg</td>
<td>Msunduzi</td>
<td>553 223</td>
</tr>
<tr>
<td>11) Welkom</td>
<td>Matjahbeng</td>
<td>476 927</td>
</tr>
<tr>
<td>12) Nelspruit</td>
<td>Mbombela</td>
<td>425 663</td>
</tr>
<tr>
<td>13) Polokwane</td>
<td></td>
<td>424 976</td>
</tr>
<tr>
<td><strong>C) SMALLER CITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14) Klerksdorp</td>
<td></td>
<td>335 237</td>
</tr>
<tr>
<td>15) Rustenburg</td>
<td></td>
<td>311 324</td>
</tr>
<tr>
<td>16) Newcastle</td>
<td></td>
<td>287 260</td>
</tr>
<tr>
<td>17) Mafikeng</td>
<td></td>
<td>242 193</td>
</tr>
<tr>
<td>18) Witbank</td>
<td>Emalahleni</td>
<td>236 680</td>
</tr>
<tr>
<td>19) Krugersdorp</td>
<td>Mogale City</td>
<td>223 657</td>
</tr>
<tr>
<td>20) Carltonville</td>
<td>Merafong City</td>
<td>209 776</td>
</tr>
<tr>
<td>21) Kimberly</td>
<td>Sol Plaatjie</td>
<td>204 263</td>
</tr>
<tr>
<td>22) Richards Bay</td>
<td>Umhlatuze</td>
<td>196 183</td>
</tr>
<tr>
<td><strong>Cii) REGIONAL CENTRES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23) Thohayandou</td>
<td>Thulamela</td>
<td>*</td>
</tr>
<tr>
<td>24) George</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>25) Umtata</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>26) Upington</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>27) Kroonstad</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>28) Tzaneen</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>29) Ladysmith</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>30) Port Alfred **</td>
<td>Ndlambe</td>
<td>*</td>
</tr>
</tbody>
</table>

Source: Demarcation Board, 2001; Gaffeney’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 observed results 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 certain cities only (e.g. Ekurhuleni and Ethekweni), and that the various service sectors and trade are often the dominant sectors. Table 5.2.2 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>
<thead>
<tr>
<th>City</th>
<th>Manufacturing</th>
<th>Trade</th>
<th>Transport /Communication</th>
<th>Business Service</th>
<th>Community Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>16.6</td>
<td>17.4</td>
<td>10.6</td>
<td>32.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>29.2</td>
<td>14.3</td>
<td>14.0</td>
<td>22.1</td>
<td>14.4</td>
</tr>
<tr>
<td>Ethekweni</td>
<td>28.2</td>
<td>13.9</td>
<td>12.4</td>
<td>20.8</td>
<td>19.1</td>
</tr>
<tr>
<td>Cape Town</td>
<td>16.8</td>
<td>16.0</td>
<td>10.0</td>
<td>29.9</td>
<td>22.2</td>
</tr>
<tr>
<td>Mangaung</td>
<td>7.0</td>
<td>18.2</td>
<td>12.2</td>
<td>16.9</td>
<td>38.6</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Numbers of municipalities reporting as important sectors for employment:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lead sector</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3</td>
</tr>
<tr>
<td>Community services</td>
<td>5</td>
</tr>
<tr>
<td>Mining</td>
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<tr>
<td>Agriculture</td>
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<td>Financial services</td>
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<td>Trade</td>
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<tr>
<td>Tourism</td>
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<td>Construction</td>
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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 eThekwini (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, whilst almost all municipalities operate in-house systems through their LED units and in 8 cases Business Development Agencies/Centres have been established. In the metropoles, 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.
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 argue the job creation focus of poverty approaches. Umhlatuze states that ‘poverty alleviation is temporary but economic growth is permanent’. 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. 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 argue that ‘LED is a local focus and therefore quite limiting’, which 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 claim 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:
Pro-Poor LED in South Africa

• 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 really objectives, 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 cooperatives, investment promotion, procurement, clusters, partnership arrangements, environmental management, social development and rural development.

It is observed that 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 new 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 recently introduced MIG (Municipal Infrastructure Grant), it is surprising that so few claim to be involved with it.

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 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 Integrated Development Planning 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 eThekwini, 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 eThekwini.

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 eThekwini 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 eThekwini 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 - Seventeen 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 - Thirteen 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 East London. 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 - Eleven 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 - Fourteen 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, mainly for larger firms, 13 municipalities have defined strategies in place. 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 2003-04.

