LOCAL ECONOMIC DEVELOPMENT: A REVIEW ASSESSMENT OF ITS CURRENT STATUS IN SOUTH AFRICA

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By mobilising the resources of urban communities, government and the private sector we can make our cities centres of opportunity for all South Africans, and competitive within the world economy. The success of this will depend on the initiative taken by urban residents to build their local authorities and promote local economic development (Mandela, 1995, p.5).

ABSTRACT

In recent years Local Economic Development (LED) has become a widely practised development strategy in the countries of the North at both the local government and community levels. LED is less widely implemented in the South where, in most instances, it appears to still be in an incipient phase. This paper investigates the current status of LED in South Africa, where, over the last decade, local governments, community groups and non-governmental organizations (NGO) have become significantly more active in locality based economic development. Several local governments have established comprehensive LED programmes including the establishment of LED units and the pursuit of a range of developmental strategies, whilst in parallel, an array of community and NGO initiatives are in place. In almost all cases however results are still of a rather limited nature and this paper assesses of the reasons for this situation.

INTRODUCTION: THE EMERGENCE OF LOCAL ECONOMIC DEVELOPMENT

South Africa’s remarkable political rebirth in the 1990s rightly captured world attention and admiration for the phenomenal process of reconciliation and nation building which took place. Less well known internationally is the severity of the economic and employment crisis which South Africa has inherited. Officially, unemployment stands at nearly 40%, although figures of up to 80% have been recorded in certain rural districts. Inherited racially-based inequalities still largely persist, whilst the country has not attracted the amount of foreign investment hoped hope, instead. It is estimated that nearly one million jobs were lost in the 1990s, as a result of poor economic performance, global competition and deindustrialisation, which affected the gold mining industry particularly severely (Lester et al., 2000; Wakeford, 2000). Within this context a variety of employment generating strategies are being investigated and experimented with by the state and private organizations. One which has enjoyed considerable attention, though it has yet to really prove itself in practise is that of Local Economic Development (LED). This paper details and assesses the emerging reality of LED in South Africa.

The development strategy of Local Economic Development or LED has been widely practised in the countries of the North for several decades now. In the South, by contrast, in a formal sense, it appears to be a relatively recent phenomenon and one, which in an era of economic crisis needs to be evaluated in terms of its potential to help address the challenges of poverty and unemployment and to simultaneously encourage growth. Reasons for the emergence of LED in the North and the South differ as detailed below.

In the countries of the North, although there have been elements of place marketing and boosterism evident in local government policy for many decades (Ward, 1990; Erie, 1992), it would seem that in the last 20 to 30 years the incidence of LED has become more prolific. This is not only in terms of local government action, but also the activities of central governments seeking to catalyse growth at the local level and the endeavours of various community development organizations striving to improve economic and social conditions within specific neighbourhoods (Rich, 1992, Wilson, 1996a). The importance of the so-called ‘rolling-back of the frontiers of the state’ (Roberts, 1993, p.759) after the 1970s economic crises, the pursuit of ‘Reaganomics’ and ‘Thatcherism’, the dubious results achieved by traditional, regional development interventions and the widespread incidence of locality specific crises of deindustrialization have all played their part (Nel, 1999). LED is one response to the so-called ‘development impasse’ referred to by Schuurman (1993) and has parallels with the anti-development argument about the need to focus on innovative grassroots movements (Escobar, 1995). The action of various community economic
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LED is not a new phenomenon, it has been a defined aspect of local government administration in the North for over a century (Ward, 1990). What is new is the increasing incidence of such activity, its growing acceptability and the parallel increase in the importance of various NGO and community based development initiatives. The enhanced status of the locality in the global economy and the importance of local decision making and democracy have accelerated this trend. Variously referred to as self-reliance, local-coping, endogenous or bottom-up development and LED (Taylor and Mackenzie, 1992; Binns, 1995), the phenomenon defies both rigid definition or stereo-typing as to what precisely it involves. An attempt to define LED has however been made by Blakely (1994, p. xvi) who defines it as, "...the process in which local governments or community-based organizations engage to stimulate or maintain business activity and/or employment. The principal goal of LED is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources". According to Zaaijer and Sara (1993, p.129), LED "...is essentially a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area". Although these definitions cannot be taken as the final statement of what LED is, they do provide a broad insight into the overall orientation of the concept. Despite this, the topic of Local Economic Development (LED) and related concepts such as community economic development, self-help and self-reliance strategies appear to have received considerable
attention from scholars in recent years (Turok, 1989; Bennett, 1990; Stöhr, 1990; Clarke and Gaile, 1998) and according to Reese (1993a, p.492), “research on local economic development (has grown) exponentially”.

The reality of LED has been examined by a wide range of authors over the last 20 years, as is witnessed by a significant variety of books and articles on the topics (Judd and Parkinson, 1990; Zaaijer and Sara, 1993; Clarke and Gaile, 1998; Nel, 1999). According to Glasson (1992), by the end of the 1980s regional planning in the North emerged from the ‘doldrums’ in a revamped, dynamic new form. ‘Top-down’ approaches have now, partially, been superseded by locally driven strategies. These are based in the host community, are motivated by a desire to improve local conditions and encourage that area’s entrepreneurs. This is in preference to the more traditional ‘smoke-stack chasing’ approach of seeking investment by large-scale, external firms (Daniels, 1989; Stöhr, 1990). The notion that regional policy was at a ‘crossroads’, both financially and theoretically, has given impetus to local initiatives and LED more specifically (Albrechts et al, 1989). In the North there has been a definite switch to ‘bottom-up’ / ‘development from below’ / endogenous / supply side strategies characterized by a frequent reliance on decentralized, flexible production in which local authorities and actors play a key role (Stöhr, 1990; Glasson, 1992). The swing in favour of so-called ‘bottom-up’ strategies, which emphasize local action as opposed to that of the central state, has clearly marked a significant shift in development thinking.

