

University of KwaZulu Natal

MURDP

Integrated Development Planning as an enabling tool for economic
development: The institutional challenges facing local government in
facilitating LED

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Integrated Development Planning as an enabling tool for economic
development: The institutional challenges facing local government in
facilitating LED

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Patience Ntombifikile Ndlovu

DECLARATION

This dissertation is my original work and has never been published in any form in another publication. In cases where people's ideas are used, they are acknowledged and referenced under the reference section of this study.

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DEDICATION

To my dear husband, Thokozani
Your love and support mean the world to me,
You always bring out the best in me.
And to our special daughters, Khanya and Sne
You make us smile under all circumstances.

Table of Contents

Chapter 1

Introduction

1. Research background and Motivation	1
2. The rationale for case studies	3
3. Research problem	4
4. Research question	5
5. Hypothesis	6
6. Definitions	6
7. Structure of the document	7

Chapter 2

Methodology

2.1 Introduction	9
2.2 Secondary sources	9
2.2.1 Review of literature	10
2.2.2 Review of documents	10
2.3 Primary sources: Interviews	11
2.3.1 Research subjects	12
2.4 The research process	15
2.5 Conclusion	16

Chapter 3

Integrated Development Planning

3.1 Introduction	17
3.2 Underlying principles of IDP and their implications for LED	17

3.3 Introduction to IDP in SA and the role of Local Government	19
3.4 The impacts of institutional capacity constraints on the role of Local Government	22
3.5 The role of IDP in enabling LED	23
3.6 Assessment of IDP as an enabling tool for LED	25
3.7 Conclusion	29

Chapter 4

Local Economic Development

4.1 Introduction	30
4.2 Approaches to LED	30
4.3 Managing LED and the role of partnerships	34
4.4 Overview of LED in South Africa	37
4.5 Institutional arrangements for facilitating LED	45
4.5.1 Government Departments responsible for LED	45
4.5.2 Institutional arrangements at the municipal level	46
4.5.3 The role of Local Government, Water and related services Seta	46
4.6 International Experience of LED	47
4.7 Conclusion	50

Chapter 5

LED experience in South Africa: Case studies

5.1 Introduction	51
5.2 Agency led LED: The case of Cator Manor	51
5.3 A Community initiated Strategy: The case of Statterheim	57
5.4 A municipal Led LED: The case of Midrand	60
5.5 Initiatives to improve the facilitation of LED in KZN: The EU Programme	67

5.6 Conclusion	69
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Chapter 6

Introduction to Vulamehlo and Ugu

6.1 Introduction	71
6.2 The overview of Ugu District Municipality	71
6.2.1 Population	72
6.2.2 Economic patterns and trends	72
6.2.3 Economic opportunities	73
6.2.4 Weaknesses	73
6.3 The overview of the VLM	74
6.3.1 Population	75
6.3.2 Employment	75
6.3.3 Development challenges	75
6.3.4 Development potential	77
6.4 Synergies and Conclusions	77

Chapter 7

Findings: LED Experience in Ugu and Vulamehlo

7.1 Introduction	79
7.2 Conceptualisation of LED at local level	79
7.3 Local initiatives to improve LED understanding in the UDM	83
7.4 Private sector perceptions and involvement	85
7.5 Practical relationship between the IDP and LED	86
7.6 The LED approach	93
7.7 Role of the Municipality in facilitating LED	94
7.7.1 Institutional arrangements and LED capacity in Ugu	99

7.7.2 Institutional Arrangements and LED capacity in Vulamehlo	99
7.7.3 Initiatives to address capacity limitations at local government level	101
7.7.4 National and Provincial support to local government	102
7.8 Strategic Focus for LED	102
7.8.1 Ugu District Municipality	107
7.8.2 The VLM LED strategy	108
7.9 LED interventions	110
7.9.1 LED Projects in Ugu	110
7.9.2. LED projects in Vulamehlo	117
7.10 Partnership as a mechanism for facilitating LED	120
7.11 Conclusion	121

Chapter 8

Conclusions and Recommendations

8.1 Introduction	123
8.2 Responding to the research question and sub questions	123
8.3 Responding to the hypothesis	131
8.4 Recommendations	131
8.4.1 Local level interventions	131
8.4.2 Provincial and national level intervention	135
8.5 Overall conclusions	137

Maps

Map 1: District Municipalities in KwaZulu Natal	71
Map 2: Ugu District municipality and its local municipalities	74

Tables

Table 1: Research Process	15
Table 2: In depth issue analysis – LED	81
Table 3: In-depth issue analysis - Tourism	89
Table 4: In-depth issue analysis: Agricultural development	90
Table 5 LED strategies in Ugu	104
Table 6: LED Strategies in Vulamehlo	109
Table 7: LED Projects in Ugu	111
Table 8: LED Projects in Vulamehlo	118

Graph

Graph 1: Constraints to growth	106
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Diagrams

Diagram 1: Institutional Structure for UDM	97
Diagram 2: Institutional Structure for VLM	98

Annexure

Annexure 1: List of interviewees	
Annexure 2: Interview Brief	
Annexure 3: Interview Schedules	

Abbreviations

B,R&E visitation programme	Business Retention and Expansion Visitation Programme
BEE	Black Economic Empowerment
CMDA	Cato Manor Development Agency
DEFD	Department of Finance and Economic Development
DEDT	Department of Economic Development and Tourism
DPLG	Department of Provincial and Local Government
DTLGA	Department of Traditional and Local Government Authority
ERS	Economic regeneration Strategy
IDP	Integrated Development Planning
LED	Local Economic Development Planning
LEDP	Local Economic Development Project
LG	Local Government
NGO	Non Governmental Organisation
PDI	Previously Disadvantaged Individuals
PMS	Performance Management System
PMU	Programme Management Unit
RDS	Rural Development Strategy
TIK	Trade and Investment KwaZulu Natal
UDM	Ugu District Municipality
UTMA	Ugu Tourism Marketing Agency
VLM	Vulamehlo Local Municipality

Chapter 1

Introduction

1. Research background and Motivation

Over the past few years, responsibility for a broad range of development planning and management activities have become increasingly decentralized, with local government required to play a more significant role in facilitating and managing service delivery and project implementation, (Deweese et al, 2003) Municipalities' increasing role in development planning includes a responsibility for facilitating, stimulating and promoting Local Economic Development (LED) in their areas of jurisdiction.

In terms of the *White Paper on Local Government* (Department of Constitutional Development, 1998) local governments are required to be developmentally orientated. The concept of developmental local government encompasses the following elements: maximizing social development, economic growth and the promotion of local economic development as well as the provision of basic household infrastructure and services and the creation of livable, integrated cities, towns and rural areas (Palmer Development Group, 2004) Traditionally in South Africa the responsibility for promoting economic development has rested with national government and provincial government. Since 1998, the role of local government has been significantly expanded to include this responsibility. The responsibility of promoting LED entails conducting a strategic economic analysis in order to determine economic strengths and weaknesses and henceforth develop economic objectives, strategies and projects in a particular municipal area. Local government also plays a key role in the implementation of projects and the creation of an enabling environment to attract investment to the area (DPLG, 2001a).

The Municipal Systems Act (2000) makes a provision for the formulation of Integrated Development Plans (IDP). IDPs are expected to serve as strategic decision-making tools for municipalities, and should provide a strategic framework enabling municipalities to plan, organize and manage their increasingly widened scope of work.

Furthermore municipalities are required to draw in other stakeholders in the area, for example local businesses and community organizations. Usually representative forums are formed to ensure the participation of these stakeholders and interest groups in the IDP process. As municipalities had little prior experience of this responsibility, the past few years have shown variable levels of capacity, competence and achievements in this regard. In many instances, it is apparent that municipalities have not necessarily had the resources, skills and experience to undertake this function successfully. It has been three years since local economic development became a statutory requirement for municipalities. It is now appropriate to consider how successfully this responsibility has been incorporated into municipal roles and activities, and the extent to which municipalities have been able to assume the responsibility for managing local economic development initiatives within their area of jurisdiction.

Recent research undertaken for the KwaZulu-Natal Department of Economic Development and Tourism (DEDT) by McIntosh Xaba and Associates (2004) examined the extent to which the economic strategies and projects outlined in the municipal IDPs correspond with key sectors and integrators prioritized by the KZN Industrial Development Strategy. This study shows that most IDPs fail to adequately identify strengths and opportunities and where strengths are identified there is little or no attempt at all to link these to potential markets. These findings indicate that there is possibly a lack of capacity in local government to exploit the economic potential in their areas (McIntosh Xaba and Associates, 2004).

This study is concerned about the extent to which IDPs are helping municipalities to respond to their new challenges, especially in the area of LED. A study on the assessment of the first round of IDPs reveals that one of the key problems facing local government especially, the small rural municipalities, is the lack of capacity (Harrison, 2002). Although there have been some improvements in some municipalities with regards to this problem, others are still lagging behind. Moreover, local governments cannot be viewed as a single entity, they face different challenges and the capacity needed to perform their functions varies. For instance a local municipality may improve its capacity to produce a good IDP document and to implement and manage some programmes due to support from the district or the Planning and Information Management Support Services (PIMSS) office, but still lack the capacity to manage the provision of integrated municipal infrastructure. Therefore, it is necessary to investigate specific issues in order to get a better insight into the particular challenges facing municipalities. IDASA (2004) acknowledges that there is great variability in the capacity of

municipalities. They range from metropolitan municipalities with large number of staff and high levels of skill and experience, to small local municipalities serving largely rural areas with only a few staff members. Yet all municipalities are expected to undertake the same range of functions.

Some of the research papers reviewed consider the challenges around capacity in relation to integrated development planning in general (Todes, 2002; Harrison P, 2002 and IDASA 2004). There is however limited research focusing on local government capacity with regards to the facilitation of Local Economic Development in particular. Therefore, this research is designed to contribute towards closing this gap.

A case study method is used to ascertain the extent of capacity limitations in local government. The two case studies are Vulamehlo Local Municipality (VLM) and Ugu District Municipality (UDM). LED and IDP related documents in both municipalities were reviewed. Then semi-structured interviews with key respondents were conducted in both municipalities. The interviews mainly shed light on the gaps that exist between what municipalities have in their plans and what is happening in practice in terms of LED facilitation.

2. The rationale for case studies

This study has chosen to use a district municipality and a local municipality in order to capture the disparities that exist in terms of human resource capacity between district municipalities and local municipalities. This choice of case studies will also facilitate the study of institutional arrangements between the two and the kind of support that the district offers to local municipalities. Conducting research at the district level will specifically assist in providing insights about human resource capacity issues impacting upon several municipalities that fall in its area of jurisdiction.

The choice of Vulamehlo and Ugu specifically is based on accessibility and the fact that the researcher is familiar with these areas. This has assisted in speeding up the process seeing that the research is conducted over a short space of time.

In this research the institutional challenges faced by municipalities in planning for LED is studied in the context of rural municipalities and small towns because they are the ones that often struggle to attract and retain suitable human resources. Ugu District Municipality is predominantly rural. 84 % of its population lives in rural areas found mainly in the hinterland whilst 16 % live in the urban coastal strip (MHA/PLPD and Iyer Rothaug team. 2002) and Vulamehlo is 100% rural. Therefore the rural nature of these municipalities makes them suitable case studies for this research.

Ugu IDP “has been heralded as an example of good practice” (Luckin, 2003). Therefore it would be interesting to explore the extent to which it prioritizes LED and to explore the institutional arrangements it has in place to facilitate LED and to support local municipalities in its area of jurisdiction.

The UDM received provincial support to conduct LED related studies. They were funded by DEDT to conduct an Economic Regeneration Study and Trade and Investment KZN funded their Business Retention and Expansion Programme. Both these studies form the basis of their LED approach and strategy and they are an indication that they do have relations with provincial departments. They therefore provide basic literature to explore the research questions being investigated in this study.

Vulamehlo, although a relatively new municipality, with virtually no economic base (Maseko Hlongwa and Associates, 2003) has managed to produce a satisfactory IDP, as judged against the IDP guidelines. Their IDP acknowledges the constraints and developmental challenges that the municipality is facing and then makes an attempt to develop projects in the light of them. Hence the point of departure for this research is to investigate if the capacity to translate the identified opportunities and projects into viable LED does exist or not.

3. Research problem

The decentralization of some government functions to the local government sphere has meant more work and more challenges for local government. This has resulted in the lack of institutional capacity in terms of skilled human resources, infrastructure and funding to address the increased roles and responsibilities of local government. Without the necessary

skills, resources and experience, it may be overly optimistic to expect all local municipalities to be key drivers of LED.

Therefore, the primary task of this research is to investigate the existing capacity in local government to promote LED in their area of jurisdiction. The investigation will examine if it has been feasible for them to carry out the local economic development mandate, and if not, what alternative arrangements have been made. For example, it will explore whether the responsibility for LED has been largely overlooked or whether it has been outsourced to another agency. Section 76 of the Municipal Systems Act allows a municipality to provide municipal services by means of either an internal or external mechanism. The external mechanisms entail forming partnerships with private sector, public sector, non-governmental organisations or communities (Kichin, 2003). Hence this study also investigates the extent to which local governments are able to form and to manage such partnerships as mechanisms to foster local economic development.

4. Research question

The primary question is:

Do municipalities have sufficient capacity to undertake appropriate management roles in the facilitation of Local Economic Development?

The following **sub-questions** assist in answering the primary question.

1. What is the function of local government in Local Economic Development, (what are the respective functions of local municipality and district municipality)?
2. How is LED conceptualized in the IDPs?
3. What are the prevailing approaches to LED and have local government led LED made attempts to move towards current approaches?
4. What are the different types of LED projects identified in the IDPs and have the municipalities developed appropriate responses to implement them?
5. Have the municipalities developed appropriate strategies to facilitate LED?
6. What are the institutional challenges that hamper LED interventions in municipalities?

7. What kinds of partnerships has the municipality entered into in order to pursue local economic development, and have these partnerships yielded any better results?
8. What are the key lessons emanating from LED experience in terms of the appropriate role of municipalities in implementing LED projects and the formation of partnerships as appropriate institutional vehicles for facilitating economic development?

5. Hypothesis

The research seeks to explore whether limited municipal capacity has seriously undermined the ability of local governments to facilitate LED, and has also undermined the formation of appropriate institutional arrangements with key partners in economic development.

6. Definitions

This section presents the definition of key concepts

1. **Integrated Development Planning:** This is a statutory process whereby municipalities prepare strategic development plans, and it is the main instruments that guide planning budgeting, management and decision making in a municipality (IDP Guide 0, 2002)
2. **Local government:** It is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Municipal Demarcation Act, 1998. It consists of the political structures, administration structures of the municipality and the community of the municipality (Municipal Systems Act, 2000). It is divided into three categories, that is, Metropolitan areas, District Municipalities, and Local Municipalities.
3. **Local Economic Development:** This study will adopt the LED definition of the World Bank, that is, “Local economic development is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community... it offers local government, the private sector, the not- for-profit sectors and the local community the opportunity to work together to improve the local economy” (www.worldbank.org)

4. **Partnerships:** refers to different forms of institutional arrangements that the local government may enter into in pursuit of local economic development. These may be public-public partnerships, public-private partnerships or community-public-partnerships.
5. **“Good practice”:** refers to selected international and local case studies that provide positive and constructive lessons for local economic development.

7. Structure of the document

The structure of the dissertation as a whole is as follows:

Chapter 1 outlines the research background, motivation, scope of the research, the research problems, research question and subsidiary questions.

Chapter 2 is a detailed outline of the methodology that has been used to acquire data used in this study. It gives details on the institutions, the research subjects and the review documents.

Chapter 3 deals with the concept of integrated development planning in South Africa. It looks at the underpinning principles of IDP, the role of IDP as an enabling tool for LED and its critique.

Chapter 4 discusses the concept of LED, different approaches to LED, institutional arrangements for LED and overview of LED in South Africa. The chapter also looks at LED experience internationally.

Chapter 5 discusses LED experience in South Africa using case studies and highlight the lessons that can be learned from those.

Chapter 6 is an introduction to and overview of case studies used in this research. It provides information on the location, economic profile, economic strengths and weaknesses of the case study areas.

Chapter 7 presents the findings from interviews and document review. It elaborates on the problem of lack of capacity in local government and its impact on achieving progress in LED in these areas.

Chapter 8 Is a presentation of conclusions and recommendations. Conclusions are drawn from the findings from the literature review, document review and interviews.

Chapter 2

Methodology

2.1 Introduction

This chapter presents an outline of the methodology used in this study. A case study method is used. The two case studies are Vulamehlo Local Municipality and Ugu District Municipality. Sources of information include primary and secondary sources. Primary sources comprises of interviews with key respondents whilst secondary sources include a review of literature and relevant documents from the case study municipalities and relevant provincial departments.