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 eThekwini 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 CASE STUDIES

6.1 Introduction

Eight 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. 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. Because of the significant variation in size between the centres studied, whilst in the smaller centres it was possible to detail the full range of LED activities engaged in and specific projects, in larger centres, 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 order:

6.2 Johannesburg
6.3 eThekwini
6.4 Cape Town
6.5 Ekurhuleni
6.6 Mangaung and hinterland
6.7 Umhlatuze (Richards Bay)
6.8 Ndlambe (Port Alfred)
6.9 Ingwe (Creighton)

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
6.2 Johannesburg

6.2.1 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 paper 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.

6.2.2 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.

6.2.3 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.

6.2.4 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.

6.2.5 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, government, the private sector and a tertiary training institution. Foci of activity 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.

6.2.6 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.

In terms of lessons, the following can be stated:

• 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.

6.3 Ekurhuleni

6.3.1 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 net 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.

6.3.2 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.

6.3.3 Policy and planning
In contrast to Johannesburg’s explicitly pro-growth policy, LED policy in Ekurhuleni is distinctively pro-poor focus. However the case-study notes, 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 in noteworthy in the South African context.

6.3.4 Institutional issues
LED is overseen by the metropole’s Economic Development Department.

6.3.5 Strategy
The case-study document intimates that 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.

6.3.6 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.

6.4 eThekwini Municipality (Durban)

6.4.1 Introduction
eThekwini 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.

6.4.2 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.

6.4.3 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.

6.4.4 Institutional issues
Economic development is overseen by the metropole’s Economic Development Department.

6.4.5 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 in the appendix. 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.

6.4.6 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 – these 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 eThekwini 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.

6.5 Cape Town

6.5.1 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, attention focuses on two key case-studies of pro-poor LED. In this case, the focus is on the creative use of Extended Public Works programmes to create employment opportunities for the poor. Two key issues which emerge are:
• firstly the need to understand the multi-dimensional nature of poverty and the need to look beyond temporary income improvement solutions,
• secondly the importance of having effective institutional structures for poverty relief.

6.5.2 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.

6.5.3 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.

In the 2003 LAEDF the link between growth and poverty relief is implicit, 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.

6.5.4 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.

6.5.5 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.

6.5.6 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.

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

SECONDARY CENTRES:

6.6 Mangaung Municipality – the informal economy

6.6.1 Introduction
Mangaung is a municipality including the secondary city of Bloemfontein and two other towns, located in the centre of 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.

6.6.2 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).

6.6.3 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 has established the LED unit, but has for the moment decided not to go forward with an economic development agency, although this has been discussed.

6.6.4 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 centre 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.

6.6.5 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. This echoed the findings of a large survey on the informal sector carried out by UNISA. Key issues revealed included:

• the largest part of the informal economy are street traders, although there are a diverse range of businesses
• 30% 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.

6.6.6 Evaluation and lessons

1) Overall Pro-poor commitment – this 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;
2) Other initiatives in the city are limited;
3) 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;
4) Cost-effectiveness of the LED strategy – no clear evidence of this;
5) Coherence between LED and municipal policy – development issues are cross-cutting and the municipality has sought pro-poor benefits throughout its work;
6) Other actors and LED – the Municipality has striven to involve others and has establish a specific programme, Mangaung Compact, to develop memorandums of understanding (MoUs) with development partners;
7) LED type – currently there is a focus on the formal sector, although there is some work on the informal;
8) M&E – there has been a sophisticated development of outcome and output indicators. However the follow-up in terms of an M&E system has been limited;
9) LED response to socio-economic change – this has been primarily through the provision of services and social development.
10) Lessons:
   • the informal sector helps the poor and unemployed and requires more focus. 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.

6.7 Umhlatuze Municipality (Richards Bay)

6.7.1 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.

6.7.2 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.

6.7.3 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.

6.7.4 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.

6.7.5 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.

6.7.6 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 case;5
   • 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.

SMALLER CENTRES:

6.8 Ingwe Municipality (centred on Creighton)

6.8.1 Introduction
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.

6.8.2 Economic Overview
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.

6.8.3 Policy

5 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.
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.

6.8.4 Institutional issues
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.

6.8.5 Strategy
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.

6.8.6 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 LED process is rather top-down and is driven by the municipality;
2) The municipality recognises and accepts is responsibilities, which means prioritising pro-poor development. Addressing poverty however requires enhanced development of the broader economy to create employment;
3) 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;
4) M & E is being developed through the IDP Performance Management System;
5) 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;
6) 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.