LED can materialise when local agencies and/or people seize the initiative and engage in actions which unify communities, business and other relevant authorities in their local area in a joint endeavour to improve their economic and social conditions (Stöhr, 1990). It appears that LED is generally a cost-effective and community-empowering process which has a defined role to play and which can yield tangible benefits for participating communities. There is a clear, defined role for government within this overall context, namely that of facilitating, supporting, part-financing and devolving control. Although LED in the South and the North are directly comparable, in terms of issues such as reliance on local control and initiative and the addressing of local needs, the well-publicised Northern examples tend to focus far more on issues of investment, big-business support and large project development undertaken by relatively well-resourced local agencies with or without external support (Judd and Parkinson, 1990). In parallel, in the North, community economic development and the activities of community business form an important adjunct to the more formalised policies, particularly in underdeveloped areas (Wilson, 1996a,b,c; Filion, 1998; Haughton, 1998; O’Deherty and Durrschmidt, 1999).

In the South, even though there is some evidence of urban entrepreneurialism in places like Brazil, Peru and Korea (Ferguson, 1992; Zaaijer and Sara, 1993; Rogerson, 1999a) as the literature on ‘self-reliance’ suggests, LED often relies far more on small-scale and community-based initiatives, utilising indigenous skills and seeking primarily to ensure survival, rather than participation in the global economy (Taylor and Mackenzie, 1992). These categories are naturally not mutually exclusive. LED in the North and the South can be conceptualised as operating at two broad levels, namely:

a) The formal - usually characterised by the involvement of local and higher authority structures and the formal business sectors (Nel, 1999), and

b) The informal - usually characterised by action at the level of community-based organizations and NGOs. Links with spontaneous self-reliance initiatives and the informal sector have been discerned (Wilson 1996c; Nel, 1999).

Within this overlap context the role of partnerships between key agencies is clearly important.

The reliance of LED initiatives, particularly at the community level, on high degrees of social cohesion and the joint identification and implementation of projects ensures that there is complementarity between LED and the currently vogue notion of social capital. The popularization of the 3rd Sector or civil society (Wilson, 1996a) as identified by Putman in his work on social capital in Northern Italy (Buckland, 1998), draws attention to ‘features of social organization, such as trust, norms (customary behaviour), and networks, that can improve the efficiency of society by facilitating co-ordinated actions’ (in Buckland, 1998, p.241). Trust and co-operation are essential for achieving indigenous efforts at community development. In many parts of the world, social capital is enhanced through the pro-active endeavours of NGOs which according to Mercer (1999, p. 247) are ‘the development panacea for the 1990s and beyond’. Much has been written about the actual and potential role of NGOs in development but it would be fair to argue that their role has probably been exaggerated and they have been credited with abilities above and beyond their actual capacity.

Though a great variety of strategies are applied around the world, some general approaches can be outlined.
Individual selection will depend on whether local authority LED or community based LED is being followed. The latter will normally opt for community focussed activities, with an economic and job-creation focus tending to dominate strategies; support for small enterprises is a common trait. Company establishment is frequently encouraged by local authority based endeavours through either ‘supply-side’ incentives such as tax related incentives which are common in the U.S.A. or ‘demand-side’ incentives. The latter, which are common in Canada, involve the development of new businesses by employing strategies which build demand for locally produced goods and provide support for emerging enterprises. Assistance with marketing and training all feature prominently in this case (Reese, 1993b). Some of the most common formal LED strategies pursued by authorities involve (in no set order of precedence):

**Financial Support:**
- revenue bonds
- revolving loan funds and below market rate loans
- tax incentives
- loan guarantees and / or equity participation
- investment packages
- financial assistance to small firms
- community banking / group loan schemes

**Land and Building Development:**
- provision of infrastructure and land
- land acquisition
- the provision of workshops and small industrial premises
- enterprise zones with tax and planning concessions
- urban regeneration
- agricultural support

**Information and Marketing Assistance:**
- supply of information and advice
- general marketing and promotion and image reconstruction
- targeted marketing of products or areas
- export promotion

**New Planning and Organizations Structures:**
- adoption of comprehensive planning techniques
- streamlining administration
- community development corporations, community business and co-operatives

**Training and Employment:**
- employment and training strategies and grants
- direct employment
- vocational education
- social support structures / community organizations


It needs to be pointed out that no single locality will apply more than a limited number of these strategies. Some examples serve to illustrate this point. Italian towns have been noted for a focus on small business promotion, through the use of grants, equity participation, tax incentives and the occasional provision of factory space (Brusco and Righi, 1989). By contrast, in Spanish centres, the focus is often on place-marketing and infrastructural development which acts as a drawcard to potential entrepreneurs and investors (Garcia, 1993). In North America a shift in LED activities away from traditional locational incentives to more entrepreneurial approaches has been noted. Less use is being made of tax incentives, which are seen as unwieldy, in favour of new marketing strategies e.g. special promotions and cultural events, business incubators, leaseback arrangements, improvement of the local environment and building rehabilitation (Reese and Fasenfest, 1996). In documented Brazilian localities there has been an alternate focus on community organizations, community business, community support programmes and appropriate training (Ferguson, 1992). Applied LED can vary from a strategy applied within an entire city to one applied in a particular neighbourhood or community.