2.2 Secondary sources

Municipal documents include the Economic Regeneration Study, the Business Retention and Expansion Programme, IDP and IDP reviews from Ugu and the IDP and IDP reviews from Vulamehlo. The documents from the provincial departments are the *Analysis of the Municipal (spatial) interpretation of the KwaZulu Natal Industrial Development Strategy* from the Department of Economic Development and Tourism (2004) and the LED policy document from the Department of Provincial and Local Government (2002) entitled *Refocusing Development on the Poor*

The topics covered in the literature review can be classified into three categories. The first category deals with the concept of integrated development planning and the roles and functions of local government in relation to Integrated Development Planning and in LED in particular. It also seeks to provide an assessment of integrated development plans, particularly in relation to economic development and the capacity of local government to carry out the LED function. The second category of literature deals with various approaches to LED, lessons from international LED experience and a range of institutional arrangements for facilitating LED. The third category looks at the LED experience in South Africa and the lessons that can be learned from the initiatives that have been undertaken so far.

2.2.1 Review of literature

Secondary sources were consulted at the onset of the research process. These include books, journal articles, web-sites, and research papers. The purpose for using these sources was to establish what has already been written on the topic under investigation. Information used to cover these topics has been derived from various sources for example legislation and regulations relating to IDP and LED have been sourced from government web-sites and hard copies of government gazettes. IDP and LED critiques have been sourced from research reports for example research commissioned by the Department of Provincial and Local Government (DPLG) by authors such as Philip Harrison and Alison Todes, and from the DEDT report. Case studies of best practice have been sourced from websites, books, research reports and journal articles. Information about institutional arrangements has been sourced from government websites and from research papers and IDP Guides.

2.2.2 Review of documents

These documents were reviewed, giving particular attention to the economic profile of these areas, key role players in the IDP process, and the LED strategies contained in their IDP Reviews and LED projects. The purpose of consulting these documents is to understand their approach to LED and the LED projects identified and implemented in these areas. The degree to which they are linked to development challenges and opportunities will also be investigated. The purpose for investigating these is to explore the extent to which municipal officials are considering the critical areas of integrated and strategic planning.

Municipalities are required to formulate separate sector plans for sectors like water, LED and waste management. These plans give more detail on a particular sector. Therefore the purpose of consulting the LED documents is to get more insight on the state of local economic development in these areas. The LED documents referred to here are an *Economic Regeneration Study* and *Business Retention and Expansion Visitation Programme*. These two documents give insight to critical economic issues in the district. There is one LED related study conducted in Vulamehlo, that is, the socio-economic survey. An attempt was made to get hold of the report on this study, but it was not accessible. They indicated that it was with the Municipal Manager but attempts to meet him did not materialize.

At provincial level the DEDT document on the *analysis of municipal interpretation of the KwaZulu Natal Industrial Development Strategy* has been consulted, particularly because it is the one that informs this research. Hence the findings of that research were reviewed to avoid replication and to gain more insight on economic issues impacting municipalities and the extent to which they have been able to use the IDP process in enabling LED in their areas of jurisdiction.

Other documents reviewed are the national LED policy paper and the KwaZulu-Natal Provincial Growth and Development Strategy. The national LED policy consulted is the 2002 DPLG policy paper entitled *Refocusing Development on the Poor*. The purpose of this review is to identify policy direction in the country and the province and to see the extent to which local economic development projects in local government are aligned with them. However it was discovered that the 2002 DPLG's policy paper was not adopted and the department is busy drafting a new LED policy. However it is not possible to comment on the new policy as its public circulation is still embargoed. The aim of consulting the Provincial Growth and Development Strategy was to investigate the extent to which municipal LED strategies are aligned to the provincial priorities.

2.3 Primary sources: Interviews

The research tools that have been used to elicit information from primary sources are one-on-one-interviews. A total of 16 interviews were conducted. People interviewed include those officials who work on integrated development planning, local economic development and other related departments such as Performance Management Systems (PMS) and Programme Management Unit (PMU). In the UDM a total number of 5 interviews were conducted, that is, 2 LED officers, the acting IDP Manager, the PMS Manager and the Institutional and Social Development Officer. There are representatives from the private sector and officials from the PIMSS centre that were interviewed, refer to annexure 1: Interviewee List.

The methodology used is semi-structured interviews. An interview schedule was prepared with some pre-planned open-ended questions and then other points of interest were identified during the interview. The reason for using semi-structured interviews is to take advantage of both structured and unstructured interview. Pre-planned questions associated with structured interviews ensure uniformity and make data analysis and comparisons easy. Unstructured

interviews ensure that the researcher gets in-depth information and is able to discuss even those issues that could have been overlooked prior the interview.

Interviews were conducted between the 6th of August and the 29th of September. Preparations for the interviews involved the drafting of interview schedules, setting up appointments with interviewees and obtaining electronic copies of relevant documents, for example the *Ugu Economic Regeneration Study*. According to the initial plan the interviews were going to be conducted within a period of 2 – 3 weeks. However this could not be possible since it was difficult to get hold of some of the respondents. For example the Interviews in VLM were scheduled for August and the primary interviewee was the Municipal Manager. Several attempts to contact the municipal manager were in vain. The alternative, the Technical Director could not agree on having an interview without being formally delegated by the Municipal Manager, This slowed down the process until towards the end of September when the Corporate Services Director and the Technical Director finally agreed to be interviewed.

The process of arranging interviews in UDM was much simpler. The LED officer, Musa Mseleku helped in the setting up of interviews. The interview brief was sent through to him, and he then identified other relevant people who could contribute to the study. However, in this case it was necessary to settle for alternatives since some of the key respondents were unavailable. For example the LED Manager was not available for the one-on-one interview and a telephonic interview was arranged. However, this also failed because he was unable to be at his office at the time agreed upon. The details for research subjects are presented below.

2.3.1 Research subjects

Institution: Vulamehlo Local Municipality

There were two officials interviewed in Vulamehlo municipality. These are the Technical Director, Lucky Ndlovu and Director for Corporate Services, David Mzimela. This is due to the fact that the appointment of the Development Planning and LED Manager had not yet been made. It was the Municipal Manager that had been working as an IDP driver or champion. However he was not available for an interview. The Technical Director and Director for Corporate Services are the ones who were assisting the municipal manager in the IDP process and project implementation. They are informed about the projects that are being

implemented and their progress. The interview with them only addressed key questions as they had limited time (see comments on annexure1). Initially there was a plan to interview at least one project leader for some of the projects that are already being implemented and the Chairperson of the LED committee. However this was over-optimistic as there has been limited LED intervention in the area.

Institution: Ugu District Municipality

A total of 5 interviews were conducted in the Ugu District Municipality. The first interview was supposed to be conducted with the Municipal Manager since he has worked closely with the IDP Manager and he is the main custodian of the IDP. He was expected to shed some light on the issue of supply and the capacity of the municipal officials. However, due to his busy schedule he was unavailable to be interviewed. Staff and performance-based questions were then directed to the PMS office and the person interviewed there was Mandla Mabhece who is the PMS Manager. The second interview was conducted with the Acting IDP manager, Sazi Mbhele as the IDP Manager was on leave. The IDP Manager ensures that the IDPs are up to date and are prepared according to the IDP guidelines. The third interview was conducted with the LED officer, Musa Mseleku. He is the one who elicited most information concerning current LED projects and the LED capacity. This interview was also instrumental in establishing if the local government through his office has entered into any partnerships in implementing LED projects. Through this interview the researcher was aiming to ascertain the capacity of the LED and IDP staff to undertake their municipal functions, in this case LED and the support they give to local municipalities and their overall opinion about the municipal capacity with regards to the implementation of LED within their area of jurisdiction. Other interviews within Ugu were conducted with the Institutional and Social Development Officer, Lungisani Mkhungo and the Tourism Officer, Phindile Mbono. Lungisani Mkhungo works in the Programme Management Unit (PMU), which is the unit that deals with the implementation of all municipal infrastructure programmes, including LED infrastructure projects.

Institution: Business Associations

Other interviews were conducted with some of the business support organizations in the District. The purpose of these interviews was to get a wider view about the overall success of

LED projects in the area and the manner and the extent to which they are involved and the role that they play. The organizations where interviews were conducted are the KwaZulu Natal Manufacturing Advice Centre (KZN MAC) and the Local Business Support Centre (LBSC). The senior staff at the KZN MAC, Nomfundo Dlathu and Mlungisi Mnyameni has recently joined the organization and consequently they were not well informed about LED activities in the District. The person interviewed at LBSC was Center Manager, Martin Sithole. He has participated in a number of LED initiatives in the District including the B, E and R Visitation Programme, the BEE Forums and he is a member of the Hibiscus Coast Chamber of Commerce.

Institution: PIMS Centre

One interview was conducted with the official at the PIMS Centre. The aim of this interview was to find out what kind of support the PIMS Center gives municipalities. To establish if there is any specific support they offer in terms of facilitating LED and to investigate their opinion about the municipalities' capacities to undertake their LED mandate. The person interviewed is Ben Schoeman, responsible for IDP facilitation.

Institution: Department of Traditional and Local Government Affairs (DTLGA)

An interview was conducted with the Provincial Planning and Development Director of the Coastal Regional Office, Thulani Bhengu. The purpose for this interview was to investigate the DTLGA's opinion about the municipalities' capacity to undertake the LED mandate and to establish if they have made any attempts to deal with the institutional challenges faced with municipalities in the area of LED. Thulani Bhengu is the former IDP manager of Ugu district municipality therefore this interview was also used to get insight into integrated development planning processes in the Ugu district and to have him share some of his experiences in the LED field. Hence the interview with him was conducted prior to the ones conducted with municipalities. It provided a useful contextualization from which to conduct the other interviews.

2.3 The research process

2.4 Table 1: The research process

Stage	Activity	Time Frame
Stage 1	Secondary source information: Literature review	2 nd /02 – 30 th /04/04 -
Stage 2	Document Review 1. IDP/Reviews – Ugu and Vulamehlo 2. Ugu Regeneration Study 3. B, R & E Visitation Programme 4. DEDT report 5. DPLG policy document Preliminary interview with Thulani Bhengu at DPLG	2 nd -6 th /08/04
Stage 3	Preparations for structured interviews, that is: <ul style="list-style-type: none"> ▪ Drafting of interview schedules ▪ Introduction and setting up of interview dates with interviewees. ▪ Writing and e-mailing of interview briefs 	9 th -13 th /08/04
Stage 4	Conducting interviews	25 th /08 – 29 th /09/04
Stage 5	Data analysis	4 rd – 8 th /10/2004
Stage 6	Findings, recommendations and conclusions. Editing of earlier chapters	1 st – 20 th /12/2004
Stage 7	<ul style="list-style-type: none"> ▪ Final writing up and submission of first draft ▪ Working on supervisors comments and final submission 	15 th – 25 th /01/05 16 th /02 – 10 th /03/2005

The research process has been organized into 7 stages, see table 1. The first stage entailed consultation of secondary sources in terms of books, journals, research papers and websites. Stage two involves the review of specific documents obtainable from the case study municipalities and the provincial government. Some of these documents were obtained electronically and others were collected from the institutions concerned. Except for the preliminary interview that was conducted in the 6th of August all other interviews were conducted in stage 4. Preparations for interviews were made prior the interview stage to ensure interview schedules were ready and the interviewees were informed about the purpose of the interviews prior the meeting.

2.5 Conclusion

The methodology adopted in this study allows for in-depth analysis since it deals with two case studies. The district and local municipal level case studies enables the researcher to look closely at the capacity challenges at both local and district municipality levels. The use of semi structured interviews has also enhanced the depth of the study as it allowed the respondents to respond broadly on questions asked thus touching on the issues that would have been overlooked when solely relying on pre-formulating interview schedules.

The challenges involved in setting up interviews with people with busy schedules within a limited time frame have meant settling for alternate interviewees. Some of the alternate interviewees did not have the deeper understanding of issues under discussion hence limiting the study. Therefore the researcher followed up several primary and secondary sources to ensure that as broad an understanding as possible is obtained.

Chapter 3

Integrated Development Planning

3.1 Introduction

Integrated Development Planning in South Africa arose out of a concern for a holistic approach to development. It was a reaction to “*inappropriate and outdated*” ways of planning, which were unconcerned with social and economic dimension of development, weak on facilitation of private sector investment and indifferent on issues of environmental sustainability and economic viability (DPLG/ GTZ, 2001a). Municipal legislation and the Constitution brought these issues to the core of development planning and they redefined them as key priority issues in local government planning. It is this paradigm shift in the planning approach that paved the way for the incorporation of Local Economic Development as a core component of the municipal IDP. IDP is identified as a tool for, amongst other things, maximizing social development, economic growth and promotion of local economic development (Palmer Development Group, 2004).

The aim of this chapter is to outline the relationship between IDP and LED. Firstly it outlines the underpinning principles of the IDP and highlights the implications these principles have on LED planning and practice. The role of the IDP in positioning local government to embrace their expanded roles, including the role of facilitating LED is examined. An Assessment of IDP as a tool for facilitating LED is presented focusing specifically on its ability to integrate social and economic issues into development planning and its ability to facilitate private sector investment and partnership formation.

3.2 Underlying principles of IDP and their implications for LED

The aim of this section is to draw attention to the underpinning principles of IDP and its potential as an enabling tool for LED if it is to be practiced effectively. Rauch (2002) identifies a number of principles that need to be adhered to if the integrated development planning process is to be meaningful. These include community participation, strategic planning and integration. It is a combination of these principles that make IDP complete and ensure that it does serve as a tool for facilitating economic development.

Community participation refers to meaningful involvement of a wide range of different stakeholders in various stages of the planning process. Chapter 4 of the Municipal Systems Act makes provision for the community participation process. Community or stakeholder participation should contribute to building the capacity of local communities to enable them to participate effectively. This provides an opportunity for ensuring communication and interaction and thus building alliances and partnerships around local development (DPLG/GTZ, 2001a). LED strategies can build on these partnerships and thus allow local stakeholders to take ownership of the LED initiatives being undertaken in their localities. Participation can also help in terms of establishing an LED understanding among local stakeholders and thus help to bring about continuity in LED activities even when the LED officials in municipalities change over time.

The principle of **integration** involves thinking and acting holistically across the conventional sectoral boundaries. The concept of integration is very important in integrated development planning and LED. Integration means that LED plans do not stand alone, but they are formulated in conjunction with overall municipal planning. For example, this requires that planning and designing of infrastructure and other municipal services is undertaken in a manner that maximizes economic opportunities in the area. LED objectives and strategies have to be in line with overall objectives and strategies in the IDP. This has implications for LED capacity in local government. People responsible for facilitating LED do not only need to develop capacity in relation to local economic dynamics, but they need to be well knowledgeable about overall development issues in the locality, be informed about plans, policies and strategies of different sector departments locally. They also need to be well versed about National and Provincial development frameworks, strategies, and legislative and policy frameworks.

The principle of **strategic planning** entails a focused process, and a systematic search for the most appropriate and effective solution, taking into account available resources, and overall policy guidelines and principles (Fleisher and Bensoussan, 2003). Hence adhering to this principle can enable the less capacitated municipalities to take stock of their available resources and design ways to use them effectively to produce maximum positive results, which would have been impossible if they followed a non-strategic path. The challenge of developmental local government is to meet several development priorities within specific

time frame and budget limits. Therefore being strategic becomes imperative in order to avoid or manage delays in the implementation of projects.

The DBSA (2000) argues that strategic planning can enable municipality to manage their expanded role by developing focused plans, concentrating on developmental priorities and utilising available funding and human resource optimally. Hence *“they make best use of available resources”* (DBSA, 2000:3).

Hindson and Ngqulunga (2002: 16) echo the strategic value of the IDP. They argue that the IDP is based on the philosophy that *“by taking into account all facets of development, all resources potentially available for development could be mobilized in more effective ways to ensure the complementarity of different development initiatives and to exploit their potential synergies”*

This means that if IDPs were to be truly strategic even those under resourced municipalities would be able to pursue at least satisfactory LED. They would also be in a position to innovate new ways of facilitating it in the face of enormous challenges related to their expanded role. However being strategic is a skill that needs to be acquired before it is put to use. Traditionally local government officials have not been exposed to this kind of planning that is forward looking and focused, therefore it is unrealistic to expect that their past experience would have taught them how to undertake this approach. They now have to move from linear, sector specific and in most cases descriptive planning to multifaceted kind of planning that involves co-ordination and integration between different sectors, departments, levels of government and the management of private and community stakeholders.

3.3 Introduction to IDP in South Africa and the role of Local Government

Local government is identified as the key role player in the transformation of the development process in South Africa, and Integrated Development Planning is identified as a key tool for the developmental local government to achieve its developmental outcomes. IDPs are expected to serve as strategic decision-making tools for municipalities, and should provide a strategic framework enabling municipalities to plan, organize and manage their increasingly widened scope of work. As a statutory requirement, the IDP thus has a legal status and it supersedes all other plans that guide development at the local government level. It is required

to be prepared by all categories of municipalities, that is, metropolitan, district and local municipalities.