6.9 Ndlambe Municipality (centred on Port Alfred)

6.9.1 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 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.

6.9.2 Economic overview
The municipality’s economy is heavily reliant on commercial agriculture and tourism.

6.9.3 Policy
Despite the presence of very 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.

6.9.4 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.

6.9.5 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, successful LED Fund projects:
(i) The Umsombomvu Pineapple Pulping project
This project is 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 now operates, which sells fruit pulp to juice manufacturers around the country. There have been constraints in terms of skills, transport and links with the farmers. On the positive side there are key lessons in terms of pro-active municipal support and the fact that a community project can sell on the open market. The project has moved beyond the subsistence phase and is operating in a sustainable fashion.

(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 a successful enterprise which employs 20 people has been running for nearly 5 years. Success is 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.

(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. 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.

6.9.6 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 have improved incomes for beneficiaries and their families;
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.
PART D: LESSONS

7 EMERGING LESSONS FOR PRO-POOR LED IN SOUTH AFRICA

7.1 Emerging findings from the survey and case studies

Overall, the preliminary findings of this survey 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 urban system;
- Major divides exist as a group between the largest, most well-resourced and 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. However there are some exceptions to this general picture;
- The definition and understanding of LED exhibits considerable variation, a finding which reflects the absence of national LED guidelines, and the short time with which municipalities have been actively taking forward LED approaches;

Municipalities in South Africa 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. 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. In parallel, the near-absence of the use and application of Monitoring and Evaluation methods is cause for concern.

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.

7.2 Impacts 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. Explanations are:

- LED is still relatively new and **impacts are not clearly understood** nor properly monitored at this stage;
- **Data collection is seldom done** by municipalities and census data is not focused enough to reveal localised LED impacts;
- Staff are often new and have focused primarily upon issues of policy and implementation rather than assessment.

Where results were provided, this does not disclose an optimistic picture. 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.

Only 5 centres 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:

- eThekwini – 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;

### 7.3 Impacts 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 eThekwini, 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 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 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;
- 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 results are not likely to be that impressive.

7.4 Policy/strategy differences and their pro-poor focus

Some key findings include:

- In almost all cases (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;
- Two thirds (66%) of responding municipalities saw no distinction between pro-poor and economic growth agendas. However the major directions and weight of LED policy and interventions are geared to the promotion of economic growth (and for most municipalities this also implies that such support will help to alleviate poverty and unemployment). 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;

- Local government can variously adopt a pro-growth or a pro-poor focus 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;

- There is a lack of clarity on where economic growth will not address poverty and hence on whether differentiated interventions to address poverty are needed. 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 key interventions to support the poor;

- In many of the cities whilst there is commitment to pro-poor development, it often is secondary to growth-focused activities;

- Pro-poor initiatives can help a city enhance its overall economic base;

- There is a need to create an overall supportive economic environment, within which specific interventions can be situated.

While there are defined support programmes which will impact on poverty – such as public works, SMME support and urban agriculture support - 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. The national policy context encourages LED but does not necessarily specify its direction and focus.

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. This situation is to be welcomed and reflects both local imperatives and responsiveness and local adherence to nationally identified objectives.

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.

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, eThekwini 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 eThekwini 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.

There clearly is a difference in the sophistication of documents designed, according to the relative sizes of the cities. Whilst the metropoles have all devoted considerable time and resources to strategy development, in smaller centres policy is often simply an aspect of the relevant, mandatory IDP.

Whilst the real test of success is in terms of actual achievements, the vision a city 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.

7.5 Intervention types and implementation

Operationalisation of LED takes on an array of different forms within defined local economic strategies. Section 4.6 outlines responses in the survey on specific strategies/activities. Some of the specific projects and activities mentioned in the survey 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.

The case studies indicate that pro-growth focused endeavours appear to be able to generate tangible pro-poor benefits e.g. Johannesburg’s Fashion District, eThekwini’s regeneration projects and Ingwe’s rail-based tourism initiatives. Key findings in relation to the types of interventions used to address LED include:

• LED responses are characterised by both the search for new economic opportunities (e.g. Cape Town promoting call-centres), as well as defending existing economic bases (as in Ekurhuleni’s safeguarding its industrial base);

• 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 to an impressive portfolio, such as the case in eThekwini.