It would be wrong to see the above strategies as resounding successes or as the prelude to a new phase of economic regeneration and growth. LED does, however, represent a serious attempt by local actors, as representatives of their
communities, to promote and sustain economic development in spite of recessionary and other global forces. Whilst there appears to be universal agreement that change has occurred, the degree to which it has taken place is open to debate as is the whole question of whether LED can really serve as a new growth option. Opinions on the latter point vary, according to Razin (1990, p.685) who asserts that “LED policies have gained widespread recognition during the last decade, and may soon overshadow national spatial economic policies”. Practically however, not all initiatives succeed, many projects do experience a life-cycle commencing with enthusiasm and success followed but what can often be mediocre results and despondency. As Stock (1995, p.359) points out, “there are limits to what they (communities) can accomplish”. The sense of critical reflection which such realities has engendered has led to the recent investigation and publication of articles which address topics such as the ‘Rise and Fall of Local Economic Development’ ( Hall, 1995) and “Why state and local economic development programmes cause so little economic development” (Dewar, 1998).

Research by Green, Fleischmann and Kwong (1996, p. 609) in the USA show that: LED policies had ‘a limited influence on changes in the number of jobs in cities during the economic recovery of the 1980s. Local investment in infrastructure and education, however, may enhance employment growth in both the manufacturing and the service sectors’. These are sobering thoughts which other regions of the world need to be aware of when seeking what seem to be alternate growth options to pursue. The determination of the various factors which cause a project to succeed or fail are critical in the analysis of any case-study of LED. Over an above obvious factors such as available resources - both financial and physical and questions of transport and accessibility, critical within the debate has to be the role of both human and social capital. Leadership within any LED initiative is not confined to any single group and can fall under local governments, NGOs, government, community groups or a combination of such organizations (Zaaier and Sara, 1993). Further, as a project evolves it might either peter out and die, or mutate and alter course according to prevailing circumstances, obstacles and opportunities. Attention now shifts to an examination of the situation in South Africa.

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**i- Introduction**

“The concept of Local Economic Development (LED) is currently attracting considerable attention in government and policy circles in South Africa” (Nel and Humphrys, 1999, p.277) Even though the concept is still relatively new in the country, it enjoys much wide acceptance and credibility. It is currently being initiated in variations which range from typical, Northern-style ‘urban entrepreneurial’ approaches pursued by the major cities through to a host of community and NGO initiatives which share much in common with strategies pursued throughout the developing world. From a policy perspective LED finds accord with the post-apartheid government’s pursuit of a neo-liberal economic strategy and a commitment to devolve powers of government to the local level and to support community-based endeavours. (ANC, 1994; RSA, 1996a, 1996b). In this section the evolving history of LED in South Africa is detailed before proceeding to an examination of current national policy on the topic, an investigation of the current reality of LED and an assessment of what is taking place. From the outset it needs to be pointed out that even though its application is quite widespread, few tangible results have yet been achieved.

**ii- Evolving LED in South Africa**

In common with other countries in the world it is apparent that some South African urban areas were actively engaged in LED at the turn of the century (Nel and Rogerson, 1995). This however petered out in the era of strong central state control which characterised a large portion of the present century. Under apartheid, Keynesian style policies were rigidly applied to ensure that the central state gained control over all aspects of the society, which led to the suppression of local initiative and the erosion of local autonomy (Nel, 1999). In the recent past, LED can only really be regarded as a post-1990 phenomenon. Though delayed in comparison with the North, numerous endeavours are emerging in South Africa. These have generally sprung from local economic crises, and the initiatives of local leaders and the communities which they represent. Places or localities where this phenomenon was first noted in the early-1990s include the town of Stutterheim, the city of Johannesburg and the industrial development point of Atlantis (see Figure 1)(Nel, 1994; Rogerson, 1995b; Nel and Meston, 1996). The efforts of the noteworthy Stutterheim Development Forum in the early 1990s to try and achieve racial reconciliation and to promote development clearly served as a model for similar public-private-community ventures elsewhere and provided a limited model of what could be accomplished (Nel, 1994). In terms of local government led LED, with the exception
of Cape Town, which actively started to investigate the issue in 1986 (Cape Town City Council, 1986; Gretton, pers. com., 1997), the process can only really be treated as having started in the mid-1990s. Emerging local government LED units are still only in their incipient phase and where they actually exist most, are still drafting policy and are seldom involved in significant development.

The emerging role of public-private growth coalitions is starting to be discerned and is an approach which is encouraged by government policy (RSA, 1998; Mosiane, 2000). Community based organizations (CBOs) and NGOs have a long history in this field and have a key role to play in resource and capacity weak areas. Their contribution in smaller centres such as Kei Road and Seymour are noteworthy in this regard (Nel, 1997). In addition, the support and training rendered by private organizations such as the National Business Initiative (NBI) and the Friedrich Ebert Stiftung (FES) has been of particular value to CBOs and NGOs. There clearly is scope to enhance this role in parallel with support of local government LED initiatives.

iii - National Policy with respect to LED

Although guidelines for NGOs and CBOs engaged in LED are not provided for, South African law and policy does now provide a clear sanction for local authorities to engage in LED. The more important elements of this include the Constitution (RSA, 1996a) and a range of laws and policy papers. According to Sections 152 (c) and 153 (a) of the former, local government must "promote social and economic development" and it must "structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community" (RSA, 1996a, Sections 152 (a) and 153 (a)). The Local Government Transition Act of 1993 and its 1996 Amendment (RSA, 1993, 1996c) is the major post-apartheid local government enactment which requires municipalities to promote economic and social development. This Act obliges local governments to draw up Integrated Development Plans that address spatial and transport planning, infrastructure and the promotion of economic development (Centurion Town Planning Department {Pretoria}, 1999). Under this legislation metropolitan areas are empowered to promote integrated economic development and reference is made to tourism and street trading amongst other issues. A serious omission of the Act however, is that it does not go on to deal with the powers of non-metropolitan local governments in terms of many of these issues. This has burdened the smaller cities, towns and rural areas with a legal dilemma and they technically require special sanction to pursue such actions. In addition, despite a constitutional mandate to engage in economic and social development, a plethora of provincial controls and ordinances surviving from the previous administration are still in force and these are not always conducive to LED. These issues will, however, potentially be addressed by the Municipal Systems Bill which should be debated by parliament in 2000 (RSA, 1999). The latter has been designed to "enable municipalities to move progressively towards the social and economic upliftment of communities, and ensure universal access to quality services" (RSA, 1999, p. 1). Local authorities are being encouraged to promote growth and investment, and simultaneously to focus on poverty alleviation. According to policy documentation (RSA, 1997a, p. 35), "the overriding economic challenge for South African local authorities is inequality and poverty - which can and should be addressed through all the functions of a municipality".