Integrated development planning seeks to address severe spatial, social, environmental and economic imbalances such as urban-rural divide and poverty (DPLG/GTZ 2001a). Generally, its purpose is to foster a more appropriate and faster delivery of services and to provide a framework for economic and social development.

Central to integrated development planning is the concept of **developmental local government**. Developmental local government is defined as “*local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives*” (Republic of South Africa, 1998).

The *White Paper on Local Government* identifies four characteristics of a developmental local government:

- ◆ Maximizing social development and economic growth
- ◆ Integrating and coordinating
- ◆ Democratizing development, empowering and redistributing
- ◆ Leading and learning (ibid)

The first characteristic of maximizing social development and economic growth shows that the LED function is central to local government mandate and consequently to its planning.

It entails that municipalities need to have a clear vision for the local economy and social development. This marks a shift from traditional roles of local government, which were mainly service delivery and regulation. They now exert a great influence over the social and economic well being of local communities. To ensure economic prosperity in their localities they have to work in partnership with local business and communities to maximize job creation and investment. Their strategic planning has to include strategies to ensure that the overall economic and social conditions of the locality are conducive to economic growth and the creation of employment opportunities, for example facilitating the release of land for

development, develop strategies to fight crime or improving transport infrastructure. They can also provide support services to businesses, for example providing training for SMMEs.

There are two types of initiatives that are identified in the *White Paper on Local Government* as primary to the facilitation of LED. The first initiative is the review of existing policies and procedures to promote LED and the second one is the provision of special economic services. The former involves discarding those policies that are not favorable to economic growth and development. Some examples of the latter could be marketing and investment support, SMME support, providing targeted support to a particular sector in the economy which has the potential to expand and promoting skills development among residents (Ibid).

Other roles of local government that relate to LED are outlined in Schedule 152 of the Constitution of South Africa. It states that local government is to provide democratic and accountable government for local communities to achieve the following objectives;

- To ensure the provision of services to communities in a sustainable manner;
- **To promote social and economic development;**
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government (Republic of South Africa, 1996)

These objectives show how widened the role of local government is. From the limited scope that only focussed on technical issues and rate collection to having to deal with the issues of environmental management, sustainable provision of services, community participation and social and economic development.

Specific to local economic development the IDP guide states that local government tends to be seen as enablers of local economic development rather than drivers. This implies that they should create a favourable conditions and climate for economic growth and investment (DPLG/GTZ, 2001a). The LED policy (DPLG 2002) and the LED manual (DPLG 2003) define the role of local government in LED as facilitation, coordination, stimulator and entrepreneur. The coordination role entails the formation and management of interaction with other LED stakeholders and role-players such as local municipalities, provincial and national departments and service providers. The facilitation role involves providing a conducive environment for LED. The stimulator role is about promoting investment programmes to

attract investment in the area through infrastructure development, incentives and training. As an entrepreneur the municipality is directly involved in certain initiatives and programmes to ensure investor confidence in initiatives.

Furthermore they need to establish partnerships with other stakeholders, for example private businesses and business associations in the area, non-governmental organisations and other government departments. The DPLG believes that local government is often the most “appropriate place for economic intervention as it carries alongside it the accountability and legitimacy of a democratically elected body (www.led.gov.za).

3.4 The impacts of institutional capacity constraints on the role of Local Government

It is argued that although it may be conceptually sound for local government to play an important role in economic development there are major capacity and funding limitations in most municipalities, which constrain what they can do with regard to LED (Hindson, 2003). This means that as much as one of their functions is to promote LED and most of them give it high priority in their integrated development plans they seem to fall short in meeting this demand due to internal constraints.

Capacity limitations impact on what municipalities are able to produce in terms of LED plans, IDPs, project proposals and business plans. One of the outcomes of LED planning is a project proposal with clear targets and time frames for the implementation of projects and programmes. To produce a feasible and appropriate project proposal requires skills and experience, a lack of such results in an inadequate final product. The IDP guide maintains that the crucial bottleneck to development is not funding, but inadequate and inappropriate planning. It states that South Africa has “more than sufficient funding for development projects, but such funds cannot be accessed due to insufficient project proposals” (DPLG/GTZ, 2001a: 20).

Municipalities may end up being caught up in a situation where they have to outsource some of the LED functions that they would have preferred to carry out internally (Todes, 2002). Outsourcing itself is a complex and demanding function, therefore opting for it does not necessarily solve the problem of capacity; instead it creates a different form of capacity requirements in terms of skills and experience of human resources. Drawing on the services of consultants requires officials to be able to prepare briefs, evaluate proposals and monitor

the process. They also need to be part of the process to ensure that they would be able to implement the plans produced by consultants.

It should be noted that the kind of training needed to undertake IDP and LED processes is complex and relatively new in the South African context. Courses that relate to IDP and LED have been introduced recently in tertiary institutions; therefore some of the officials are only trained to operate in their specialist fields. The implication of this is that one may find that a particular IDP's strength lies in environmental planning, spatial planning or the other depending on the specialist skills dominant in the planning department. As a result some sectors may suffer. Lack of strategic LED interventions has been partly attributed to this problem (Thulani Bhengu, personal communication).

The trend by provincial department and support centres is to develop manuals and pro-formas to assist municipal officials with strategic planning, for example the IDP Manual and LED Manual by DPLG, proposed business plan guide by DEDF (Andre'Van Wyk, personal communication) and the pro-formas developed by the PIMS Centre in the Ugu District. These kinds of tools run the danger of making planning technocratic, where officials just follow the steps without engaging strategically with the issues at hand. However, it does provide some guidelines to enable officials to undertake complex processes, which they are not effectively trained for. An assessment of IDPs shows that those municipalities that adhered to the IDP guidelines produced better IDPs than those that did not follow the guidelines (Todes, 2002a). Guidelines enabled marginally capacitated municipalities to undertake a rather complicated process of IDP formulation and allowed for a certain degree of conformity between municipalities across the country. There were also training courses in IDPs provided by DPLG to inform officials in municipalities, provincial departments and in PIMS Centres and councillors about IDP methodology and implementation. These assisted in kick starting the IDP process in municipalities.

3.5 The role of IDP in enabling LED

The Municipal Systems Act stipulates that LED is to be one of the core components of integrated development plans (Municipal Systems Act, 2000). Some of the core components of IDPs are:

- The long term vision for the development of the municipal area,

- An assessment of existing level of development,
- **The developmental priorities and objectives including Local Economic Development aims** and internal transformation needs,
- Development strategies which must be aligned to any Provincial and National sectoral plans and planning requirements binding on the municipal in terms of legislation,
- A Spatial Development Framework (SDF) indicating desirable land uses,
- Financial plan and key performance indicators and performance targets (Municipal Systems Act 2000:38)

All these components are interrelated and planning needs to show a link between them, for example the vision could be based on two components: firstly, the current situation in terms of current development challenges and opportunities and secondly, on strategies and objectives in terms of how they envisage addressing the challenges and maximizing the opportunities.

The IDP guide has confidence in the role that IDP plays in enabling LED. It states that IDP through LED and other means allows poverty alleviation to be addressed in a multifaceted way and it also helps to promote economic growth and thus serves as a catalyst for wealth creation. Promoting economic growth could be achieved through several measures including:

- Defining and packaging attractive projects and programmes to attract funding from other spheres of government, donor organizations, and private sector,
- Facilitating the creation of an environment that is conducive to private sector investment, for example building road infrastructure that improve the areas' accessibility to the wider economic opportunities or building more police stations in the area to fight crime,
- Proposing direct interventions in the economy through, for example, providing incentives and leasing of land (DPLG, 2001a)

The IDP should serve as a channel for attracting investment, which is an important component of LED. This is achieved through consultative processes to obtain consensus among stakeholders and interest groups about financial and investment plans, which in turn can boost investor confidence. Comprehensive data in IDPs can provide information for potential investors and informative and strategic final plans should enable municipalities to source funding (ibid).

Another role of IDP that enables LED is the alignment of financial and human capacity resources with implementation strategies and programmes (ibid). This should allow municipalities to properly utilize their limited resources for maximum benefits. The planning process should allow them to do an internal assessment of funding and human resource capacity and thus develop strategies to make the most of what they have.

3. 6 Assessment of IDP as an enabling tool for LED

Even though the IDP guide pack is confident about the role of IDP as an enabling tool for Local Economic Development, recent research proves otherwise (McIntosh Xaba and Associates, 2004). The DEDT report maintains that *“IDPs are of limited use as strategic tools to facilitate economic development because they fail to identify the roles of a range of actors in local economic development, they do not generally identify innovative and imaginative projects, and their capacity to highlight economic potential and ways to exploit these strengths and opportunities is generally weak”* (McIntosh Xaba and Associates, 2004: 25)

The IDP in this section is analysed in terms of its:

- Ability to integrate social and economic issues to development planning
- Overall application of a strategic and integrated approach
- Ability to facilitate private sector investment and partnership formation and
- Clarity in approach

In the introduction of this chapter it was highlighted that the very purpose of IDP was to address limitations of the development planning of the past. It sought to address the lack of integration of social and economic issues in development planning, and to improve the facilitation of private sector investment. Concerning whether the IDP has been able to attain its aim of **integrating social and economic dimensions to development planning**, the answer is partly yes and partly no. It appears to have succeeded in terms of putting the structure and documentation in place to support strategic planning. The alignment and the monitoring mechanisms that have been put in place by DPLG seek to ensure that the social and economic aspects of development are considered. However the monitoring system mainly focuses on ensuring that all components of the IDP are included, it is not concerned about the

strategic value of the plans, for example checking if the plans have considered linkages between opportunities, objectives and strategies or if there is sufficient economic analysis or sustainability considerations. Hence the incorporation of economic dimension still remains a statement of intent for some municipalities. Their IDP only provides a wish list of what they aim to attain. They contain neither sufficient scanning of the local economy nor strategic frameworks to implement economic plans. The studies assessing the LED aspects of the IDP maintain that its economic usefulness is limited (McIntosh Xaba and Associates, 2004, Todes, 2002).

By and large IDPs seem to fail to provide for the incorporation of economic dimensions to development planning and some of the reasons for this limitation include:

- An inadequate understanding of economic processes themselves and ways in which growth and development can be facilitated in a coherent, integrated and sustainable manner,
- The lack of awareness and under-utilisation of available economic information and policy frameworks gives rise to poorly informed analysis and planning,
- Most IDPs are consultant-driven processes, undertaken largely by planners who are not always ideally placed to identify strategic economic issues in the locality,
- There is little reference to the broader regional, national and global context within which the local economies operate, or seek to operate,
- The methodology, format and practice of the IDP itself, with its prescribed cascading structure culminating in project identification, gives little space to critical analysis and meaningful cross-sectoral integration (McIntosh Xaba and Associates, 2004:25)

Concerning the **overall application of strategic and integrated approach** the assessment of the first round of IDPs acknowledges that many municipalities the IDP process and outcome fell short of basic requirements of being strategic and integrated. This was due to the lack of capacity in local government and over dependence on consultants. Depending on consultants resulted in plans that were just fulfilling the legislative requirement but of no value to the municipalities as they were not even familiar with their contents. Todes (2002) acknowledges that capacity limitations make it less possible for most municipalities to do all the work in-house although this is preferable by most IDP stakeholders, hence the use of consultants. The lack of capacity also impedes on the extent to which they are able to oversee the work done

by consultants Attempts to provide appropriate support systems were made in order to address these shortfalls. Hence PIMS centres were formed to work with poorly capacitated municipalities around the country.

Even with some form of support some IDPs still reflected a lack of real strategic planning and deep analysis (Harrison, 2002). This means that although IDPs are identified as strategic tools to inform municipal activities, in their analysis they fail to clearly outline key strategic issues in terms of development challenges, opportunities and development priorities in their municipal areas. Even in cases where these have been identified there is possibly poor link between them and development strategies and projects (Harrison, 2002). Todes comments that in the Ugu District the proposed strategies build on the regional strengths and local resources, but there is no clear indication of whether the municipality had adequate capacity to carry out those plans (Todes 2002a).

Another factor that is highlighted as making IDP less of a strategic tool for enabling LED is that although LED approaches in some of the municipalities combine pro-growth and pro-poor approaches most municipalities seem to fail to fully explore the relationship between growth and poverty reduction and to combine their goals (McIntosh Xaba and Associates, 2004). The majority of municipalities approach poverty alleviation and economic growth as competing goals. They often associate economic growth with flagship projects that have no poverty alleviation focus whilst poverty is strictly addressed through small survivalist projects with no linkages to economic growth strategies.

Inadequacy of IDPs in terms of overall application of strategic and integrated approach is also attributed to the absence of a clear policy framework. The guide packs sought to contribute in closing this gap (Todes, 2002a). Nevertheless the problems of the lack of clear policy framework still persist especially in relation to LED functions. Still to date there is no coherent policy framework for LED. The DPLG policy (2002) that focused on LED as a poverty alleviation strategy its value is minimal, as it was never adopted. There are two policy frameworks that are underway by DPLG at national level and DEDF at the provincial level. However these policy documents have not been released as yet.

In terms of **facilitating private sector investment**, the IDPs also seem to have been generally unsuccessful in achieving this goal. Although the private sector is acknowledged as a key role

player in the growth oriented projects, is in essence not sufficiently considered. Sufficient guidelines for private sector involvement are not offered. This policy void increases the burden over the municipalities who have to end up actively involved as entrepreneurs and drivers of the LED process due to limited private and NGO sector involvement.

A relatively poor Spatial Development Framework (SDF) in IDPs also hinders private sector investment. The SDF is meant to provide strategic guidelines with regards to the location of investment opportunities spatially. However the SDF in most IDPs is too limited to serve this purpose (McIntosh Xaba and Associates, 2004). There is insufficient private sector consultation during the participatory processes of the IDP, thus limiting the significant inputs that could be obtained from this sector.

The DEDT research also discovered that the information about LED projects in the IDPs is often “incomplete and insufficient” to serve as a basis for private sector investment (2004:24). One finds that the list of projects in IDPs do not have information such as estimated budget, time frames and expected outcomes and outputs. Thus LED plans can hardly be used as instruments to attract investment, because investors base their decisions on the sufficiency and appropriateness of the information provided and funders evaluate project proposals mainly in terms of the feasibility of projects proposed and the clarity of targets, or key performance indicators and timeframes (DPLG/GTZ, 2001a).

As it can be deduced from the above assessment that capacity and resource constraints are still key constraints to the facilitation of LED by municipalities. Taylor highlights that capacity constraints are currently being experienced in many localities in South Africa and the LED success should be assessed in the light of these factors (Taylor, 2002). The national government has often been blamed for this limitation. It is argued that the devolution of responsibilities to local government was not accompanied by appropriate policy support and funding. (Harrison, 2001). New responsibilities like LED are the ones that that are first to suffer because in such cases most municipalities tend to retreat to their traditional roles such as development control and service and infrastructure delivery (Humphrey and Nel, 1999). It may be argued that the very characteristic of strategic planning is to recognize and work within limits, such as considering available resources and institutional capacity. However, in some cases these problems are so adverse such that it is practically impossible to manipulate the situation.

3.7 Conclusion

LED has been included as a municipal function for the first time thus expanding the scope of municipalities' mandate. The addition of this new mandate does not only mean performing extra tasks but it entails acquiring a totally new set of skills. Traditional roles in local government did not involve extensive community participation, strategic planning and integrated development as required by the IDP. Although the DPLG through training, IDP guide packs, and establishment of PIMS centres have attempted to address the issue of capacity constraints within local government this still appears to be inadequate. Relying on the use of consultants has also done little to resolve capacity limitations in local government instead it has created other forms of skills requirements. It is therefore imperative for municipalities to look at ways to better position themselves to improve their ability to promote LED as capacity limitations impact on the role that municipalities are able to play with regards to the facilitation of LED.

There seem to be a significant gap between the intentions and reality of the IDP. The intentions of the IDP as presented in *IDP guides* makes the IDP appear as a sufficient tool to enable LED in municipal areas. However the assessment of IDP illustrates that in reality the IDP is far from being an enabling tool for LED. It lacks sufficient information that is required to attract private sector investment. These include insufficient economic analysis, insufficient SDF and incomplete project proposals. As much as the IDP does provide a platform to interrogate economic and social issues its impact is very limited in terms of ensuring that municipalities develop appropriate LED strategies and interventions.

Chapter 4

Local Economic Development

4.1 Introduction

LED is about bringing sustainable economic growth and thus economic benefits and quality of life improvements for all in the community. It involves partnership between local government, private sector, non-profit sectors and the local community in improving the local economy (www.led-sa.co.za/worldbank). The importance of partnerships as a key component in the definition of LED is further echoed by Helmsing (2001), who defines local economic development as a process in which partnership between local government, community based groups and private sector are established in order to stimulate the economy of a particular locality.