• Projects 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;

• Pro-poor municipal interventions centred in public works programmes can create jobs and also deliver services in an effective fashion e.g. waste management in Cape Town;

• Other interventions which appear to be promising are:
  o SMME support and innovation support in eThekwini; agricultural, SMME and tourism support in Buffalo City;
  o Industrial hives in Ekurhuleni;
  o Rural planning in Rustenburg, and;
  o Small business support in Ndlambe.

• Government support, such as the LED Fund in Ndlambe, if managed correctly and targeted to economically viable projects can catalyse meaningful development on the ground. Public procurement, urban renewal, SMME programmes and public works are the most significant government programmes. 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 involvement6;

• In some cases, such as in Mangaung and eThekwini, 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;

• Pro-poor, community-based initiatives if market linked, providing a viable product and operating in an economically effective fashion can help disadvantaged

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6 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
community members to effectively participate in the market economy e.g. in Ndlambe and in Durban’s Warwick Junction;

- 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);

- The importance of markets and marketing:
  - Effective business research/establishing the existence of a market needs to be undertaken.
  - 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;
  - Effective marketing is important to draw in customers/tourists and to market produce;

- Precise funding for LED remains unclear, albeit that wide gaps are in evidence between larger and smaller centres. In general terms LED budgets seem rather small and hence can only achieve a limited impact;

- The corporate sector, either at the individual level, collectively or in partnership with the public sector can play a key role in poverty responses e.g. through the various partnerships in eThekwini and uMhlatuze.

- Explicit support for pro-poor development, in terms of funding, participatory development, policy and partnerships, clearly needs to be in place;

- Economic development is a long-term process and dedicated action is needed before significant goals will be attained;

- There are clear advantages to be derived from tapping into collective efficiencies (e.g. Richards Bay).

In all of the cases examined, with the exception of Ekurhuleni, direct implementation is well advanced and has often been in place for several years. Strong and dedicated leadership is critical in driving projects, especially in smaller centres, e.g. Ingwe.

M&E appears to be poorly integrated into LED in South Africa. Proposals by Ekurhuleni in this regard and the performance management system in the IDPs are a starting point.

### 7.6 Institutional arrangements

Institutionally, 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 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). 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. In 4 cases the Municipal Manager was in charge, 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 does impede 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.

LED is not the exclusive domain of government; and the business sector either through individual firm action, or acting collective or through private-public partnerships can impact significantly on poverty. Forming ‘partnerships for growth’ is critical. 14 of the 17 municipalities responding in the survey (82%) had formalised partnerships with other government or private sector organisations. 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 include stakeholder forums (2 cases) and others had links with government, mines, neighbouring municipalities and organised agriculture.

7.7 Funding for LED

Feedback on this issues was disappointing, with only 11 municipalities responding. Funding is 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. Funds tend to be rather limited and overall budget allocation suggests that there might be a bias on favour of pro-growth projects.

Smaller centres are only able to allocate a few hundred thousand Rand to LED Units (eg R100 000 in Umhlatuze), 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.

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

7.8 Monitoring and evaluation

Generally M&E is poorly developed. Cost and time considerations are generally advanced as explanations for this scenario. 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. Cities either just don’t do M&E or are unable to do it because of pressure to spend budgets, complete projects and move on to the next task, staff shortages and pressure from councillors to continually deliver. 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.

This is discussed further in a separate report on M&E.

7.9 Implications for a pro-poor focus

Some of the implications that emerge from this section are that:

- 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;
- Policy can explicitly target pro-poor development, either directly or indirectly, through the encouragement of appropriate market interventions;
- Poverty reduction interventions require explicit policy and strategy support and both policy and process need to be focused on together;
- Stability in policy and politics is critical in development;
- Planning needs to be effective and thorough, but an obsession with planning should not limit learning by doing and the undertaking of implementation.
8 CONCLUSIONS

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

The evidence gleaned from the survey 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. Some of the most evident are:

- 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? In addition, lack of clarity over the nature and focus of LED need to be addressed at national level. One issue of note in this regard could be the need to specifically seek to respond to market failure;
- 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;
- In any assessment it is important to acknowledge what has been achieved, often by officials operating with limited resources;
- Reasons for limited success seem most obviously to be related to capacity and funding constraints, as well as issues such as poor partnership formation 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. A recent national evaluation of government-supported LED Fund projects highlighted concerns regarding the viability of ventures engaged in and the support rendered. That stated, the relative success of such projects as in the Ndlambe case indicates that the picture is not all negative;
- 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;
- Monitoring and evaluation is weakly developed and often not applied, poverty targets are not always in place and many municipalities are not able to fully ascertain the impact of their actions.