LED also features prominently in other government development strategies. The Urban Development Strategy (RSA, 1995) and the Rural Development Framework (Draft)(RSA, 1997b) both have an LED focus. The former focuses on the provision of housing and infrastructure, public works, efficient regulation, mobilization of investment and the promotion of small businesses. The latter identifies LED as a way forward for rural local governments. Specific actions identified are: economic diversification, training, service provision, housing and the development of periodic markets. The formation of partnerships, agricultural support, land reform, tourism, forestry and small business promotion also feature in the document.

The White Paper on Local Government (RSA, 1998) released in 1998 and the 1997 Green Paper on the same topic (RSA, 1997a), which both laid a basis for the aforementioned Municipal Systems Bill, clearly stress the new role that local governments are now expected to play: "Local Government should be developmental. It should exercise its powers and functions in a way which maximises the social development and economic growth of communities" (RSA, 1997a, p.1). The papers call on local governments to provide vision and leadership in development and to adopt new approaches such as buying local, encouraging social responsibility, speeding up planning and forming partnerships. Strategies recommended include: marketing the local area, investment support, assistance to small firms, setting up 'one-stop shop facilities', land release, public works, local procurement, promotion of labour-based programmes, linkage development and research and training. Many of these principles have been encapsulated in the
aforementioned draft legislation (RSA, 1999). Even though the mandate clearly exists for local government to pursue LED, the legal enactments are not yet fully in place, nor are precise guidelines on how to implement and fund the above-mentioned policies. It was only in 2000 that the government started to release initial guidelines about possible LED institutional arrangements and suggested strategies for local governments to begin investigating, despite the existence of laws and policies for seven years prior to this date (Department of Provincial and Local Government, 2000).

There are a further range of general government development initiatives which have LED implications. The small business and Local Business Service Centre (LBSC) programmes of the Department of Trade and Industry can result in changes in local economies. Under this programme various national advice and funding agencies have been established and support is available for local organizations deemed able to set up and run LBSCs within their communities (Department of Trade and Industry, 1997). Whilst South Africa cannot be said to have a regional development programme in the formal sense of the word, broader national programmes such as Spatial Development Initiatives and Industrial Development Zones will impact on localities and hence LED in areas fortuitous enough to be located in or near them. The former are growth corridors along which private sector investment is being encouraged to focus, whilst the latter will see the establishment of dedicated industrial zones in which industrial firms will receive certain incentives to establish (Nel, 2000). Limited parallels with the Enterprise Zone and Export Processing Zone concept are obvious (Healey and Ilbery, 1990).

iv- Applied LED

The radical policy shifts detailed above, parallel the democratisation of all aspects of society and the allowance of greater levels of personal freedom which have taken place in South Africa. This has directly aided in the emergence of local level self-expression, as is evidenced by the rise of a range of locality based initiatives as are detailed below. The parallel force of globalism has also played a role with the large metropolitan areas all seeking to market themselves on the global stage as places for international investment and leisure related activities. Johannesburg and Pretoria’s place marketing initiatives, Cape Town’s Olympic bid and the building of the International Conference Centre in Durban all illustrate how, in an era of greater local freedom, local centres are confidently seeking investment and a role for themselves in the global community (Cape Town Olympic Bid Company, 1995; Rogerson, 1995b; Maharaj and Ramballi, 1998; Greater Pretoria Metropolitan council, 1999). At a lower level, there has been a noticeable flourishing of locality based development activities as evidenced in the activities of NGOs (non-governmental organizations), CBOs (community based organizations), local governments, tourism promotion agencies and supporters of locality based small-business.

It needs to be borne in mind that LED, as elsewhere, is often catalysed by a local level economic crises, for example, deindustrialization - or more specifically in the South African scenario, the rationalisation of industries such as textiles and gold mining which has provoked area-specific responses to employment crises. The establishment of the Free State Gold Fields Development Centre in Welkom to seek alternate sources of employment for retrenched miners is probably the best example of this type of reaction in the country (Van Der Walt, pers. com, 1998). The loss of 100 000 mining jobs in and around that town in the last ten years has prompted various local government endeavours, in collaboration with the private sector, to find alternate sources of employment. These have included place marketing, the offering of incentives, support for small business and urban agriculture and the investigation of new growth sectors (Friedrich Ebert Stiftung, 1999). In small towns and rural areas the general shortage of jobs has provoked responses ranging from small-business support to small-scale farming initiatives (Nel, 1999).

If one examines LED in South Africa it is apparent that it is occurring at a variety of levels and is assuming widely differing characteristics. In this regard it is important to note that LED in South Africa is clearly broader than just the business and predominantly large city conceptions which have traditionally characterised thinking on this topic in the country in certain quarters, such as the business orientated Urban Foundation (1994). One clearly also needs to acknowledge the plethora of CBO, NGO etc. initiatives occurring in local areas which are also leading to the improvement in local social and economic conditions.

It can be argued that there are four variants of LED which are currently in existence in the country (Nel, 1998), namely:

1) Formal local government initiatives - which parallel traditional northern thinking and, which to a large degree, overlap with government policies on the topic as detailed in its policies.
2) Community-Based / Small Town Initiatives which often develop as a result of NGO facilitation and support.