LED arose out of a historical context that favored localities as economic units. The main thrust was to enhance the functioning of economies by strengthening economically viable, durable and diversified localities, create jobs in localities, enhance local tax base and to prevent money leakages from the locality (Davis, 1997). This required the strengthening of local institutions, communities and people involved in development and it ensured that decision making is shifted closer to those affected by it (Dass, 1995 cited in Davis, 1997).

This chapter looks at various LED approaches and strategies that are applied nationally and internationally. It highlights that these approaches are time bound. New approaches have emerged over time partly due to the adoption of different paradigms, failure of previous approach and changing circumstances. It then provides an overview of LED in South Africa, by highlighting the LED approaches that have been adopted and looks at LED challenges in small town and rural areas. Then it presents the international experience of LED and the institutional arrangements for facilitating LED.

4.2 Approaches to LED

The approaches to LED are diverse and its strategies and instruments vary from locality to locality. The World Bank identifies three broad stages that LED has gone through in its

development. These stages can be translated into three major approaches to LED that have been dominant in different periods of time, although some of their elements have remained applicable across time. The first stage, called the traditional approach, was dominant in the 1960's and early 1980's. The focus in this approach is on attracting outside investment in terms of direct foreign investment and making hard infrastructure investment. Several tools used in this approach include massive grants, subsidized loans usually aimed at inward investing manufacturers, tax breaks and subsidized hard infrastructure investment and industrial recruitment (www.led-sa.co.za/worldbank).

The current application of this approach has been criticized on the basis that it usually works to the disadvantage of localities. Tomlinson (1994) argues that municipalities end up competing with one another, each trying to offer the best incentives. As a result benefits end up being transferred from communities and local businesses to multinational corporations. In most cases one finds that the industries move from one town to another in search of better incentives. In this way they do not make any contribution to the local area.

The second approach was dominant in the 1980s until mid 1990s. Its focus lies on the retention and growth of existing local businesses and inward investment attraction, which is targeted mainly to specific sectors and specific geographic areas. The tools used in this approach are direct financial support to individual businesses, advice and training for small and medium sized firms, technical support to businesses, business start-up support and some hard and soft infrastructure investment (www.led-sa.co.za/worldbank). In the case of South Africa there are many LED initiatives that follow this approach, sometimes referred to as strategy based proactive approach (ibid). Different government departments focus on SMME development, tourism and commercial farming initiatives, which are all instruments of this approach (Roberts, 1989 cited in Davis, 1997). For example the DEDT encourage the establishment of Local Business Service Centres to assist SMMEs in local areas.

This approach represents a shift of primary focus from foreign direct investment to retention and growth of existing business. However this shift is not sufficient to create viable business climate in the locality and to promote growth. Focusing on supporting individual businesses does not contribute significantly into increasing the competitiveness of the local area. Competitiveness entails the ability of the local area or the region to produce and market its products when competing with comparable products from other regions ([31](http://www.led-</p></div><div data-bbox=)

sa.co.za/worldbank). The reasoning behind promoting local competitiveness is that by increasing the economic productivity of an area and marketing its most productive goods and services the community can grow and develop at its greatest potential. Improving local competitiveness through well-targeted and strategically focused economic investment can improve the standard of living for the people. Therefore an approach that does not cater for the promotion of local competitiveness limits the economic benefits that can be obtained by local stakeholders. The potential for growth and sustainability of local businesses is also undermined because such an approach does not provide the locality with a competitive edge in the national and global economy.

The third approach referred to as the current approach has been dominant since the 1990's. It focuses on soft infrastructure investments, public/private partnerships and networking and the leveraging of private sector investments for the public good and highly targeted inward investment attraction to add to the competitive advantages of local areas. This approach marks the shift of focus from individual company support to making the entire business environment more competitive and conducive to business. The World Bank identifies four factors that determine the competitiveness of the area. These are economic structure, territorial endowment, human resources and institutional environment (www.led-sa.co.za/worldbank). The economic structure encompasses economic composition, productivity, output and value added and domestic and foreign investment. Territorial endowment refers to non-tradable assets such as location, infrastructure, natural resources, amenity, cost of living and doing business, and an area's image.

The strategies used in this approach are to develop a holistic strategy that aims at growing local firms, providing a competitive local business environment, supporting and encouraging networking and collaboration, encouraging the development of business clusters, closely targeting inward investment to support cluster growth, developing an attractive business environment, supporting quality of life improvements and to encourage workforce development and education. The strength of this approach is that it goes beyond attracting foreign direct investment and support of individual businesses, as it is the case in the first and second approaches. Its interventions are based on the assessment of the local area in its totality in terms of its human resources, business culture, economic structure and territorial endowment. This kind of assessment enables LED practitioners to be realistic about economic development potential in localities. It presents a foundation on which to develop

economically viable projects that are sustainable and can contribute to economic growth and development.

LED approaches have been conceived and classified in terms of the extent of state and private sector involvement in promoting economic development. Robinson identifies two approaches conceived in this manner, that is, the corporate centre approach where the private sector takes the lead and the public sector led approach where the state takes the lead (Robinson, 1989 cited in Davis, 1997). State intervention is minimal in the corporate centre approach. In this approach growth and development are seen as synonymous and more emphasis is put on growth with the view that the benefits of growth will soon trickle down to benefit all people.

Observing that it not always the case that pro-growth approach has trickle down effects for the poor, gave way to an alternative approach, that is, public sector led approach. This alternative approach came about in response to unequal distribution of economic activity associated with the corporate centre approach. The public sector puts in place interventions to ensure that the benefits of economic activities in a given locality flow to local residents. Robinson then argues that although this approach may produce more equitable outcomes, they are often constrained by resource and capacity limitations in local government (ibid).

The LED approach in IDPs is predominantly public sector led, although it does acknowledge the role of the private sector and the importance of acknowledging the initiatives of other stakeholders (DPLG/GTZ, 2001a). Therefore it can be better classified as what Eisenschitz and Gough refer to as a political centre approach (cited in Davis, 1997). This approach views both the role of private sector and government as important in facilitating LED. It maintains that the state should intervene selectively and pragmatically to correct market failures, for example, by providing infrastructure, welfare services and to regulate market conditions (Harrison, 1994 cited in Davis, 1997). Common programmes in this approach include development of infrastructure, small firm support, local training. More emphasis is also placed on partnerships between the private sector, public sector and the non-governmental or voluntary sector (ibid). This approach represents a compromise between the corporate centre and the public sector led approach.

4.3 Managing LED and the role of partnerships

According to the World Bank, in terms of the current approach, successful LED depends on the collective efforts of the public, private and community sectors. Either of the stakeholders can take a responsibility of starting local economic development focus in their locality.

Regardless of who has taken the initiative Bennett and Krebs maintain that the government has to be involved to show its support for the process (Bennett, R and Krebs G, 1991). If local government is the one that has initiated LED, it is important for them to manage the stakeholders in an appropriate manner. They have to recognize that all stakeholders are important and they could contribute in strategizing and implementing LED programmes and projects.

Stakeholders in the process may yield a number of benefits, for instance,

- Stakeholders bring specialist knowledge and different perspectives making the planning process more robust
- They bring professional, financial and physical resources to the table
- They legitimise the process by being involved
- They forestall problems by being engaged in the process
- Business partners are likely to know much more than local government representatives about the true state of the competitive position of the community
- By involving higher tiers of government, strategies are likely to benefit from their support (including financial)
- Local community representatives are likely to be well informed about local problems and opportunities that could be addressed by the LED strategy
- By involving communities, it is likely that a volunteer effort could be established to support LED implementation programs
- Jobs and economic growth are created in the private sector. Government is usually merely a facilitator in this process (World Bank)

In looking at the benefits of involving different stakeholders in the LED process it seems imperative to forge meaningful partnerships with them to ensure their buy in into the process and hence sustainability. The concept of partnership has not been explored thoroughly in

South Africa in the area of local economic development and there are as yet limited guidelines to assist local government to form and to manage such partnerships as mechanisms to foster local economic development. Most partnership initiatives are those that deal with the delivery of infrastructure and municipal services. Binns and Nel (2001) in the research they conducted in different South African towns discovered that partnerships and collaboration with communities and government departments do occur. Community partnerships occur mostly in infrastructure related projects where communities are involved in the construction and maintenance of projects

The *White Paper on Local Government* identifies three possible forms of partnerships, that is

- *Public private partnership*: This is a partnership between the municipal council and a private sector enterprise;
- *Public-NGO/CBO partnership*: This kind of a partnership occurs between a municipal council and a Non-Governmental Organization (NGO) or Community-Based Organization (CBO)
- *Public-public partnership*: This refers to a partnership between a municipal council and any public sector entity. For example, a contract between two or more municipalities, or between a municipal council and a parastatal organization. (RSA, 1998).

The concept of partnership according to the *White Paper on Local Government* is mainly on service delivery, whether the municipality delivers services directly or they contract another agency to deliver on their behalf. There is no specific mention of partnerships as long term meaningful working relationships between the municipality and other stakeholders in the private, public and non-governmental sectors, or related to LED specifically. This may be due to the fact that partnership is only considered in terms of delivery of municipal services and LED goes beyond service delivery. The LED manual maintains a similar understanding of the concept of partnership. It describes partnerships as another form of institutional arrangements that the municipality can adopt in delivering LED related infrastructure projects.

This view argued by the *White Paper on Local Government* has implications for the kind of partnerships that municipalities are likely to form in their LED ventures. It will be contract or procurement based kind of partnerships. Procurement mainly involves the purchasing activities of governmental authorities, that is, purchasing of goods and services including consulting services (www.europa.eu.int). This represents a limited view on partnerships since procurement does not usually involve long term working arrangements and it hardly goes beyond monetary benefits for the contractor and once off deliverables for the municipality. This view undermines what municipalities could achieve through meaningful working partnerships.

LED by its nature is not an event but a lifetime process. There is never a point where localities feel they have fully developed economically and they do not need any further growth. Partnerships in the *White Paper on Local Government* and the LED manual are only considered at project level. This means that specific partnerships are formed for planning, management or implementation of one project and they dissolve afterward. As much as this kind of partnership is valuable it needs to be used in conjunction with programme level partnerships that go beyond project level procurement to ensure continuity in the LED process so that past experiences can be fully carried over into future endeavors.

Bennett and Krebs (1991) states that the concept of partnership in LED gained popularity due to the fact that LED involves factors of production, that is, land, labour, capital and entrepreneurship and these factors of production need to be coordinated in a logical way within the locality if LED initiatives are to be a success. This means that it would have not been possible for one party, for example the state or the private sector, to coordinate these factors on their own. Therefore they should jointly take the responsibility of managing these factors and LED in general. They acknowledge that although there are different stakeholders in the LED process, the stakeholder that is usually involved is local government. The local government is either the one who champions LED or supports the community or business initiatives. All spheres of government are crucial in LED although the most visible one is the local government (*ibid*). However, one should also highlight that there are cases where the involvement of the local government is relatively minimal or totally absent. Matovu (2000) points out that one of the roles of government is to be conscious and proactive about the state of the local economy in which they operate and then facilitate partnership formations with the private sector. Private sector involvement is seen as mobilising capital, bringing in

management and technical skills. Hence it is seen as imperative in the LED process to avoid the situation where the government make direct financial contributions to individual business development.

4.4 Overview of LED in South Africa

This section presents an overview of LED in South Africa. It is an overview of both policy and practice. Firstly it gives a brief background on LED interventions and policies prior the 1990s and then highlights some policies that influence the way LED is conceived in South Africa. Secondly it looks at DPLG's approach to LED. Lastly it examines some LED interventions.

Background to LED policy and approach

Traditionally in South Africa LED predominantly focused on the packaging of subsidies, tax holidays, free infrastructure and services, orientated to attracting outside industries and decentralization of the manufacturing industries (DPLG, 2002). These approaches proved not to be successful because they were based on overly generous incentives by the state and they lacked assessment of internal competitiveness (Davis, 1997).

The Reconstruction and Development Programme (RDP) of 1994 and Growth, Employment, and Redistribution (GEAR) policies influenced the way in which LED has been perceived in SA (RSA, 1996). The RDP called for active involvement of communities in national decision-making and according to the Municipal Systems Act it is the responsibility of local authorities to create effective communication channels between community members and government (Binns and Nel, 2001, Dewees et al, 2003). The GEAR Strategy called for the government to be proactive in laying the foundation for market – driven economic expansion and growth. This means that the government have the vital role in stimulating economic development through investment in infrastructures. Local government has to be committed to work with citizens and groups within the community in order to attain sustainable ways to meet the economic, social and material needs and to improve the quality of life of citizens (Binns and Nel, 2001).

Organisations outside of government have also been instrumental in shaping the current LED policy in South Africa (Nel, 1999). In 1994 the Centre for Development and Enterprise or the

Urban Foundation, as commonly known, issued an LED policy that supported the involvement of the private sector in LED initiatives. The South African National Civics Organization (SANCO) policy statement issued in 1995 stressed the involvement of all stakeholders, especially community members. They proposed that LED strategies should include the need to support public works programmes, local procurements policies, support for small, medium and micro enterprises, public private partnership and the need to develop appropriate regulatory and planning framework.

Formalisation of LED in South Africa was introduced in 1998 by means of the *White Paper on Local Government* and established as a key function of Local Government in 2000 in the *Municipal Systems Act*. Although the *Municipal Systems Act* identified LED as one of the components of the IDP it did not deal with it in detail. It is the IDP guides and the LED Manual that attempted to tackle LED in a relatively comprehensive manner. The IDP guide defines the aims of LED in South Africa as the creation of employment opportunities, poverty alleviation, economic growth and redistribution of economic resources in favor of local community especially the previously disadvantaged groups (DPLG 2001a). Yet it does not provide any policy framework for refocusing local economies on local competitiveness, encouraging partnerships and providing a competitive business environment. It neither addresses the issues of institutional arrangements nor private sector and NGO role in facilitating LED. Where attempt to address these issues is made is in the LED Manual (DPLG 2003). The manual outlines different institutional arrangements that municipalities can put in place to facilitate LED. These include LED unit, forming partnerships, establishing LED agencies or section 21 companies.

In terms of the prevailing LED approach most municipalities seem to be focusing more on pro-poor approach, (McIntosh Xaba and Associates, 2004). This occurs mainly in small towns and rural areas where poverty levels are high and economic potential is limited. Rogerson highlights that there is a degree of divergence of approach between the LED approaches implemented in the first world and those in the developing countries. The first world mainly focused on pro-market strategies without any interventions to accommodate poverty alleviation in LED strategies. However the developing countries deviate from this trend by adopting either a pro-poor approach or a balanced approach that looks at economic growth and poverty alleviation as twin goals (Rogerson, 2003). The DEDF policies are explicit about

that fact that the pro-market approach that they have adopted has to generate employment and address poverty related issues. They echo the national government objective that the country needs to be set on an income generating economic growth path. The key sectors in the Industrial Development Strategy (IDS) of the DEDF, although intended to promote economic growth there are mainly labour intensive (McIntosh Xaba and Associates, 2004). The sectors in the IDS include tourism, agriculture and agro-processing, crafts, clothing and textiles, wood and wood products, film, music and media and information communication technology/electronics. All these sectors are either based on competitive advantage or are showing potential to promote economic growth in the KwaZulu Natal province. The selection of labour intensive yet competitive sectors is useful in ensuring that in the process of promoting economic growth sustainable jobs are created and benefits for the poor are maximised. Hence the DEDF strategies highlight that one can be able to adopt pro-growth approach and tackle the poverty related issues at the same time.

The divergence towards purely pro-poor approaches is reinforced by the LED conceptualization presented by the DPLG policy paper (2002). The paper defines the pro-poor approach as a developmental LED. It distinguishes it from the non-developmental LED; it argues that non-developmental LED occurs when social objectives are secondary to investment attraction. The developmental LED is based on Government's three core LED objectives. These objectives are job creating economic growth, sustainable rural development and urban renewal, and bringing the poor to the center of development.

The activities of the developmental LED fall into six categories. The first category comprises those activities that foster *community based development*. This entails working directly with low-income groups and organizations at grass root level in projects like urban farming, community based maintenance scheme and cooperatives. SMME development is a major component of this approach, where municipalities seek to create a conducive environmental for SMME development by, for example, providing business infrastructures service subsidies, affordable finance and technical support through business advice centers.

The second category of activities involves *linking of profitable growth to redistribute development*, for instance, linking planning or zone permission in a profitable geographical area to a commitment to invest in impoverished neighborhoods. Another example that can be applied to financial institutions is giving a precondition that when a financial institution is

given permission to open a branch in a healthy area they should also open another one in a low income area and invest a proportion of their turnover in local business or enter into a subcontracting relationship with a local firm

The third category of activities entails *investing in human capital* to ensure that an LED strategy increase the productivity of the local economy and that economic development brings about social benefit. In this case an LED strategy can be linked with the National Skills Development Strategy (NSDS). The NSDS is a strategy to develop human resource capacity in South Africa. It is implemented through Sector Education and Training Authorities (SETA).