Despite the generally negative tone of the preceding comments, the overall assessment needs to factor in the quite evident success achieved in many of the case–studies. Successful projects would appear to be related to:

- the pursuit of economically-sustainable projects;
- being based on clearly focused pro-poor outcomes;
- having strong leadership and direction;
• significant resource and capacity inputs being provided;
• effective collaboration with multiple stakeholders;
• 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.

8.2 Overall pro-poor orientation and impact of municipalities

The evidence examined indicates that, almost without exception, municipalities recognize their developmental responsibilities in general and the need to address poverty specifically. Such an orientation reflects national RDP thinking and DPLG guidance. The internal buy-in and support clearly has been acknowledged and, in principle, would appear to be in place.

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 and understanding of just what development is and what impacts on poverty.

Adopting the narrower interpretation of LED, it would appear that impacts of direct pro-poor LED activity have been mixed. While examples such as Johannesburg’s fashion district and eThekwini’s Warwick Junction are significant, not all centres can report such degrees of success. In small centres such as Ndlambe, the sustainable small businesses established are significant, but ultimately only a handful of jobs have been created.

It was striking and unfortunate that very few respondents in the survey were able to provide estimates of the impact of their activities (Cape Town being a significant exception). This reflects on the poor state of monitoring, the fact that in many centres implementation is not at an advanced stage and perhaps also that there are significant capacity constraints in LED Units.

8.3 Degree to which initiatives broader than in-house local government activities are having an impact, including partnerships

The case studies have not specifically investigated the impact of different stakeholders, as they have focused primarily on the role of municipalities. Some evidence that has emerged includes:

• In bigger centres, where there are Growth Coalitions (e.g. eThekwini) and Inner City Partnerships (e.g. Cape Town) they would appear to be having a key impact, either at the level of major projects or in specific area-based schemes. Most municipalities are initiating some form of partnerships, even if many are weak;
• Although there are forums or some mechanisms for public-private interaction in most places, there seem to be relatively few cases of direct collaboration in joint projects;

• Evidence of the impact of corporate social responsibility, e.g. in Umhlatuze, or FNB in Mangaung is apparent. 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;

• Evidence for the changing roles of the private sector to focus on the poor, and informal sector, e.g. the new accounts banks which are developing for stokvels;

• Community linkages vary. While there is quite good interaction through the IDP process, 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;

• The fact that national programmes such as the LED Fund can have an impact if well-managed and used for appropriate interventions, e.g. in Ndlambe.

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.

8.4 The relation between pro-poor LED initiatives and outcomes

As suggested above in sections 6.2 and 6.3 outcomes vary, and it is difficult to analyse cost-benefit relationships from the evidence provided from municipalities. Overall there is little evidence of impact on growth, although it is still early days in some municipalities. There is evidence of significant impacts on employment, e.g. in Cape Town, or the 1000 jobs created in Johannesburg’s Fashion District. Some of the jobs are temporary, and the long-term impact of these on livelihoods is not clear. In terms of broader issues such as the building of capacity, the results are more varied – ranging from low impacts, such as Cape Town’s employment schemes, to sustainable micro-enterprise in Ndlambe.

8.5 Cost effectiveness of directly-funded LED activities

This was difficult to ascertain, as reflected in the discussion in the survey section and the aforementioned weakly developed monitoring systems – with limited cost data, as well as impact data. While cases such as Ndlambe have created a couple of dozen jobs through relatively low investment, 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.
8.6 Coherence between overall LED strategies and pro-poor activities of the municipality

Many commentators remarked that the link is acknowledged and supported in policy, but 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);
- the 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);

8.7 Emerging typology of LED in SA

At this juncture it is rather difficulty to be definitive about the emerging typologies of LED, given the very mixed experiences on the ground. That said, the most obvious distinctions are 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 centres, which are impoverished in terms of resources and where LED activities are often most discernable at the level of the small project.

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 (as revealed in the majority of the case-studies investigated);
(ii) Those in which pro-poor interventions are seen as the dominant LED focus;
(iii) Those in which there exists a local growth path which simultaneously achieves both pro-growth and pro-poor interventions.

8.8 Implications for a M&E framework

M&E comes out consistently as weak, with the most that is achieved being the development of key performance indicators in a number of municipalities. This urgently needs to be developed and applied. M&E needs focus on both budgetary/accounting factors and social impact analysis. While the former is self-
evident, the latter is needed to gauge broader impacts e.g. skills acquisition, improved life prospects etc. This will be addressed in another report. Over and above implementing and refining M&E is the need to identify the minimum criteria required to assure success and sustainability.