3) Section 21 Development Corporations - i.e. where as company `not for gain' operates to promote local
development within an selected spatial area.

4) `Top-down’ LED in which government, usually at the provincial level and/or various national organizations are
attempting to catalyse and support local initiatives.

As the tone of the above description suggests, many of these initiatives are in their incipient phases and in many
cases there is little in the way of tangible results. In the following section, key features of the above four categories
are outlined and assessed.

v - The Various Experiences of LED

1) Local Government Initiatives

Even though the larger cities pursued a limited degree of LED throughout the apartheid era, largely in the form of
place-marketing (Rogerson, 1999b) and limited endeavours to attract investment, it is only in the last few years that
the range of activities pursued have increased. It is however important to note that it is only the four largest
metropolitan areas - Johannesburg, Durban, Pretoria and Cape Town which are following broad-based,
comprehensive LED strategies and which have established well-staffed and funded LED / Economic units. With the
exception of these four major centres and a handful of smaller places, established examples of LED are few and far
between and those which do exist are often in their early stages of implementation. Results, even in the big centres,
are still limited. In the small cities and towns, even though there is now policy support for LED and considerable
interest is being expressed in the topic by hundreds of local authorities, with the exception of a limited number of
places such as Welkom, very few have established functioning LED units or are engaged in project implementation
(Nel,1998).

Development endeavours in the larger cities have become quite comprehensive in their scale and focus. In almost all
cases, the dual pursuit of global competitiveness and poverty alleviation are core themes in the policies adopted.
Rogerson (1995b) has examined how Johannesburg has purposefully sought to `re-image’ and promote itself as a
`global city’ through various marketing strategies, extensive lead projects, infrastructural investment, property
development and the promotion of the city through the use of its sporting facilities. The hosting of the `All Africa
Games’ in 1999 was a key achievement in this regard. Property related projects, mostly in collaboration with the
private sector include extensive inner-city renewal projects which focus of the upgrading of buildings and facilities,
the provision of transport infrastructure and housing improvement. Seven major projects are currently being pursued
in the Johannesburg inner-city (Johannesburg Metropolitan Council, 1999). Metropolitan level plans include the
development of Casino Complex at Gold Reef City, the development of the `Baralink’ corridor from Soweto to
central Johannesburg, the Sandton City Convention Centre, the Florida Lake Development Project, the establishment
of a Business Information Centre and the regulation of informal trading activities (Johannesburg Metropolitan
Council, 1999).

In Durban, property led redevelopment of the Point area, the development of industrial estates through partnership
arrangements and the promotion of business tourism through the construction of the International Convention Centre
are key examples of local government facilitated LED in that city (Durban Metropolitan Council, 1996; Maharaj and
Ramballi, 1998; Robbins, pers. com., 1999). The Durban Metropolitan Council has established an Economic
Development Department. The key activities which it has identified are:
- creating economic development capacity in local government,
- building a world class metropolitan economic environment,
- involving disadvantaged communities in economic activities, and
- ensuring that economic development is sustainable (Urban Strategy Department, 1999).

Through the passage of time, the focus of the Economic Development Department has been narrowed down to four
core foci, which has led to the establishment of:
- a small business and community economic development unit,
- a tourism unit,
- a private sector and investment promotion unit, and
- an information unit (Economic Development Department, 1999).
In Pretoria, business promotion has clearly become the core LED focus. In that city, the Metropolitan Economic Development Chief Directorate has been actively engaged in the promotion of business activity since 1996, through policies of information provision, networking and advice. According to the directorate, it “acts as a catalyst for ... initiating bi-lateral trade agreements between the other regions of the world and the private sector in the Pretoria region; attracting investments to the Pretoria region and opening up new markets for products manufactured in the Pretoria region” (Greater Pretoria Metropolitan Council, 1999, p.2). In parallel, there are policies in place to support emerging enterprises, to involve disadvantaged communities, to promote the overall competitiveness of the city, to foster the development of a series of industrial clusters and to develop human resources and tourism (Pretoria Metropolitan Economic Development, 1997). In practical terms, in addition to place marketing and the provision of various service related incentives to establishing firms, small business support centres have been established, business incubators are planned and the viability of urban agriculture is being investigated (Centurion Town Planning Department {Pretoria}, 1999).

The response of the city of Cape Town is particularly instructive as to how that local government has responded to the constitutional mandate that it should engage in social and economic development. In 1997, an ‘Economic and Social Development Directorate’ was established at the metropolitan level to oversee, co-ordinate and assist the six metropolitan local councils in the Cape Town area. The overall goal of the Directorate is to achieve both ‘global competitiveness’ and ‘poverty reduction’ (Siswana, 1999). Key foci are in terms of achieving global competitiveness are: investing in people; ensuring that there is world class infrastructure and attractive investment areas; providing world class local government services; facilitating cluster/sector development; and facilitating world class marketing. Current and planned actions in this regard are: promoting investment and trade; key sector support; tourism development; major events; infrastructure development; improving local government services; and the supply of strategic information. Key foci in terms of poverty reduction are: ensuring a minimum ‘social safety net’; providing efficient basic services and infrastructure; improving spatial integration and environmental quality; promoting job creation and economic empowerment; and supporting community and social development. Current and planned actions in this regard are community based job creation projects; small business support; tourism development; local government procurement; basic services; a poverty grant; and strategic information (Siswana, 1999). In contrast with the aforementioned metropoles where LED is highly centralised within the metropolitan authority, in Cape Town, actual implementation is devolved to the six local councils which make up the metropolitan area. These constituent councils focus on the following activities: informal sector promotion, promotion of small and big businesses, tourism, business and community forums, job centres, local industrial parks, property development and development facilitation (Cape Town Metropolitan Council, 1997).