The fourth category of activities relate to *delivery and maintenance of infrastructure*. The paper argues that the provision and maintenance of infrastructure should be in a manner that maximizes economic returns for the poor. Components of this approach include capital investment in infrastructure, efficient delivery municipal services, for example water, electricity and sanitation and provision of social facilities such as education facilities, recreational facilities and health facilities.

The fifth category of activities emphasize that LED interventions should have an effect of *plugging the leaks in the local economy*. This can be achieved by using resources that are close at hand such as buying local, locally manufactured materials, business networking in the area and supporting and building local markets. The sixth category of activities relate to retaining and expanding a municipalities' existing business. In this case municipalities are supposed to assist local business to improve their productivity and to increase their market share (DPLG, 2002).

As the DPLG policy was never adopted it is difficult to assess the impacts of the proposals that they make in this policy paper. However some of the initiatives pro-poor strategies that DPLG implemented prior to the formulation of the policy proved to be unsuccessful. The DPLG introduced the LED fund to support projects that applied the developmental LED approach. Most of these projects were survivalist projects and were not sustainable (McIntosh Xaba and Associates, 2003). Hence the LED fund was abolished. The DPLG is now in the process of developing a policy that adopts a pro-growth focus.

There are other initiatives underway that are more inclined to pro growth strategies and the current approach, yet addressing the twin goals of poverty alleviation and economic growth. For example the DEDF is in the process of formulating an LED Policy for the KwaZulu Natal. Although this policy is still embargoed it is perceptible that it will adopt a current approach and pro-growth strategies. The other initiative is the KwaZulu Natal Economic Development Programme funded by the European Union and coordinated through the DEDF. This programme is aimed at developing strategies to enhance the competitiveness of the areas where it is applied. It also encourages the formation of partnership between local stakeholders in pursuit of LED.

National and Provincial LED Initiatives

There are several LED initiatives at National and Provincial level as well. An example of intervention at national level is Spatial Development Initiatives (SDI) alluded to above (Davis T 1997) and Growth and Development Strategies. The SDI focuses on areas that were previously neglected, but which have an economic potential, for example the Coega Development in the Eastern Cape. The role that is played by government is facilitative role rather than the control of local economies. The SDI, although it is a national initiative it does impact on the local level initiatives because the local government whose areas of jurisdiction are affected can take advantage of these initiatives to link and speed up their own LED initiatives.

Local Government involvement in LED as envisaged in the *Provincial Growth and Development Strategy* (PGDS) is to facilitate the provision of basic infrastructure and services to improve the quality of life and enhance the economic opportunities of people in the province (PGDS, 1996) The PGDS anticipated the challenge of limited capacity that local government will face in enabling LED and it suggests that measures be put in place to ensure that capacity is created within local government and the civil society (ibid). The 1996 PGDS had a very limited LED focus. With regards to LED it mainly pointed out that initiatives at provincial level are more of creating an enabling environment for LED rather than facilitating it then provided guidelines on sector specific interventions. It did not engage with issues that pertain to local level interventions and the role that can be played by local government, NGOs and private sector was not clarified.

The current PGDS (2005) is more strategic in the way it deals with economic growth and development in the Province. It goes beyond just sectoral strategies, but it looks at the overall business environment in the province and identifies the roles that can be played by different stakeholders from municipalities, provincial government departments, parastatals and NGOs. For example it identifies its role of local government in a partnership as that of the provision of high-quality infrastructural facilities, attractive incentives, a pro-business administration as well as conducive living environment (Draft PGDS, 2004). The role of the business sector is identified as to “provide technology, skills training and job opportunities” (ibid). However such details on the role of different local level stakeholders seem to have fallen away in the final PGDS document (2005)

Highlights of current LED interventions

Currently, LED in South Africa is being implemented in a range of localities from metropolitan through to rural areas. This is achieved through local government as the primary implementation vehicle, since South Africa has wall-to-wall municipalities that cover both rural and urban areas. (Taylor, 2002). Nel and Humphrey (1999) identify a number of strategies that are being applied in the South African context. These strategies include:

- Marketing the local area,
- Investment support,
- Assistance to small firms
- Setting up one stop facilities,
- Land release,
- Public works, promotion of labour based programmes,
- Local procurement,
- Development research and training (Taylor, 2002).

There are two other areas of focus that emerge as dominant in the South African contemporary experience of LED. The first one is SMME and business support structures development. Most municipalities highlight this focus area as very significant in promoting self-employment in their localities. The second one is technological innovation, agro-processing and export promotion. The second focus area often includes projects like, for instance, the use of specialist cultivation methods such as hydroponics or producing high cash crop yields for exports (Taylor, 2002). In Metropolitan councils relatively greater resources

and expertise are available; hence they are able to pursue globally competitive developments to boost the local economy, for example the waterfront development and the ICC convention center in Durban. The strategies used in the interventions presented here illustrate that local government do not only focus on pro poor approaches, there is a high degree of pro growth focus in their interventions. Hence it can be argued that they opt for a more balanced approach that accommodates both pro-growth and pro-poor strategies.

LED in rural areas

LED in SA is also taking place in rural areas. It is imperative to understand the distinct characteristics of rural areas to ensure that appropriate LED policy and strategies can be formulated. The Municipal Systems Act is indiscriminating in the outline of powers and functions for municipalities in relation to LED facilitation. The LED function applies to all municipalities whether in rural or urban area hence it is currently being pursued in both settings. Some rural areas have no economic base yet they contain a wealth of important natural resources and arable land suitable for agriculture, which have not yet been explored for commercial purposes. However it should be noted that some of them have limited economic potential because their establishment were not based on any economic rationality but on forced settlement policies. These have no viable base and their land is agriculturally unproductive. In such cases survival strategies are predominantly remittances from those working in urban areas and social grants (Meth, 1994).

The RDS and the Integrated and Sustainable Rural Development Strategy (ISRDS) provide a summary of the key challenges facing rural areas. Rural realities include:

- High levels of poverty, especially among those in women headed households
- Agricultural dualism, both in land use and support services
- Spatial chaos and stark contrasts between the former home lands and the areas around, in terms of settlement patterns, land ownership and use, transport and other infrastructure
- Historical restrictions on entrepreneurial development, and poor support
- New local government structures, with no history or experience of planning, democracy or service (Office of the president, 1995, DPLG 2001c)

The Rural Development strategy identifies four development options for LED in rural areas and small towns. It states that LED should promote rural market, promote SMME, support agricultural programmes, promote tourism and eco-tourism and promote labour-based infrastructure development. All these strategies are echoed in the ISRDS. The Rural Development Strategy (RDS) sees the promotion of markets is an important key to encouraging on-farm and off-farm production. Having a place to sell products would encourage people to consider producing goods. The Rural Development Strategy recommends periodic markets that are managed by local people and supported by government. They suggest that government services should be arranged to coincide with the periodic markets. For example having the pensions, mobile post offices and mobile clinics on the same day and venue and making these coincide with the periodic markets thus reinforcing market and enterprise development (ibid).

It further states that provincial and rural local governments can increase employment opportunities by passing procurement laws and by laws that favor labor intensive methods of production in construction. These could be linked to the Community Based Public Works Programme. However, it also states that short term projects should not be considered as ends, but means to an end in a sense that they have to promote long term development goals for example construction of a rural service centre or a road that improve the area's economic opportunities (ibid). It is crucial that the RDS establish this link between short term and long term projects because other municipalities because of the immense poverty challenge they are facing end up neglecting the long term goals of economic growth and development thus missing out on the benefits that can be derived from them. The RDS has now been superseded by the ISRDS, which is now the primary government strategy for rural area. The ISRDS operate in a selected number of districts six provinces. Ugu District Municipality is one of the ISRDS nodes in KwaZulu Natal. The principles of RDS and ISRDP do not differ much, they both emphasize the importance of LED in fighting unemployment and poverty in rural areas. However the principles of the ISRDS are more refined than those of the RDS. The ISRDS principles include the building and maintaining partnerships with key stakeholders in rural development and to promote intervention (DPLG 2001c). The principles of integration and sustainability are the basic underlying principles of the strategy.

4.5 Institutional arrangements for facilitating LED

The LED manual identifies LED as an important part of municipal planning. They believe that planning process involved in developing the IDP is the same process in which the LED projects are planned and the institutional arrangement for facilitating it should be identified at the same time. Each municipality has to look at its capacity in terms of human resources, time; funding and other necessary resources then develop the LED strategy and projects in the light of this information (DPLG 2003). They highlight that municipalities need decide how to structure the municipal budget and administration depending on the priorities they have set for the municipality. Therefore, it is certain that the institutional arrangement would not be uniform across municipalities due to differences with regards to available resources and their developmental needs.

4.5.1 Government Departments responsible for LED

At both national and provincial level it is not yet certain as to who should take the responsibility for LED. Currently both the DPLG and the Department of Trade and Industry do play a role. DTI role is mainly support and funding to end-users such as small businesses and special support to specific sectors such as manufacturing and agro processing. The DTI supports Manufacturing Advice Centres (MAC) and Local Business Support Centres (LBSC) which operate at a local level.

The role of DPLG includes provision of support in the following areas:

- Development and review of national policy, strategy and guidelines on LED;
- Providing direct and hand-on support to provincial and local government;
- Management of the Local Economic Development Fund;
- Management and Technical Support to Nodal Economic Development Planning;
- Facilitating coordinating and monitoring to donor programmes, and
- Assisting on LED capacity building processes (Department of Provincial and Local Government, 2002)

Provincially, specifically in KwaZulu-Natal the Departments of Traditional and Local Government Affairs (DTLGA) and the Department of Economic Development and Finance

assume these roles. However functions at Provincial level are not as clearly defined as they are at National level. There is a conflict of responsibilities arising from an overlap of responsibilities between the two departments. While DEDF is responsible for implementation, DTLGA is responsible for the formulation of LED policies in the preparation of the IDPs. There is no yet adopted LED policy in either department. Also these departments have not historically enjoyed a co-operative working relationship. Interaction between these two departments has tended to be very limited.

4.5.2 Institutional arrangements at the municipal level

Typically in Metropolitan and District municipalities there is a staffed unit dedicated to Local Economic Development. An LED Director, manager or officer, usually manage this unit. In smaller district and in local municipalities the LED function is a responsibility of an IDP manager or a municipal manager in the absence of an IDP manager.

4.5.3 The role of Local Government, Water and related services Seta

Local Government belongs to the Local Government Water and related Services Seta. This Seta has an LED focus to assist municipalities' in developing skills that are required to facilitate LED. They have made available a collection of resources to help municipalities to implement LED programmes. These resources include World Bank LED Manual, United Nations LED Manual, LED manual by DPLG, LED resource book for councillors by DPLG, Directory of grants, loans and funding resources and links to important websites for LED practitioners (www.lgwseta.co.za).

The LED focus in the LGW Seta is coordinated by an LED task Team. The task team comprises of representatives from Provinces, Districts, Metros, Municipalities, Development Bank of Southern Africa (DBSA), Department of Trade and Industry (DTI) and DPLG. The task team functions are to:

- Identify the need for learnerships and skills programmes in Local Economic Development.
- Compile an implementation plan for the education and training programmes in Local Economic Development.

- Ensure linkages with formal structures, such as South African Qualifications Authority (SAQA), Department of Education, Department of labour and other Setas.
- Support participation in the education and training programmes and review the training process regularly (Ibid).

Training offered through Setas is funded through the National Skills Development Fund (NSDF). Contributions to this fund are made regularly through the Skills Development Levies; therefore organisations do not pay for training directly. The purpose for this is to make it easier for organisations to take their staff for training without having to think of the expenses involved.

The LGW Seta recognises the expanded role of local government and the lack of appropriately skilled officials to undertake the new roles. They acknowledge that officials are not well equipped to deal with this function in terms of knowledge and understanding of what LED means. They also lack skills required to implement LED policy and procedures. They argue that the wide range of LED manuals and LED training programmes that have been developed are not sufficient to equip officials with the knowledge, insights and skills required to provide this service to local communities. This is what motivated the LGW Seta to develop a comprehensive Local Economic Development Qualifications Framework at NQF levels 4, 5 and 6. These levels correspond with the positions of LED officer, LED coordinator and LED Manager respectively. The purpose of these qualifications is to equip LED practitioners in the knowledge and skills required to be successful LED facilitators and to ensure that local government officials will be able to better fulfil their new role as facilitators of LED.

4.6 International Experience of LED

LED internationally is not as new as it is in SA and other developing countries. For instance in the case of UK widespread growth of LED dates back to the 1920s and the 1930s. Most of their LED interventions were local government initiatives. They originated mainly as a response to policy void left by central government as it withdrew from direct intervention in the economy. For some local authorities it was a response to their exclusion from special areas that were designated by the central government for economic development. The special areas (declining areas) were provided with subsidies to attract large manufacturing companies to move there. For example, the city of Liverpool, which was not designated as a special area,

through partnership with voluntary organisations and the private sector managed to acquire land to build factories and offer loans to attract new firms in the area. Attracting “mobile industries” was a dominant LED strategy around this time, but it later proved to be incapable of addressing economic problems, especially the recession in the economy that occurred around late 1970’s and early 1980s (Development Institute, 2002). This experience points to the limitations of the first wave approaches. Accordingly it proves unreasonable for the South African local government to invest their time and efforts in trying to align their LED initiatives to the approach which has proven unsuccessful elsewhere.

The current approach has become the most dominant approach in the UK and its focus is on promoting strategic interventions to improve the competitiveness of local firms. The local government seek to adopt the “efficient role model” provided by the private sector (Ibid: 151). Most local authorities were influenced by the experience of North America, where locally based strategies had significant impact in reviving older and declining industrial towns and a wide range of small towns and rural areas. Partnership was identified as an important vehicle for LED. They recognised the role played by strategy in providing a foundation upon which partnerships can be built. Partnerships were formed between the private sector, local government, central government, voluntary sector and community-based organisations. They engaged in a range of LED activities such as land and infrastructure development, provision of training facilities, and urban regeneration projects (ibid).

Partnership also occurred between local government and the institutions of higher learning. For example in the case of Municipality of Grimsby, a then declining fishing town, the municipality wanted to develop its competitiveness based on its fishing heritage. The municipality realised that they do not have sufficient human resource capacity as it would be demanded for the activities that would be carried out within and by industries. They then formed partnerships with the local institution of higher learning to start specialized courses that relate to the skills that are needed by the new businesses and the local Authority (www.worldbank.org)

Another international experience that present innovative ways in which partnerships are used to deal with issues of insufficient capacity is the case of Nebraska. In Nebraska they formed an organisation known as Partnership for Rural Nebraska (PRN). This organisation focused on all issues that pertain to rural development including LED. All partners, that is, the State of

Nebraska, University of Nebraska, The Federal Government, Nebraska development network and Rural Nebraskans committed themselves to pool together their resources and expertise in order to facilitate development in rural area.

One of the programmes of PRN that relate to capacity building is Nebraska Rural Institute. The projects in this programme include the monthly newsletter, research and staff sharing. Staff sharing means that partner organizations are able to share staff among each other. This serves to supplement the lack of capacities in some of these organizations. For example if one organization lacks technical skills they can obtain one or two technical staff members from another organization for a specified period of time. Whilst in their organization he may transfer some of his skills by having a person attached to him from the host organization. Two organizations can jointly fund one position which they both need and then have that person working in both organizations. In this way partner organizations are able to expand their human resource capacity without overstressing their limited financial resources. Sharing of staff also enhances the experience of the shared personnel; they get multi skilled and exposure to different organizations expands their skills base as well.

Using IDP as a tool for facilitating LED is not unique to SA, it has occurred elsewhere, for example the case of the case of Dominica, West Indies. In this case the Dominica IDP was adopted as a response to top-down and non-participatory planning approaches that were dominant then (The Development Institute, 2002). Their IDP included strategies for economic recovery and growth; these include strategies for promoting export growth human resource development and social recovery. All these strategies were identified through community participation.

The IDP defined roles of stakeholders thus enabling informed and responsible participation of all stakeholders. For example the roles of the private sector, different spheres of government, different government departments, parastatals and community organisations were well outlined in the policy framework for IDP. This serves as strength of their IDP. Conversely in South Africa, one of the weaknesses of its IDP policy is that although it acknowledges the significance of partnership in service delivery and LED it does not outline the role the private and community sector. It only concentrates on the role of the public sector (Binns and Nel, 2001).

4.7 Conclusion

There is no doubt that LED has become a prominent form of economic intervention in South Africa both in urban areas and rural areas. LED in South Africa mainly in small towns and rural areas tends to be biased towards pro-poor strategies and this is not surprising due to the high levels of poverty in the country. The policy focus of the DPLG has been biased towards these strategies too. However policy makers are beginning to acknowledge the role that can be played by pro-growth strategies in addressing the twin goals of poverty alleviation and economic growth. Correspondingly they are examining ways of ensuring that objectives such as job creation, poverty alleviation are being addressed through LED.