8.9 LED’s role as part of a response mechanism to socio-economic change

This role can be important, as shown by the examples from places such as Johannesburg and Ndlambe. However, this presupposes that adequate resources, policy endorsement and political sanction are available and in place to respond to such change.

8.10 Implications of findings for policy and practice in SA and internationally

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).

The trap must be avoided, however, 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 survey indicate that in the municipalities which responded to the survey, 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.

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 in areas such as small business support also plays a key role at the local level.

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 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 absence of effective monitoring and evaluation mechanisms
Challenges faced by LED practitioners in SA’s cities 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 came 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.

Certain key recommendations can be made:

• 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. 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. Concentrating support for the poor on basic services will not create economic livelihoods, and may continue to foster a dependency on the state;
• 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. Given the lack of consensus about these terms nationally and internationally, consensus is clearly needed;
• A supportive 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. Much of this is potentially available in South Africa;
• Creating an enabling environment in which businesses can flourish is essential, especially small operators; 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.
• 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:
  o 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.

- 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 sector in particular, where it exists in significant strength, needs 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;

- A clear case can be argued for a new LED Fund which targets support to economically sustainable services, as well as projects. Investigation of international best practise, such as the EU’s Competitiveness Fund may well hold merit.

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, which promotes greater self-reliance, and lessens dependency of the poor. The experience of over ten years of applied LED in South Africa, despite the overtly significant legal and policy context and the not inconsiderable resources of the larger cities and the private sector, 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.
ANNEX 1 SOURCES


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Lootvoet, B. and Freund, B., 2004: Local economic development: utopia and reality in South Africa; the example of Durban, KwaZulu-Natal, Paper presented at the


Naude, W., 2001: Local government transformation in South Africa: implications for regional and local economic development, *Development Issues* 3 (2) 1 and 10.


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Rogerson, C.M. 1995: Local economic development planning in the developing world, *Regional Development Dialogue*, 16 (2), v-xv.


SACN (South African Cities Network), 2004: *State of the Cities*, Cape Town, SACN.


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
   - Ekurhuleni
   - 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 FOR PRO-POOR LED SURVEY OF MAIN URBAN CENTRES IN SOUTH AFRICA

### 1 Defining the municipality

<table>
<thead>
<tr>
<th>Name of municipality</th>
<th>Location of HQ of municipality</th>
</tr>
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<tbody>
<tr>
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<table>
<thead>
<tr>
<th>Person completing questionnaire</th>
<th>Name:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Title:</td>
</tr>
<tr>
<td></td>
<td>Phone number:</td>
</tr>
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<td></td>
<td>Email:</td>
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<table>
<thead>
<tr>
<th>Population (2001 census)</th>
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</table>

<table>
<thead>
<tr>
<th>Economic sectors:</th>
<th></th>
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<tbody>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

- 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?

<table>
<thead>
<tr>
<th>Name:</th>
<th>Title:</th>
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<tbody>
<tr>
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</table>

#### 2.2 What internal structures are there for LED (eg LED Unit etc)

<table>
<thead>
<tr>
<th>Name:</th>
<th>Title:</th>
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<tbody>
<tr>
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#### 2.3 Please give details of key contacts for these if not you?

<table>
<thead>
<tr>
<th>Name:</th>
<th>Title:</th>
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<th>Phone number:</th>
<th>Email:</th>
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</table>

#### 2.4 How do these units fit within the structure? (eg which directorate..)

<table>
<thead>
<tr>
<th>For economic planning</th>
<th>For implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

#### 2.5 What external mechanisms have you established? eg economic development agency, business forums, PPP......

<table>
<thead>
<tr>
<th>Politically Management</th>
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<tbody>
<tr>
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</tbody>
</table>

#### 2.6 Please provide details of any interdepartmental LED teams and what their focus is

#### 2.7 At what level is LED overseen

<table>
<thead>
<tr>
<th>Politically Management</th>
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</table>

#### 2.8 Does the LED Unit interface with other spheres of government. If so, which Departments

<table>
<thead>
<tr>
<th>Formal (legal, or with written agreements)</th>
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</table>

#### 2.9 What partnerships do you have?

<table>
<thead>
<tr>
<th>Informal</th>
<th></th>
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<td></td>
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</tbody>
</table>
### 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