Although considerable interest exists in LED at the local government level, it would be fair to say that it is only the larger better-resourced centres which have gone beyond the planning phase and committed funds to the establishment of dedicated LED units and the pursuit of defined LED policies (LED News, 1996-1998). Beyond the four major metropoles most cities and large towns are investigating LED options but little concrete progress has been made to date. Quite clearly the lack of resources, the tenuous fiscal position of many smaller centres and the shortage of skilled staff are all serious impediments to the successful pursuit of LED - an issue which may well require a degree of central or provincial government facilitation and support along the lines of the UK’s former partnership or Enterprise Zones policy (Healey and Ilbery, 1990).

2) Community Based / Small Town Initiatives

Whilst local governments are obliged to operate within the constraints of various legislative acts which prescribe the activity in which they can engage and how they can utilise their funds, community based organizations and non-governmental organizations can, understandably, operate on a far broader plain. It would appear that, in many cases, either church or other socially responsible organizations active in destitute communities are key change agents in local areas and small towns and are the main proponents of LED-type activities. In all cases a measure of local level partnership formation has helped to ensure the success of initiatives and the representation and participation of key stakeholders.

Some of the more well-known cases of LED at this level include civil society and NGO activity in Khayelitsha (in Cape Town) and the Mineworkers Union supported small business programme in Mhlala (Department of Constitutional Development, 1999). Other less well known cases include the towns of Kei Road, Seymour and Hertzog (Nel, 1999). In the case of Kei Road, church intervention in a community scarred by apartheid based removals in the early 1990s, catalysed a variety of community-based initiatives, including: brick-making, bulk-
buying and housing construction. One of the most innovative features was the way in which the church acted as a broker between a women’s co-operative and large para-statals to secure lucrative sewing contracts (Nel, 1999). In Hertzog, a rural village in the former Ciskei Homeland, the local CBO led a programme to revive the area’s economy through a community agricultural co-operative, independent of external support. These examples clearly indicate that LED can occur in the most marginalised situations and that community groupings have the potential to embark on self-reliance initiatives. In instances where local capacity is not on a par with that in Hertzog, such as in the case in the town of Seymour (Nel, 1997), a well-intentioned NGO has stood in the gap and provided the necessary expertise and contacts with donor organizations to assist with localised LED.

A recent endeavour in the coastal town of Stilbaai has led to the effective elimination of unemployment in the town and an impressive tourism-based development strategy. In this instance the formation of a strategic partnership between local business, tourism authorities and the local authority was the key development catalyst (Friedrich Ebert Stiftung, 1999). Whilst LED at this level has yielded impressive results and is clearly operating at this micro-level in dozens of areas (NBI, 1996; LED News, 1996-1998) there are practical limits to its widespread application. Shortage of skills in many localities, the limited number of NGOs and resource constraints are all impediments. Once again it needs to be stressed that in a country with nearly 800 local authority areas, the number of initiatives which exists is still very limited (RSA, 1998).

3) Section 21 Development Companies

In several parts of the country LED type activities are overseen by local Section 21 companies (these are companies set up ‘not for gain’), the most well known are described in this sub-section. Such organizations usually have a strong business leaning and are active in the promotion of small entrepreneurs in particular. In cases where the local authority is either too weak and under-resourced to initiate LED or where the nature of a particular development project justifies the establishment of a corporation to oversee its operation, this is a logical route to pursue. In the aforementioned cases of Stutterheim and Welkom, the limited capacity of the local government led to the formalisation of a partnership with such organizations in those town which have focussed on business support and skills training (Friedrich Ebert Stiftung, 1999; Nel, 1999). In Port Shepstone, the local authority established a section 21 company to oversee a major property development in that town (Harrison and Naidoo, 1999), whilst in the medium-sized towns of Midrand and Harrismith, this development route has been regarded as more ideal to pursue than the establishment of unique LED units within local government (Department of Constitutional Development, 1999).

The institution of Local Business Service Centres as locality based centres to promote small, medium and micro-enterprise development are related cases in point. The activities of the ‘Beehive’ in Lydenburg, the Stutterheim Development Foundation and the COMSEC (the Community Self-Employment Centre) in Port Elizabeth are good examples of well resourced local level organizations, usually based on a local level partnership between key local stakeholders, which have positively assisted literally hundreds of prospective entrepreneurs through the offering of advice, assisting with loan applications, training and the occasional provision of workspace (LED News, 1996-1998).

At a broader level, in parallel with the activities of regional development authorities which are pro-active in local areas, such as the Irish and Welsh Development Authorities in the British Isles, there is at least one partial parallel in South Africa, namely WESGRO in Cape Town. This organization has become the de facto marketing, research and development arm for a range of local centres across the province. WESGRO has the potential to actively assist with the facilitation of LED, and in so doing, could meaningfully serve as a model for other parts of the country (Hein, pers. com., 1998).

4) ‘Top Down’ LED

The last major category is the rather anomalous one of ‘top-down’ development. Although LED should, in principle, be locally driven and led there are numerous examples around the world where limited ‘top-down’ support, direction and advice can unlock local level potential and initiative (Stöhr, 1990).

In South Africa, the most obvious role players in this regard are the national Ministry of Provincial and Local Government Affairs and the various provincial Ministries of Local Government and Economic Affairs. The former is the key link between local and national government and in addition to undertaking LED related research and policy advice has recently instituted two financial support measures, namely the LED Fund to support local
government development projects and the Social Plan Fund to undertake regeneration studies in towns affected by severe job loss (LED News, 1999). In both cases the amount of funding made available is extremely limited with only R 46 million in total (approximately £ 4.4 million in 2000) being made available annually. Relative to the development needs in a country with an unemployment rate of nearly 40%, significantly greater levels of funding are clearly needed (LED News, 1999). As these programmes were only implemented in late-1999, it is too early to see concrete results yet.