LED approaches internationally are changing over time. The historical background of LED from the 1960's, 1980's and 1990's presents a spectrum of approaches. The earlier approach that focused predominantly on investment attraction appears to have a limited potential in terms of addressing the challenges of employment creation, sustainable development and poverty reduction. The second approach, although it is an improvement from the first approach it is not strategic enough to address the long term goals of economic growth and development. Its focus lacks strategies to sufficiently scan the local economy, develop the competitive advantage and build a business culture in the locality.

The LED overview above shows that majority of initiatives in South Africa still fall within the first and the second approaches. As much as some of these approaches can still be useful for an economy like South Africa with a legacy of uneven development they are inadequate. Solely relying on them limits the potential of the role that can be played by LED in the country's economic growth and development. Moreover it causes SA to lag behind in terms of the strategic interventions and partnership formation promoted by the current approach. Therefore it is imperative for policy makers to redirect LED policies towards current approaches to ensure that LED interventions yield maximum results. The role of private sector and NGO sector should be clearly defined so to secure their involvement in LED implementation in South Africa.

Chapter 5

LED experience in South Africa: Case studies

5.1 Introduction

Most South African municipalities are still designing their LED programmes. Others have not even developed their LED strategy. They have only pursued a few LED projects identified in their IDPs. Hence only a few municipalities have devoted time to develop tools to measure the results of the LED programmes, (Department of Traditional and Local Government, 2003). Therefore, the South African case studies do not intend to provide comprehensive examples of how LED should be pursued, but they show how municipalities, agencies and communities are approaching LED, focusing on some success pointers and lessons that can be learnt from what has been done so far. South African case studies that are included in this study are Cato Manor, Stutterheim, Midrand and the EU LED Support programme in KwaZulu-Natal. The EU programme is presented as an initiative to improve LED facilitation in KwaZulu Natal. It is seen as one case that attempts to apply a current approach to LED and therefore provides a lesson for LED facilitation to local government in other parts of the country. Then the conclusions are drawn from the lessons that have been learned in these case studies in terms of LED approach, how they address capacity challenges and the subject of partnerships.

5.2 Agency led Integrated Development Planning: The case of Cato Manor

This is an example of an agency led LED. The Local Economic Development Programme (LEDP) in Cato Manor is a sub-programme within the Cator Manor Development Project (CMDP). Both these projects are managed by the Cato Manor Development Agency (CMDA). The reason for the formation of an agency to lead development in Cato Manor is a vacuum that existed then due to political transition. It was established in 1993 to bring together various stakeholders such as local authority, political parties and communities. It was seen as a 'special vehicle' to accelerate development (Hamson, 2000:137). However it should be noted that CMDP as originally conceived is now over. It is now being undertaken as a municipality-led Area-Based Management Programme by the Ethekwini Metro. It is

classified as an agency led LED here because this study examines it before it became a municipal led programme.

The economic focus within CMDA was institutionalized in 1999 with an opening of an economic department which was managed by a European Union (EU) technical assistant, who brought in the capacity and expertise needed to focus LED. Few income generating projects that were in place then, for example vocational training and small scale industry workshop were rearranged into proper LED programme.

There were 4 projects in 1998 before LED was formally institutionalized and they grew to 40 in 2000 (CMDA, 2000). The LEDP aims to offer a hierarchy of opportunities ranging from small-scale survivalist projects to large scale businesses. It was intended that their impact could flow to different target groups which would ensure that projects are inclusive, that is, hierarchical levels accommodate people with different skills and experience.

Objectives and principles

The overall objective of CMDP is to “improve the living conditions of the poor in South Africa through a policy that strengthens the delivery system for infrastructure and housing” (CMDA, 2000: A4-1). The overall strategy for the LEDP is to “promote economic development in Cato Manor and integrate the area into wider Durban economy” (CMDA, 2000:36)

The purpose that gave way to LEDP is to provide housing, infrastructure, services and access to jobs for the poor. Therefore, LED in Cato Manor was part of the integrated development of the area. LED has influenced other projects of the CMDA in a sense that intended to bring the issue of economic viability and long term sustainability to the center of CMDA policy. It has influenced the way other programmes are “*conceived, implemented and managed*” (CMDA, 2000: 36). It is seen as a condition for sustaining the housing infrastructure and social programmes. It would open employment opportunities for local people who have benefited from the housing projects, thus their financial status will be improved, they would be able to pay for municipal services and improve the overall standard of the area by consolidating their houses.

The EU and South African government funded initial LED projects and these were regarded as ice-breaking projects to attract private investors. LED projects were expected to show private investors that investment in Cato Manor is feasible and profitable. The LEDP principles that were to guide LED implementation include ensuring that ice-breaking projects are replicable by the private sector and that public sector investment is recovered once private sector investment becomes available (Hindson, cited in CMDA, 2000: A4-3). Conversely private sector investment in Cato Manor has remained limited. The Ice-breaking projects failed to attract maximum private investment to the value of the public investment made. This drawback indicates the significance of pulling in private investors from the onset so that they can make their own assessment about the viability of the projects being undertaken.

Types of LED projects

LED projects can be categorized into three broad areas.

- Human capacity building, for example vocational training
- Economic opportunity creation, for example, retail, offices, tourism, large industrial and commercial parks and small-scale manufacturing.
- Enhancing economic capacity, for example, job placement, small business facilitation and management institution building.

The institutional arrangements

CMDA is a non-profit organization set up to manage development in Cato Manor. Its board consists of representatives from the City Council, Provincial Government and local communities. The LED Department interacts closely with major stakeholders and interest groups, which include the following groupings:

- LED committee constituted by representatives from the Cato Manor Community Organization (CMCO) elected by residents,
- Reference groups which are made up of community members and people who bring expertise to planning
- Business associations in the area, for example, Cato Crest small business association and Chesterville small business association (CMDA, 2000)

Effectiveness and efficiency of Cato Manor LED

During the mid-term review, most of the LED projects were still in their early stages. However, the assessment of the early stages shows that “results are in a desirable direction” (CMDA, 2000:31). Human capacities are being built through training programmes. Economic assets in the area generate income-earning opportunities for local communities. There are a significant number of emerging contractors and traders in the building and retail sector respectively. The job placement network has about 4000 people in its file and it has already placed 1300. These are all early indicators of the effectiveness of the LEDP. It is being judged in terms of number of facilities created, number of people trained and economic opportunities created. Plans to strengthen monitoring by setting up indicators that reflect progress through different stages were still underway (Hindson cited in CMDA, 2000). When these are in place proper follow up on the success of different aspects of the programme will be possible.

Regarding efficiency, it is reported that in the original framework, LED projects consisted of vocational training where a vocational training center was going to be constructed and small-scale industry workshop. In the light of feasibility studies, the project of constructing a vocational center was dropped in favor of supporting existing training institutions, for example, Cato Manor Technical College. This proved to be more efficient rather than duplicating existing institutions (CMDA, 2000:23).

Lessons

According to the CMDA coordinator, Wim Eising, there are a number of lessons that can be learnt from the Cato Manor case study. There are lessons that relate to institutional arrangement, approach and sustainable development. (Cited in Taylor, 2002)

The institutional arrangements for facilitating LED should be properly set up before the introduction of LED programmes (ibid). The LED programmes that took place prior the setting up of LED institutional arrangements in Cato Manor were not properly coordinated, but this changed with the introduction of a staffed Economic Development Department. The LED dedicated department also served to ensure that economic objectives infiltrate into all

other activities of the organisation. This in turn facilitates integration between LED and other activities in the organisation.

With regards to approach Eising emphasise the importance of an integrated approach to development. The CMDA was not only concerned with one aspect of development, for instance economic development, or housing or infrastructure. However its mandate was to address all development issues in Cato Manor. In this way they were able to apply a well coordinated and integrated approach in the provision of housing and infrastructure, delivery of services, and facilitation of social and economic development. It is important to decide on the entire programme to be implemented by the organization at the onset of an integrated development programme so that they can all receive sufficient attention. This could also facilitate the formation of linkages between different programmes.

Furthermore on the issue of approach, Eising states that it is imperative to combine bottom up and top down approaches. The organization entrusted with the responsibility of managing economic development should ensure that there is wide stakeholder consultation and recognition of community initiatives that are already in place. Local communities, private sector and the non governmental organizations should be able to influence the strategic direction that LED has to take.

Concerning sustainable development he suggests a number of measures that can be put to place to ensure sustainability. Some of the measures are outlined below:

- LED in low-income areas requires a dedicated implementation team.
- If local government has low capacity, the development agency needs to set up its own LED management team and budgeting system.
- Reinvest revenues from area Socio-economic Development Fund.
- Develop strong links between local government, business support institutions and private sector (ibid).

The sustainability of LED projects in Cato Manor would have been improved if proper partnership arrangements with the private sector were formed. The business related projects would have been funded by the private sector. In this case most of projects that would have been undertaken would have been based on proper feasibility studies.

Developing strong links with local government was also seen as critical to ensure sustainability. As CMDA's existence was not permanent they needed to establish links with the local government if its achievements' were to be sustainable. The local government had to be kept informed of what is happening so that they can be able to continue with the projects when the organization ceases to exist.

Relevance to the research

This case study is an example of a successfully planned and implemented LED programme. It shows a clear link between LED objectives, principles, development challenges and opportunities of the area and development strategies and eventually projects. There is also an attempt to put performance indicators in place, although they are not yet fully developed. All these factors are critical components of integrated development planning which municipalities are required to do.

The case study also has an element of integration, an important concept in local government IDPs. There is an integrated service and infrastructure delivery. The delivery of houses demanded that people have access to economic opportunities in order to be able to maintain the housing stock. Provision of bulk infrastructure and social facilities enabled LED in a sense that roads opened up the area to the greater Durban area to maximize linkages. Accessibility of the area is very important in attracting investment.

A distinguishing factor between this programme and LED being researched in this study is that it is planned, implemented and managed by a non-governmental agency. This factor makes it suitable to be used for comparison between government facilitated and agency coordinated LED. The case study also reflects the impact of strong leadership and extensive experience in the success of a project. There are not many employees in the LED department of Cato Manor. The implication for this in this study is that quality matters more than quantity in terms of capacity. Therefore municipalities may be under staffed and still achieve great success if the limited staff has appropriate expertise and is committed.

5.3 A Community initiated Strategy: The case of Stutterheim

Stuterheim is a small service centre town in the Eastern Cape Province, situated 80 km away from East London, which is the largest city in the Eastern Cape. Stutterheim traditionally incorporates six residential areas, one suburb for whites in the Stutterheim town, Van Rensburg, a coloured residential area and four African townships, Mlungisi, Kubusie, Cengu and Cengu lands.

It is an example of community initiated LED. The Stutterheim community, businesses and local leaders came together to form the Stutterheim Forum in 1990. The motivation to establish the forum emanates from the social and economic problems that the Stutterheim town was faced with. The key problem in the area was the political unrest, which involved consumer boycotts and led to many business closures in the town. Other problems were the stagnant economy, negative growth in the economy, and shortfall in the provision of services.

Institutional arrangements

The Stutterheim Forum is a non-statutory forum consisting of two representatives from each of the six residential areas and members of the surrounding rural communities who joined in the process later on. The Forum initially consisted of nine subcommittees representing each area of intervention, that is, constitutional, planning, economic, education, health, agriculture, recreation and tourism. These subcommittees were later reduced to four (human resource development, works, marketing and business information) to reflect a more sharpened focus of the project. (Nel, 1999).

The forum later led to the formation of the Stutterheim Development Foundation, a section 21 company which took over the role of promoting and managing development in the area. The project received external assistance in the form of funding and expertise. Financial support to identify development objectives and strategies was received from the Development Bank of Southern Africa (DBSA). There was also a private consultant, Professor David Dewar who was appointed to oversee the process. It also enjoyed high level of local authority support (Ibid).

LED Projects

Some of the key LED projects include the labour-intensive public works project, economic projects and agricultural projects. The public works projects contributed towards skills development. Participants in the project were offered formal training prior to participation and they also acquired other skills through practice. The project used community contractors, which contributed to SMME development and increased a sense of control and ownership to local people.

Economic projects were mainly around the Business Advice Centre that was managed by the economic sub-committee. This centre helped local business to establish and expand their businesses, it offered certified training courses in technical and business skills, facilitate access to credit, and it organized periodic markets. The latter was taking place in pension pay points and the subcommittee facilitated the development of infrastructure in these areas such as covered structures to serve as market stalls, accommodation for the sewing cooperative and workshop for a small grain mill.

Agricultural projects include the offering of assistance to small African farmers. This entails helping them to secure financial assistance from the agricultural credit board. The agricultural projects were used to strengthen rural urban linkages and to pursue value-adding processes to maximize the sustainability of the project.

Strengths and weaknesses

Stutterheim is regarded as one of the post apartheid LED success stories (Nel E, 1999), although opinions differ in terms of its successes. The programme is criticized on the basis that it failed to lay basis for sustainable development of the area. Unemployment, service backlog and poverty remain high in the area (Bond cited in LED-SA, 27. 04.04). The problems of the African townships in Stutterheim were not sufficiently addressed (Bond P, 1998).

Nel maintains that although the sustainability of the project is questionable the project does offer some lessons to other small towns. One of the lessons that can be learned from this case study is that it is important to look beyond political differences and seek consensus to lay a foundation for proper implementation of an LED programme. The LED champions in the area addressed the issue of political differences; hence put an end to political riots and boycotts that would have blocked funding support from international agencies and investment by the private sector.

Other lessons relates to the importance of having a common vision, community participation and inclusion of both rural and urban communities (Nel , 1999). The Stutterheim Development Forum consisted of stakeholders from the community sector, business sector and the public sector. All these stakeholders shared one important vision of bringing economic development and growth to Stutterheim. The involvement of urban and rural areas provided an opportunity for forming urban rural linkages, for instance the linkages between the agricultural projects in rural areas and markets for fresh produce in urban areas.

Relevance to the research

The case study presented here is an example of a community led LED hence it is relevant to the study since it point out to strengths and weaknesses of alternative arrangements to facilitate LED. It highlights the fact that communities do not have to wait for local government to initiate LED in their localities, but they can also take an initiative. In Stutterheim local champions mobilized local stakeholders and sought external help to start an LED focus in their area.

Secondly the case study stresses that having the LED focus started by community stakeholders do not mean that the local government has to be completely excluded. The Stutterheim LED enjoyed maximum local government support although the local government was not the primary driver of the process.

It is imperative to look at how alternative LED vehicles approach the issue of capacity building. The community and champions in Stutterheim did not have sufficient human resource and financial capacity to undertake LED. They had to seek external human resource support through which they obtained capacity to source funding from international funding agencies. This link between financial and human resource capacity affirm the claim that the real bottleneck to development is not lack of funding, but lack of capacity to source funding (DPLG, 2001a). Sourcing of external support in terms of funding and human resources provides a lesson for municipalities to have a critical look at their own capacity and assess if they do not need to seek external support too in their attempts to implement LED programmes.

5.4 A municipal Led LED: The case of Midrand

Introduction

This case study presents an example of an LED initiative that is led through a partnership between the Municipality and a section 21 Company. It demonstrates that municipality can supplement its lack of capacity through a well managed joint venture.

Context and LED background

Midrand Municipal Council (MMC) is part of the Johannesburg Metro. Midrand lies between two major centres, that is, Johannesburg and Pretoria. Its total population is approximately 240 000. Most of the residents that are living under poverty are living at the former informal settlement of Ivory Park.

LED initiatives in Midrand date back to early 1980's. The earliest LED initiatives involved pro-market strategies such as place marketing and promotion of inwards investment. The MMC LED strategy was to attract high tech, high value and clean industries to the area. Through these strategies the municipality managed to attract a number of companies into the area. The rate of expansion during this period, that is between 1983-1992, reached 20% per annum (Rogerson, 2003).

The problem with this economic success is that it was only located in Midrand's centre and it only benefited the areas that were developed already. There was no consideration of surrounding townships and informal settlements. There was a lack of provision of infrastructure by the council in these areas. This called for a change in approach and institutional arrangements for facilitating LED. This change was enabled by the changes that were occurring in the country in the 1990's. The post 1994 legislation and the call for municipalities to be developmental all contributed to the incorporation of poorer communities and the change in LED approach.

The LED Strategy and projects

The LED strategy of Midrand rests on three pillars, that is, procurement, eco-city development and digital city development. The beginnings of formalized and integrated LED strategies in Midrand came into place in 1998 based on the recommendations of an LED study which the council had commissioned. Recommendations of this study were centered on the issue of procurement. It was recommended that LED be linked to public procurement. This relates to the new National procurement policies that encouraged the government to formalize service delivery partnerships with the private sector. The council adopted targeted procurement as a basis for supporting infrastructural upgrading and maintenance within the municipal area hence maximizing the local economic development opportunities for previously disadvantaged people. The tenders were broken down into smaller contracts in order to encourage the participation of small business. This was an explicit intention by the council to support the SMMEs. They encouraged partnership between big businesses and small businesses. They also supported SMMEs through the establishment of a small business support centre in Ivory Park.