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

<table>
<thead>
<tr>
<th>Does the municipality support any of the following?</th>
<th>Y/N</th>
<th>Please specify</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and information re economic development</td>
<td></td>
<td></td>
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<tr>
<td>Support for export/marketing/ quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing of the area</td>
<td></td>
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<tr>
<td>Non-financial support in promoting inward investment</td>
<td></td>
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<tr>
<td><strong>Other support (specify):</strong></td>
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</tbody>
</table>

### 5 Funding (please attach detailed budget showing programmes and projects)

<table>
<thead>
<tr>
<th>What funds are allocated (R, 000) Please put source underneath.</th>
<th>Operational</th>
<th>Capital</th>
<th>Comments/details</th>
</tr>
</thead>
<tbody>
<tr>
<td>To LED units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To partnership structures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To specific economic structures (eg bus centres, incubators…….)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To other specifically LED-related services/activities?</td>
<td></td>
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</tbody>
</table>
### 6 Impacts (please send copies of any impact evaluations that have been conducted)

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 What have been the overall impact on growth in the area</td>
<td>Growth in GDP:</td>
</tr>
<tr>
<td></td>
<td>From when to when:</td>
</tr>
<tr>
<td></td>
<td>What evidence do you have:</td>
</tr>
<tr>
<td>6.2 Do you have targets for reduction of poverty. If so what are they?</td>
<td>These could be regeneration targets, geographic targets (not just industrial zones, but other areas needing targeting too, marginal housing areas etc) (probably from IDP)</td>
</tr>
<tr>
<td>6.3 What have been the overall impact on levels of poverty in the area</td>
<td>% of households with incomes less than R1500/m(^7):</td>
</tr>
<tr>
<td></td>
<td>From when to when:</td>
</tr>
<tr>
<td></td>
<td>What evidence do you have:</td>
</tr>
<tr>
<td></td>
<td>Nutrition(^8):</td>
</tr>
<tr>
<td></td>
<td>Skills levels:</td>
</tr>
<tr>
<td>6.4 What have been the overall impact on levels of employment in the area</td>
<td>Impact on unemployment:</td>
</tr>
<tr>
<td></td>
<td>From when to when:</td>
</tr>
<tr>
<td></td>
<td>What evidence do you have:</td>
</tr>
<tr>
<td>6.5 What have been the overall impact on levels of inequality in the area</td>
<td>Can we pick up changes in Gini coefficients</td>
</tr>
<tr>
<td>6.6 Please insert details of specific programmes or projects which have been successful in terms of addressing poverty</td>
<td></td>
</tr>
<tr>
<td>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?</td>
<td></td>
</tr>
</tbody>
</table>

---

\(^7\) Check with SSA on poverty datum line to use

\(^8\) Check with SSA on poverty datum line to use
ANNEX 4  CASE STUDIES

1  Johannesburg
2  eThekwini
3  Cape Town
4  Ekurhuleni
5  Mangaung and hinterland
6  Umhlatuze (Richards Bay)
7  Ndlambe (Port Alfred)
8  Ingwe (Creighton)
ANNEX 5 KEY ISSUES RAISED IN WORKSHOP DISCUSSIONS ON 5 OCTOBER 2005 IN JOHANNESBURG