At the provincial level, strategies variously ranging from the provision of very limited seed funds (often for economic research), to training and consciousness raising regarding the potential of LED have been embarked on by a range of provincial governments. The most prominent areas in this regard are the Western and Eastern Cape, Northern and Mpumulanga provinces. The activities of the National Business Initiative, a business funded development agency in assisting these provincial programmes has been particularly noteworthy (Nel, 1998). The South African Local Government Association is also positioning itself to provide support in this area (LED News, 1999).

Such action is clearly desirable and could make a significant difference to local communities. Unfortunately there appears to be no commitment at this stage to long term funding of projects and the employment of LED facilitators. The apparent success of the European Union’s (EU) Structural Fund and the positive role played by EU funded development facilitators under the LEDA programme is noteworthy in this regard and could be used as a role model (Stöhr, 1990; Nel, 1999).

vi- Assessment
In the light of the above discussion it is apparent that LED is becoming an important element of development policies applied by a range of government, community and NGO agencies. The poverty alleviation and job creation focus is understandable and needs to be encouraged. However, as the discussion below suggests, there are very real barriers which exist at present to the further expansion and application of LED programmes. One of the sobering realities about the current status quo of LED in South Africa, is that, despite the attention paid to the concept by policy makers, after a decade of experience, results are rather limited. In the mining towns which have suffered from the loss of tens-of-thousands of mining jobs, the situation is as modest, with often only a few dozen jobs being generated in new, small businesses (Friedrich Ebert Stiftung, 1999). In many cases promising initiatives have petered out or have simply been downgraded in terms of their scale and focus. One of the few clear success stories is that of the aforementioned small coastal town of Stilbaai, where various tourism and promotional endeavours have achieved near full employment (Friedrich Ebert Stiftung, 1999). Reasons for the generally negative situation can be found in a variety of explanations, at one level they relate to the limitations which LED often has in achieving its objectives through internal constraints, lack of resources and the loss of skills, as noted in the North (Green et al, 1996; Dewar, 1998). In addition, the frequent loss of a town’s economic base, its lack of appeal to external investors and the near absence of any meaningful state development assistance for LED initiatives in South Africa is an obvious cause. To this must be added the out-migration of skilled people, the frequent absence of economically-minded local leaders and very high levels of disempowerment in communities devastated by decades of apartheid induced discrimination, deprivation and denied opportunities (Nel, 1999). This rather bleak prognosis should not be treated as a dead-end street, instead it should rather serve as a prompting to the state and other agencies to embark on meaningful efforts to introduce realistic policy, support, training and funding programmes. One does not, naturally, anticipate absolute success, however if the government wishes to address the chronic unemployment and job loss scenario in the country, radical and significant action will be needed and it cannot rely on its current rather narrow reliance on neo-liberalism (Lester et al, 2000).

An examination of current policy towards LED does however reveal that it appears to be rather lacking. Whilst NGOs and CBOs are often making valiant, albeit rather limited efforts to address local level crises, the general lack of support from government and limited access to resources, seriously constrains their capacity. Policy does not, as of yet, adequately acknowledge or support the role of such agencies and until it does, such actions will remain limited and sporadic. Policy tends to assume that local government, rightly or wrongly, should be the key change-agent in localities and policy is developing along these lines, regardless of the very real difficulties which many local governments face in addressing their current responsibilities, let alone taking on additional responsibilities. The traditional focus of local governments solely on service provision and the development of infrastructure and land has been seriously challenged. Such a change is in line with international trends, most particularly those which relate to democratisation, increasing local-level control and local economic initiative in the face of what is often a hostile
and competitive global economic system. The concept is however new and little experience exists in South Africa in this field and guidance is clearly needed. According to one local government, "while the power and functions of local government have been outlined, there is an urgent need for their clarification to promote more efficient and effective implementation" (anon., 1997, p.12). In addition, it needs to be established if existing laws and ordinances actually allow local authorities to embark on all that is proposed in policy documents - an issue which has merited the publication of two legal research papers (Emdon, 1997, 1999).

Government policy, though encouraging LED falls short in the area of providing clear guidelines of how to undertake and operationalise strategies. As Rogerson (1997, p. 190) notes, “although the critical importance of developing LED strategies to assist post-apartheid reconstruction is stressed in several government documents ... a coherent set of guidelines and a framework for LED has yet to emerge”. Until such happens, it would be unrealistic to expect the widespread incidence of the phenomenon. Equally serious is the failure of policy to indicate how the aforementioned poverty focus must be addressed and how to integrate this approach within LED programmes. Research by Rogerson (1999c) indicates that this reality is impeding practical endeavours on the ground and is a serious obstacle to the attainment of government objectives.

One of the key shortcomings in currently policy is its failure to recognise the inability of the vast majority of local governments in the county to operate in a manner consistent with the urban efficiency model suggested, because of serious resource shortages and effective bankruptcy in many instances. In addition, the ‘big-city’ bias of policy fails to acknowledge certain key needs, particular within smaller centres. These include the training and retraining of staff, arresting budget deficits, addressing the need for significant levels of development finance and the establishment of facilitation support at provincial and national level. All of these need to be put in place before local governments can realistically be expected to embark on development policies. The above-mentioned traditional focus of local government means that there is effectively no cadre of trained LED experts in the country. Although the larger centres can draw on the skills of their planners, accountants etc., smaller centres have no such staff pools. There is an urgent need to train LED officials and to expose councillors to the concept. For most smaller centres, the need exists to initiate a national or provincial facilitation support service, along the lines of the United States Extension Service which can help address capacity constraints at the local level (North Central Regional Center for Rural Development, n.d.). Locally appropriate models of how LED should operate and also of LED units, their structure and functions, should be propagated (Delany, 1997).