The other pillars of their strategy, that is, **ecocity and digital city development** relate to the existing competitive and comparative advantages of Midrand. Midrand had already developed a competitive advantage in high tech industry during their initial LED initiatives. The opportunities of pursuing eco-city development existed in terms of its location away from the noise and pollution of big cities, its countryside amenity and the fact that most of the high tech industries that were attracted into the area were non-polluting.

Projects that were initiated in relation to the eco-city development include:

- Ubuhlebemvelo eco-construction cooperative which focused on the construction of buildings using eco-technologies,
- Urban Agriculture
- Wilderocke ecological training centre,
- Tswanano Papermaking Centre,
- Iteke waste recycling cooperative and
- Shovalula cycle cooperative, selling and maintaining bicycles thus promoting non polluting mode of transport (Rogerson, 2003: 209)

All these projects were geared towards promoting economic growth whilst respecting environmental principles. The vision of the eco-city programme is to address poverty alleviation through LED (Rogerson, 2003). It sought to link LED, poverty alleviation and environmentalism.

The **digital city programmes** were mainly aimed at addressing the technological backlog in Ivory Park and other previously disadvantaged communities. One major project in this programme was the development of a Resource and Innovation Centre in Ivory Park. The centre provides communities with access to Information and Communication Technology (ICT) infrastructure, stimulate ICT training, and to promote the use of internet in planning for LED. The development of this center was seen as a step towards eliminating the technological barriers between the developed communities and the previously disadvantaged communities.

Institutional Arrangements

The Midrand Municipal Council is the primary agent for social and economic development in the Midrand area. It has undertaken internal restructuring, forged partnership with different stakeholders and formed supporting organizations to enable it to perform its LED role effectively. Public-private partnerships and Public-community partnerships were formed to generate more resources for local development. Other the activities that the council embarked on in its attempts to position itself for the LED task include facilitating public input and involvement in development and encouraging and supporting local initiatives aimed at strengthening the process of community-level development. The council encouraged community participation to ensure that communities take ownership of the proposed programmes. They also gave recognition to bottom up initiatives that were already in place (www.local.go.za/MdrandLED)

One of the supporting institutions that the council formed is a specialist multi-stakeholder development institution called MidDev (www.local.gov.za/MidrandLED). The section 21 company, Mid Dev was established by the council in 1996 as a key agency for local economic development in the area. Its primary focus is to drive local economic development through housing and infrastructure development in previously disadvantaged areas. The institutional structure of MidDev comprises of 11-member multi-stakeholder board of directors consisting of representatives from local government, business and the community. There is also a community advisory board comprising representatives from 17 Ivory Park community organisations to facilitate target community participation. The organisation's management and staff consist of a general manager; housing and infrastructure manager; job creation and economic development manager; sustainable development manager; a trainee manager and a four-person administrative support staff (ibid). The reason for the formation of a section 21 company was to assist the local council in carrying out its developmental local government mandate because they did not have sufficient capacity inside to carry out the LED programme.

The Midrand Eco city Trust, an NGO, was also set up to drive the eco-city programme of the Municipality. The municipality did not have the capacity to drive the programme as well to fast track the eco-city project.

Internal restructuring involved the formation of the development management structure within the council. The structure consisted of

- An executive steering committee (constituted by councilors, development and planning officials and all the heads of departments),
- Project management team whose role was to ensure project continuity by reviewing the project's day-to-day progress and responsible for coordination and the compilation of the integrated development plan and
- A working group that comprised of officials representing the various functions of the council's departments and its functions was to act as a coordinating and information disseminating body (ibid).

Partnerships

The municipality identified local businesses as key partners; they work with the local business on projects such as the construction of traffic interchanges as there have been complaints that there are few interchanges coming in and out of Midrand. The local council, business and South African Police Service (SAPS) are also involved in a joint venture to implement Crime Watch to fight against crime in the area. The local Chamber of Commerce is also working with the underprivileged communities where it provides their expertise to the initiatives of these communities.

The Midrand Eco City Project has forged a strategic partnership with SANE (South African New Economics Foundation). This joint venture focuses on the economic sustainability of Midrand. Projects being considered in this partnership include the creation of community banking; a local parallel currency and co-operative production and farming. Partnerships are also being formed with students to conduct research on economic issues (Eco-city newsletter, 2000).

The eco-city project's core partners internationally are the Danish Agency for Environment and Development (Danced), the Global Environmental Forum and other international funding agencies. These partnerships involve funding and strategic support to the programme. Partnerships locally were also forged with local companies such as Eskom on specific projects such as the installation of ceilings in houses. The national, provincial and local governments of South Africa have also played a major role in the programme in terms of human resources and funding (www.local.gov.za/MidrandLED).

Achievements and limitations

These achievements only relate to the eco-city programme,

- Over 3,000 people have visited the programme through universities, local, provincial and national government and many organisations and governments from overseas. Many local authorities have adopted the ideas from Eco-city and are implementing them in their local areas.
- More than 300 jobs have been created.
- Better co-ordination and integration between various actors has been achieved. The Eco-city has made the local government aware of its environmental responsibilities

and serving a networking role in bringing different departments and municipalities together

- Introduction of the bartering system to remove economic barriers for the poor (Davie 2002, UN-Habitat, 25/02/05)

Other achievements that pertain to the overall LED strategy:

- Midrand has been recognised as one of the fastest growing cities in Southern Africa.
- It has had a growth rate in excess of 20% per year,
- It has featured in the Top Five South African Cities in terms of investment over the past 10 years.
- Building plans worth more than R400-million have been approved annually in the past and demand for office space has soared 99% over the past three years.
- Midrand has spent R52-million on upgrading roads in the central business area with a further R26-million having been invested by private enterprise in internal infrastructural development in the town centre over a three-year period (Midrand-LED summary, 25/02/05).
- Institutionalization of partnerships

Although the Midrand LED is not yet fully developed there are already some limitations that have been identified from it. One limitation observed by Rogerson (2003) is that the benefits for the informal sector and SMMEs are limited. Most of the urban cultivators and small enterprises that were part of the survey he conducted expressed dissatisfaction with the way the council and the NGO handles the eco city project. They felt that their needs have been ignored even when they try to engage with the council and that there is no significant job creation that has taken place.

Lessons and relevancy to the study

This case study is particularly relevant to the study as it is a municipal led LED and this research is carried out in the context of municipal led LED. There a number of lessons that can be learned from this case study in terms of what municipalities need to do to improve LED facilitation in their areas of jurisdiction. The lessons acknowledged here relate to the use of multi-tier strategy, internal restructuring to accommodate the LED function, use of alternative delivery vehicles to supplement capacity limitations within the municipality, balancing pro-growth and pro-poor strategies and moving towards a current approach to LED.

The Midrand LED relied on a combination of a number of strategic interventions which presented them with multiple alternatives to achieve their LED goals. They could achieve their goals either through procurement, eco-city programme or digital city programme. This means each of these strategies was going to complement another to ensure that all the LED initiatives yield desired results.

Institutional arrangements and capacity building are an important and often forgotten aspect to the success of any programme, well planned institutional arrangements enable greater long-term sustainability of the programmes and greater ownership of the project by participants. The council identified those programmes that would be managed internally and those that would be managed by the Trust and they saw to it that key stakeholders are represented in the Board of the Trust.

The council was realistic about its capacity to achieve LED goals. They only focused their efforts on areas that they had capacity on and outsourced those that were beyond their capacity. For example they had capacity to implement the procurement and digital city programmes, but lacked capacity on eco city development. It is also important to note that handing over the responsibility to implement the eco city programme did not mean to completely distance themselves from it, but they worked hand in hand with the NGO.

The municipality also recognized the need for developing strategies that simultaneously tackle the intertwined goals of poverty alleviation and economic growth. If one compares the pre 1994 planning approaches and there is significant difference, which shows that the council understood the responsibilities of a developmental local government and then rise up to the challenge. The focus of the eco city and the digital city programmes were predominantly in Ivory Park, which was neglected previously.

Although the council applied mainly the first and second wave approaches, there is also an attempt to apply elements of the current approach as well. The council commissioned a study to look at the overall economic environment of the area, the comparative and the competitive advantages and then make recommendations for the possible strategies, programmes and possible partnerships. It also undertook a complete restructuring process internally and forged partnerships, which shows that it was aligning itself more to a process driven approach.

5.5 Initiatives to improve the facilitation of LED in KZN: The EU Programme

The KwaZulu-Natal Local Economic Development Support Programme is a joint initiative of the KwaZulu-Natal Department of Economic Development and Finance and the European Commission in South Africa. It is a six-year programme designed to support the DFED and a broad range of other stakeholders to more effectively implement LED. The programme aims to promote equitable economic development growth in the Province. Firstly, it will be implemented in four learning areas and then replicated throughout the province. The learning Districts are Uthungulu, Umkhanyakude, Ugu and Umgungundlovu.

The Programme seeks to address the twin goals of economic growth and poverty reduction through current approaches to LED. These include enhancing the competitiveness of the learning areas, improving the business climate and attracting business and community stakeholders as core partners in facilitating LED. The central problems to which the programme responds are the major market failures and human and institutional capacity limitations that perpetuate the exclusion of the majority population from the mainstream economy which manifest in rising unemployment, continuing socio-spatial divisions, poverty and vulnerability (KZN- EU Programme, 2004).

The key elements of the programme are:

- To strengthen the capabilities, representation and performance of key district stakeholders around LED and to establish effective, adaptable and innovative LED management functions at the learning area and provincial level.
- To strengthen the LED enabling environment through facilitating enterprise growth and investment, Reducing the impact of HIV/AIDS in the workplace and enhancing LED role of local government and related LED institutions
- To establish a monitoring, learning, and Research Facility
- To form partnership structures at the district/local level between government, business and the private sector,
- To replicate successful experience to the other six non-metropolitan districts in KZN
- To leverage significant additional funding from government and the private sector.
(EU Presentations and notes, 2004)

Institutional arrangements

The programme is driven through a partnership between the EU and the DFED. The institutional structure is essentially, the Programme Management Unit (PMU) whose role is overall management and co-ordination of the programme. There are four Local Area Offices in each of the selected learning areas. They have been located in institutions that demonstrate the most appropriate institutional capacity to host and support the office. In the Ugu area, the Local Area Office is located within the District Municipality. It reports directly to the PMU. It is responsible for programme implementation at the local level. The Area Manager directly accountable to PMU Program Manager was procured through International PMU Contract to assume duty in August 2004. The support staff in the local Area office will be the administrative assistant and the sector specialist

The EU programme will serve to take the Business Retention and Expansion (B, R&E) Visitation Programme further. This programme was also looking at improving the business environment in Ugu, but could not carry on successfully due to the lack of funds and the fact that it relied on voluntary personnel.

Lessons

The EU/KZN programme approach applies pro-growth strategies to achieve both economic growth and poverty alleviation goals. Although this project is still in its embryonic phase its approach shows that strategic pro-growth initiatives can address community development needs without having to settle for survivalist strategies.

The approach highlights the importance of developing the overall competitiveness of the area. This issue has been neglected in most LED initiatives in SA. Most of them have focused on specific projects without addressing the overall business environment of the area.

Unlike the previous case studies this programme conforms more to the current approach to LED since it promotes competitiveness, cluster growth and the formation of partnerships. In this manner the LED interventions will not only rely on government or grant funds, but it will equally attract private sector funding.

The programme first examined LED capacity in different municipalities before choosing those that would host local area offices then work with the municipalities to develop a strategy for addressing capacity constraints over the duration of the program. This is important because delegating the responsibility without proper capacity audit limits success. Like in the case of IDPs and LED it appears that some of the failures are due to lack of sufficient capacity and resources.

5.5 Conclusion

With the exception of the EU Programme, deducing from the LED objectives, strategies and the types of projects that are being implemented in the above case studies, the LED approach there is still predominantly first and second wave approaches. The emphasis is still on attracting investment through incentives, direct financial support to individual businesses, human resources development and SMME support. Partnership between the private sector and the public sector and the enhancement of the total business climate in the area is not yet a priority as it would have been a case if they were moving towards the current approach.

The emphasis on an approach that maintains a balance between the pro-growth and pro-poor strategies is evident in most case studies. As pointed out in the overview of LED in SA the

balanced approach is common in South Africa and this is not surprising given the development priorities of poverty alleviation, economic growth and job creation in the country. The case studies demonstrate that these goals can be pursued simultaneously.

Coming to the issue of capacity, the case studies have mainly relied on seeking external assistance in areas where they lack capacity. This has been in the form of external consultants, like in the case of Stutterheim, obtaining personnel capacity from funding organizations like in the case of Cator Manor or completely outsourcing the programmes where they lack capacity. Conversely, the EU programme appears to be focusing on the long term development of LED capacity in localities. This direction is more appropriate since it goes beyond the imperative of implementing current projects, but look at long term solutions to capacity challenges.

With regards to partnerships there is an attempt to explore the concept of partnership as a mechanism to facilitate LED. However most partnerships still appear to be project based or funding related. Midrand local council appears to have formed a significant number of lasting and meaningful partnerships. However it is not clear as to how they seek to address the issue of managing partnerships. The EU programme is based on the concept of partnership and it actively involves various stakeholders in the local economy yet it is still premature to judge the success of its approach.

Chapter 6

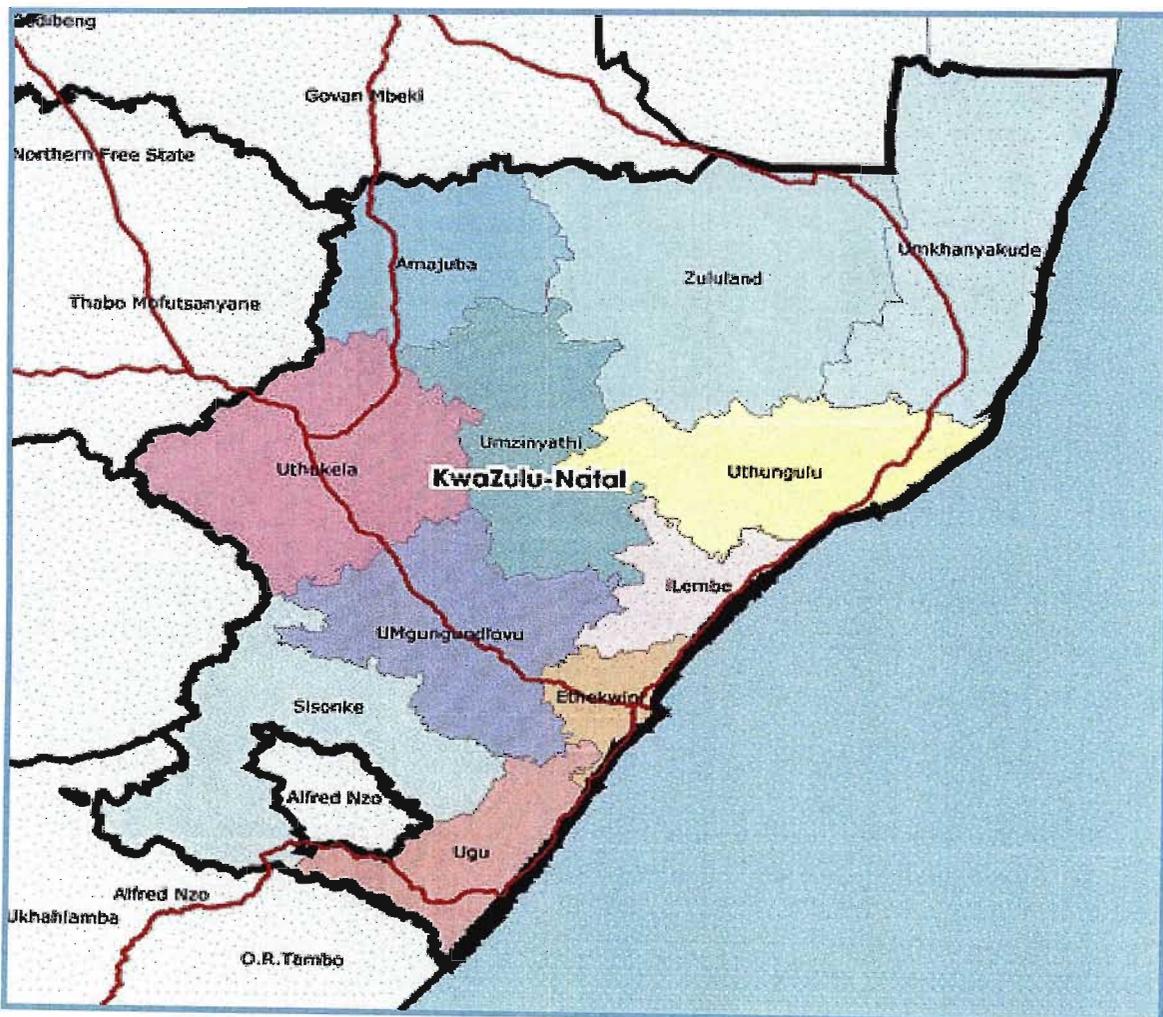
Introduction to Vulamehlo and Ugu

6.1 Introduction

This chapter provides an overview of the case study areas, that is, Ugu District Municipality and Vulamehlo Local Municipality. It looks at the context, socio- economic profile and economic strengths and weakness of the two municipalities. Conclusions are then drawn in term of the degree of synergies and correlation between these two case studies.