Issues

<table>
<thead>
<tr>
<th>Comments</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of LED</td>
<td>To include all activities which LG and other stakeholders engage in to promote, growth, livelihoods and address needs of poor. Definition comes from Europe and the States – and when started in this country was mainstream pro-growth and in SA needed to be somewhat different</td>
</tr>
<tr>
<td>When this was done – wasn’t an equating of LED with projects. Dplg has seen that impact of projects is very limited</td>
<td></td>
</tr>
</tbody>
</table>
| What is pro-poor – what is pro-growth. Trickle-down is a challenge – how do we address this? How do we transcend dualistic economy? Mainstream dominated by market-led activities - what are those | SA’s dualistic economy has led to a perception that progress = growth in formal sector. This excludes 40% of the population. Growth in S Korea, Taiwan, Vietnam driven by agric and small farmer. We must grow this sector. In Europe SMMes driver of employment creation.  
• Pro-growth – working with formal sector. Can also be informal sector, eg helping them to grow and formalise  
• Pro-poor – specifically targetting poorer, but can also promote growth. CT’s waste management is good example of what can be done.  
• Safetynets/basic services can be seen as the only way of helping the poor – however can also have growth interventions  
• So need Pro-poor growth  
• Are impacts in terms of types of strategies and deliverables – and have to sell differently to political masters  
• Dplg sees pro-poor growth will always benefit poor people – while pro-growth do not nec benefit poor people  
Study looked at what was seen on ground. |
<p>| Is growth always good even if it doesn’t trickle-down? Can we have some | Problem that the way this project was conceptualised by WB was locality |</p>
<table>
<thead>
<tr>
<th>Comments</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>advice on measures to assist with that?</td>
<td>focused. What is not being asked is these tools. Next step hoping to develop follow-on 4 Country Action-learning project which will help us to answer these practical questions.</td>
</tr>
<tr>
<td>Have we measured scale, impact and sustainability of pro-poor interventions, or LED-driven policies?</td>
<td>We struggled with this – we thought munic may have in place. Uthungulu do annual quality of life survey - and was a pilot for DIMS. Have a project dashboard showing how many employed etc. Many municipalities do not actually measure, although may have targets.</td>
</tr>
<tr>
<td>Say limited range of LED intereventions. What about National Spatial Dev Perspective, land reform, Housing Policy (Breaking New Ground), land use management system</td>
<td>We tried to capture how LM seeing function and how LED officers see it. Study was limited and so used the municipal focus, rather than also going directly to provinces etc. Report needs to indicate what not said by municipalities.</td>
</tr>
<tr>
<td>Very varied approaches to LED – is that surprising? Why would it be the same for Joburg and Mangaung?</td>
<td>Nor surprising – thought might be higher degree of sharing amongst big cities.</td>
</tr>
<tr>
<td>Good case for LED Fund – KZN has Gijima Fund implemented by Dept. funded by EU. Is that what we have in mind?</td>
<td>KZN, Limpopo and E Cape are pilots funded by EU. Some of their funds are good, some things not happy with eg grant funding which can distort. Looking at integrated fund including public and CSR funds</td>
</tr>
<tr>
<td>Note some new docs now released – this doc is a snapshot. There have been some changes since then, reflecting the dynamism</td>
<td>We acknowledge this. Also this has helped start a process of discussion and debate amongst partners which is very productive.</td>
</tr>
<tr>
<td>Recommendations need more work on them.</td>
<td>Groups will help to refine these</td>
</tr>
<tr>
<td>How does policy translate into budget</td>
<td>Many IDPs wishlists. Prov Depts don’t have to do IDPs – and send in junior officials. This has come out of IDP hearings.</td>
</tr>
<tr>
<td>Constantly talking about collaboration, IGR, but EPWP still doesn’t talk to BNG</td>
<td></td>
</tr>
<tr>
<td>This study on urban LED, but parallel study on rural LED, so this picture is already biased.</td>
<td></td>
</tr>
<tr>
<td>Research is one thing, converting to toolbox may be too much for this study</td>
<td>Very limited funding – this can be part of next stage.</td>
</tr>
<tr>
<td>Good document – many lessons can be drawn. Would like to talk about municipal policies and regulations and their impact, red tape, lack of capacity</td>
<td>There are limitations from MFMA, eg on tendering. Need mechanisms that are developer-friendly.</td>
</tr>
<tr>
<td>Comments</td>
<td>Responses</td>
</tr>
<tr>
<td>----------</td>
<td>-----------</td>
</tr>
</tbody>
</table>
| of municipalities | EIA also a culprit  
Critical for home-based enterprise |
| LED as devolution without sufficient resources. Is it really devolved function? | Constitution says municipalities responsible for social and economic well-being.  
LED not devolved but responsibility for ec development. |
| KZN different. Constitution gives mandate on LED, but MSA Sc 84 but no specific function for LED. Can argue that everything munic does contributes to LED. Many municipalities saying LED is unfunded mandate. | |
| MFMA not allowing estab of Dev Agencies | Dplg question about Development Agency – how do you make this inclusive |
| Uthungulu –had 2 RSCs, now 11 LMs. Big issue of capacity and budgets. | Could provide much more through equitable share, eg Uganda 80-90%. |
| How is LED a priority if can’t provide basic services | |
| 45% of land in KZN Ingonyama Trust and no rates. So live from equitable share. | Note Gov starting to pay rates in phased process and so would Trust. |
| Lack of capacity – no budget to pay for LED Unit | |
| Have to address backlog by 2008 – Uthungulu cannot until 2018 | |
| Abolition of RSC levies will have big impact – eg eThekwini R700m loss | Dplg looking at how replace eg in equitable share. |
| Crime has big impact on LED eg can’t take mobile services to some areas | |
| Are there places to use as benchmarks? | Some examples eg CT and waste management. Not nec whole municipality. Do need examples to show municipalities. |