In many areas, low levels of citizen involvement in civic matters or for that matter payment for municipal services impeded progress. Government has attempted to promote citizen involvement on the ground level through various initiatives. One particularly noteworthy campaign, known as Masekhane, launched in 1995 sought to promote active civil participation and more particularly to encourage urban residents to pay their rates and services charges - a legacy of apartheid civil-protest. This programme has unfortunately not succeeded, with low levels of civil participation and payment seriously impeding the development potential and capacity of local government. These low levels of mobilisation are in contrast to what were very high levels of civic involvement in the late apartheid period, when opposition and later reform politics involved significant proportions of the population (Lester et al, 2000). Until the development process involves more people and local revenue bases can be enhanced, development endeavours will be impeded.

Significant financial transfers targeted at LED will be required if local government is to pursue these strategies, over and above the limited support that is currently available. LED is a ‘new’ local government responsibility and it will, as such, be regarded as secondary to traditional activities in most areas. With the possible exception of the metropolitan areas, most local governments do not appear to have any money to invest in the process. The fact that an estimated 50% of local authorities are alleged to be near bankrupt exacerbates the process. The poorest councils tend to be those facing the greatest development challenges. Non-payment for services by many impoverished urban residents seriously impedes the actions and capacity of local states. There is an urgent need to make available significantly larger amounts of dedicated state funds for LED, as discussed above, and also to allow local governments to raise loans. Financial strictures, for example on the use of levies and funds accrued from the sale of municipal assets need to be critically reviewed (Nel, 1998). Clarity on who pays for what and what procedures need to be followed, need to be put in place. Policy documents do not, at this stage, give any suggestion that significant national support will be provided. According to one of the major local governments in the country, "the devolution of responsibilities without accompanying finances and resources undermines local government's ability to properly execute them" (anon., 1997, p.2). In other countries and the EU, local-level development is often predicated on
financial transfers to assist bottom-up development / LED and in North America access can often be made to tax
credits or draw-down funds (Murray, pers. com., 1996).

In her recent assessment of LED in South Africa, the economist Swapna Mukhopadhyay (2000) noted that South
Africa has the key ingredients for LED in place, namely democratically elected local structures and local autonomy.
However, key problems include the limited available resources locally to implement LED and the fact that there is
effectively no devolution of resources. She has stated that it is “ridiculous to tell cash-strapped TLCs to manage their
own affairs and then expect them to solve the country’s problems ...LED is not the responsibility only of local
government ... the (central) government can’t abrogate its responsibilities” (Mukhopadhyay, 2000).

Quite clearly, the stage has been set for local governments to play a key role in LED. Care however needs to be
taken not to assume that LED is the sole prerogative of local government. Although this might often be the reality in
some areas, as national and international experience suggests, public-private-community partnerships can diversify
the initiative, draw in more stakeholders and maximise the potential success and benefits of the process (Bennett and
Krebs, 1993). Although the concept of partnerships does feature in policy documents, there is a sense that their role
and place has not been fully recognised. The role of the private sector, CBOs and NGOs needs far greater
recognition whether at the regional, local authority, suburban, village or neighbourhood level. Hence, it is argued
that the current policy vision of LED is too narrow and, as is suggested above, it does not adequately encompass all
stakeholders or allow for the resources to actualise the endeavour. CBOs and NGOs are making a difference within
many localities, as outlined above, but in a country the size of South Africa they are not really altering the broader
picture.

**CONCLUSION**

LED is a new development strategy which is currently being experimented with in South Africa. Even though
significant progress has been made in the larger cities, in most parts of the country, local governments are dealing
with an ‘unfunded mandate’ which they lack the power, resources and capacity to implement. Relative to the size of
the country, it is disappointing that so few of the non-metropolitan areas are actively engaged in LED yet. Out of the
791 local authorities only a handful have defined LED strategies in place and are actually implementing them (RSA,
1998). If government wishes to see more local authorities actively engaged in LED it will need to provide greater
levels of support and funding. Change is clearly occurring in the South African space economy and as former
President Mandela announced at the 1998 Presidential Job Summit, “the government has had no illusions about the
massive social problems that our new democracy has to deal with. We know too keenly that government alone
cannot address these problems” (Mandela, 1998, p.1). LED also clearly requires the joint action of a range of
stakeholders if it is to succeed. NGOs and community based organizations have a key role to play in filling the
development gap which exists and need to be assisted in this endeavour.

Even though efforts to promote LED are often limited and many year behind similar initiatives in the North, the fact
that they are now occurring indicates not only the nature of the economic crises which exist, but also the softening in
approach by a previously, highly centralised state to issues of bottom-up development and decentralisation. LED
clearly is being viewed and adopted as a perceived new growth and development catalyst. Although it is too early to
ascertain whether it will live up to expectations, initial results from South Africa suggest that even though
development can occur, it tends to be a slow and rather limited process. Key questions to ask at this stage are
whether results achieved will actually live up to expectations and what the necessary factors are which should be in
place in order to ensure success.

Given the blossoming of LED-type activities which has taken place in recent decades in the North and in parts of the
South, whether at the level of large-cities or the self-reliance initiatives of community groups, it is inevitable that
LED in South Africa will gradually become more widespread in its application. LED both reflects and manifests the
contemporary forces of globalism and localism. As local areas look inward at their own resources and skills to
promote local level development, they often seek a unique place for themselves in an increasingly globalized
economy and society. We live in an era of rapid change which is encouraging important, major shifts in society and
economic activity and the way in which we understand them. In this context, the words of SANCO (the South
African National Civics Organization)(1995, p.1) are clearly appropriate:

As a new era of administration dawns, new forms of development, appropriate to meeting the needs of the
majority of the people and their economic and employment requirements need to be embarked on.

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LIST OF FIGURES

FIGURE 1: SOUTH AFRICA: Provinces and Cities