6.2 The overview of Ugu District Municipality

Map 1: District Municipalities in KwaZulu Natal



Source: Demarcation Board, www.demarcationboard.org.za

The Ugu District Municipality is one of the ten districts of KwaZulu-Natal Province. It is bordered by Ethekwini Metropolitan Council to the North, Umgungundlovu District Municipality to the North West, Sisonke District Municipality to the West, refer to map 1. The name Ugu means the coast. The municipality enjoys 112 km of coastal strip. The district consists of six local municipalities as shown in Map 2. Two of them, Hibiscus Coast and Umdoni are located along the Coast and the ones located towards the interior are Vulamehlo, Umzumbe, Ezinqoleni and Umuziwabantu.

6.2.1 Population

The Ugu District has a population of about 66 700 to 687 735 and approximately 102 237 households (Census 1996 and DWAF cited in UGU IDP, 2002/7). The district is predominantly rural, and about 84% of the population is located in rural areas and only 16% are found in urban areas. The urban areas are located along the narrow coastal strip and the extensive hinterland is almost exclusively rural. Almost 50% of the population falls into the category of economically active people that is, aged between 15 and 64.

6.2.2 Economic patterns and trends

Port Shepston is dominant in terms of work opportunities in the district. Dominant economic sectors in the UDM are community/government services, trade, manufacturing, transport, finance and agriculture (ECODES Consortium, 2004). The manufacturing base of Ugu District is said to be supporting a constantly higher growth rate than the rest of the KZN (MHA/PDLPD and Iyer Rothaug , 2002).

Tourism, manufacturing and agriculture have been identified both in the IDP and ERS as potential lead sectors. This is in line with the Provincial Growth and Development Strategy. The strategy maintains that these sectors can play a critical role in economic growth and distribution in the province. These sectors offer benefits to both rural and urban areas and resources to develop them already exist. Other potential growth sectors identified in the Economic Regeneration Study are the informal sector, transport and construction sector. The ERS present strategies to support these sectors.

6.2.3 Economic opportunities

Strengths of the local economy include:

- Well-established and developed local economy along coastal corridor
- Diversified local economy across primary, secondary and tertiary sectors
- Evidence of inter-sectoral linkages, particularly in supply chain relationships such as trade, services, banking and transport
- Entrepreneurial spirit of many established and emergent businesses throughout the area, and a vibrancy and dynamism among the business community as a whole
- Municipalities have prioritised LED, and they have begun to allocate resources towards LED initiatives
- There is number of institutions and initiatives that support business development and represent business interests, including Chambers of Commerce and Industry, Port Shepstone Local Business Service Centre and KwaZulu-Natal Manufacturing Advice Centre (ECODES Consortium, 2004:3)
- Established working relations between the Municipality, NGOs and the private sector established through the BREP and the EU programme.

6.2.4 Weaknesses

The negative trends that are evident in the District are:

- Limited local processing that occurs within the District hence leakages,
- Low literacy rate and lack of technical and managerial skills,
- Poor road conditions limiting growth for emerging sugar cane farmers, (Ugu District Municipality, 2002/7)

Other weaknesses include:

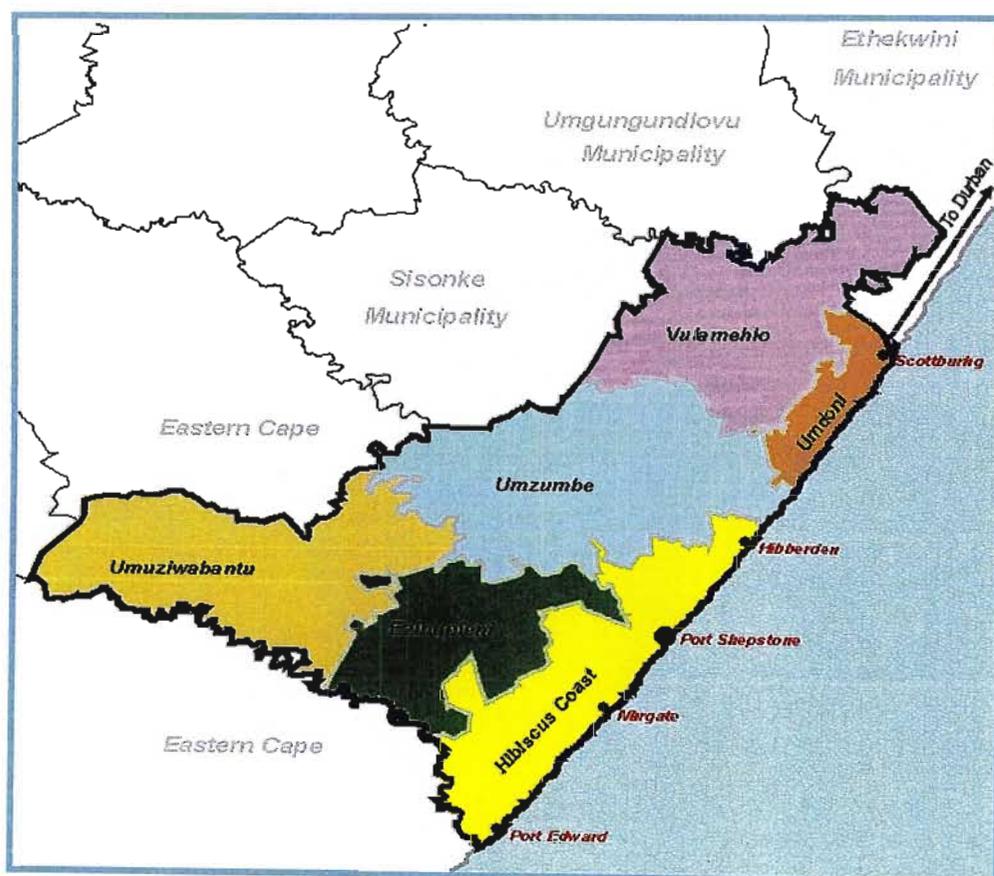
- Uneven development in terms of coastal and inland development. The coastal strip has well developed economic infrastructure and there is a wealth of tourism potential inland that remains undeveloped,
- High unemployment levels and the inability of the formal economy to absorb job seekers
- Significant leakages in the economy in terms of skills and revenue

- There are few LED projects that have demonstrated any sustainability or success, and they largely apply survivalist, locally-orientated approach
- There is limited communication between the public and private sectors,
- There are few sustainable public-private-partnerships that exist in the area
- The application of national LED and BEE policy by local municipalities is unsatisfactory (ECODES Consortium, 2004:4)

6.3 The overview of the Vulamehlo Local Municipality

Vulamehlo is one of the local municipalities in Ugu, (see Map 2). It is a relatively new municipality founded according to the Municipal Demarcation Act, of 1998. It is predominantly rural and has tribal land patterns with a few pockets of privately owned land. The extent of the area is about 966km². It does not have a developed economic base. The existing sectors currently are community services and agriculture. The tourism potential exists and it is still being developed (Maseko Hlongwa and Associates, 2003).

Map 2: Ugu District municipality and its local municipalities



Source: UDM, 2000

6.3.1 Population

Vulamehlo has a population approximately 102 232 persons and it is predominantly African population, that is, 99% of the population. About 40% of the total population falls between ages 20 to 65. The dominance of these age groups poses a challenge to the municipality in terms of the provision of facilities like schools and sports centres. Currently the provision of these services is not sufficient for the young population in the area.

6.3.2 Employment

83% of the total population is not economically active (ibid) these include those under the age of 15, pensioners and student. This makes the dependency rate in the area very high. Only 7% of the total population is employed. Most educated and skilled people emigrate from the area to search for opportunities in bigger cities due to limited economic opportunities in the area. These towns include Umzinto, Scottsburg, Ixopo and established cities like Port Shepston, Durban and Johannesburg. There are very low-income levels in the area. About 18% of household has absolutely no income 63% have an income of less than R18 000 per annum.

Sources of income are mainly agricultural activities such as sugar and timber farming. The income levels in this sector are very low. The situation is worsened by the fact that the kind of employment obtainable is seasonal. Therefore there is a large sector of the community that remains unemployed in specific time of the year. Professional employment only exists in community services such as schools, police stations, clinics and government offices. Most people employed in these sectors are from areas outside the municipal area. There are very few local professionals. This is due to the low education levels in the area.

6.3.3 Development challenges

The area has steep topography and a number of river systems. Although these provide some opportunities in tourism development they limit movement within the municipality and make the provision of road infrastructure difficult. Building bridges across areas that are separated by rivers can facilitate linkages in the area. Poor road infrastructure is also a constraint to economic development; accessibility to services and external linkages.

The unavailability of post-matric educational facilities also hampers development because most youth who move to bigger cities for study purposes rarely come back to reside in the area hence skills leakage out of the area. Lack of local professionals and technicians limits the extent to which LED initiatives can utilize local human resource capacity and thus become sustainable over the longer-term.

Professional employment only exists in community services such as schools, police stations, clinics and government offices. Most people employed in these sectors are from areas outside the municipal area. There are very few local professionals. This is due to the low education levels in the area.

There is also a problem of revenue leakage. The problem of revenue leakage is due to the scarce number of local facilities and as a result people are required to spend their money in towns that are outside the municipal area. The areas where people spend their money include towns like Ixopo, Highflats, Durban, Umzinto and Scottsburg.

Leakages also occur in terms of processing of raw material. The sugar – cane and timber that is planted locally is being processed in the areas outside the municipal area. For an example the sugar cane from big commercial farms and small scale growers in Dududu are transported to Sezela in Umzinto because there are no mills locally. The implications of this leakage is that more profitable value-adding processes take place elsewhere and thus the local area lets pass the financial benefits which would have been enjoyed locally.

The issue of land and tenure also poses a challenge in the VLM. 59% of the land in Vulamehlo is under the administration of traditional authorities. These institutional arrangements pose challenges to the private sector since they prefer to invest once obtaining full ownership of land. Therefore this form of tenure serves as a constraint to LED unless innovative ways to deal with it are devised. In the case of KwaZulu Natal it further constrains LED in a sense that development decisions do not only rest with the municipal authority, but also with the Ngonyama Trust. Therefore if success is expected, LED practitioners need to be capacitated to deal with such issues.

6.3.4 Development potential

The existing cultural and natural assets provide an opportunity for the development of cultural and eco-tourism. KwaZulu Natal South Coast is a popular domestic holiday destination; the area attracts a large number of tourists and holidaymakers. However a range of a range of alternative tourism opportunities that exists in the poorer inland areas has not been explored to date. The focus has been on the coastline. Therefore tourism expansion could play an important role in developing the economy of the municipality to its fullest capacity. (Maseko Hlongwa and Associates, 2002 and VLM, 2003).

The existing roads infrastructure provides district wide linkages and hence facilitates communication and support between the local municipality and the district. It also provides linkages in terms of economic activities.

The land assessment that was carried out district-wide shows that the majority of land in Vulamehlo is arable and is currently used for productive purposes such as sugar-cane, timber and forestry plantations (ibid). However there is still vast tribal land that is underutilized. Strategies to further develop the agricultural sector include the diversification of crops, facilitating access to land for emerging farmers and encouraging local processing.

6.4 Synergies and conclusions

The District economy is more developed and diversified than the VLM one. This is because the district encompasses the larger area than the local municipality. It encompasses both developed urban and underdeveloped rural areas whilst the VLM is 100% rural. Due to greater potential and capacities in UDM they have managed to forge partnerships with some of the key stakeholders in order to kick start the LED process and to boost its competitiveness. The VLM have not yet been able to attain significant benefits from the district initiatives. Possibly the fact that the district is still trying to get its ground in LED is contributing to the lagging behind of the VLM in terms of LED interventions.

There are common weaknesses in both UDM and VLM with Vulamehlo's developmental challenges more severe. Vulamehlo is representative of other rural municipalities in the District that have no established town or tax base. The challenges faced there in terms of

limited LED potential and capacities are common to other impoverished local municipalities such as Umzumbe, Eziqoleni and Umuziwabantu. Therefore if these municipalities are to be able to develop and implement viable LED strategies they would need substantial support. It also appears that the District challenges such as literacy rate and lack of technical and managerial skills and poor road conditions that are limiting growth in the District emanate from these areas. Therefore if the District is committed to dealing with its developmental challenges it has to invest more of its time and resources in these areas.

Chapter 7

Findings: LED Experience in Ugu and Vulamehlo

7.1 Introduction

The primary function of this chapter is to unpack several issues that are at play at case study level in order to determine if the municipalities have been able to assume appropriate roles in facilitating LED and to examine the extent to which IDP has served as a tool in this regard. Issues that are tackled involve the conceptualization of IDP at local level, the relationship between LED and IDP in practice, the institutional arrangements for facilitating LED, the role of local government in facilitating LED, the strategic framework for LED and LED interventions. These issues are interrogated in the light of the cases of best practice, findings from the conceptual framework and current national and provincial LED framework.

Furthermore, comparison between the approaches, strategies, and interventions at district level and local municipality level are made, specifically considering the degree of correspondence between the two and the support that is being offered by the district municipality to the local municipalities. The issue of support is also explored in terms of provincial and national support to local government. Finally, an analysis is made in terms of the extent to which partnerships have been formed in the process of facilitating LED.

7.2 Conceptualisation of LED at local level

This section presents the views of different stakeholders in the IDP process in terms of their understanding of the LED concept and the conceptualisation of LED in Ugu and Vulamehlo IDPs. It examines the extent to which this conceptualisation echoes or deviates from that established in the conceptual framework.

The key elements in the definition of LED are ‘local level initiative’, ‘involvement of local stakeholders,’ ‘sustainable economic growth’, improvement of community well being’ and ‘formation of partnerships’ (www.led-sa.co.za/worldbank, Helmsing, 2001, Davis 1997, RSA, 1998, DPLG, 2002, DPLG 2003). The combined views of the interviewees reflected most of these elements except the element of the formation of partnerships. Emphasis on specific

elements differed between the public sector and private sector respondents. Most interviewees pointed out that LED has to be locally initiated, involve local stakeholders and should aim at addressing both poverty alleviation and economic growth. The issues of job creation and poverty alleviation came up more often from the local government officials (David Mzimela and Lucky Ndlovu, Musa Mseleku, personal communication). There was a general emphasis on that LED has to go beyond poverty alleviation.

In terms of sustainable development it was pointed out that LED has to involve the harnessing of sustainable opportunities locally. The Ugu IDP and to a lesser extent the IDPs of its local municipalities have a strong emphasis on sustainability. The UDM IDP (2002) used the Local Agenda (LA) 21 principles as a basis for their IDP. All the strategic issues that are addressed in the IDP were checked against the LA 21 sustainability framework. In this way the programmes that were incorporated in the IDP including LED programmes were those that were seen as sustainable. The emphasis on sustainability was taken through into the conceptualisation of LED in the IDP. The table overleaf illustrate how issues were addressed in relation to LA 21 framework. The issues of poverty, LED and tourism were addressed as a cluster. Both the community or stakeholder perspective and the district municipality perspective were taken into consideration. The national objectives of setting the economy into a job creating economic growth path and addressing poverty were also taken into consideration.

The UDM conceptualisation of LED is in line with that argued by the DPLG. The UDM IDP considers the interventions proposed in the policy paper (DPLG, 2002) such as “*Community economic development, profitable growth linked to redistributive financing, linking skills development and training more explicitly with LED and LED linked more explicitly to infrastructural development*” (UDM, 2002). These interventions are seen as key to ensuring that in the process of economic growth poverty is alleviated and jobs are created.

Table 2: In depth issue analysis - LED

TOURISM, ECONOMIC DEVELOPMENT AND POVERTY (LA21 FOCUS)	
ISSUE	THE ISSUE OF LOCAL ECONOMIC DEVELOPMENT AND JOB CREATION
<p>Across the district, communities stress high levels of unemployment. District wide, 47.7 % of the potentially economically active people are unemployed (2001). However, this figure is skewed by the relatively higher levels of employment along the coastal strip in comparison with rural areas where the unemployment levels are markedly higher (70-80% of the population). Overall, 54.9% of the unemployed are women and 45.1% are men. (WEFA: 2001). There has been a sharp increase in the informal sector from 5% to 11% (1997 - 2001).</p> <p>The La21 issue is that the high levels of unemployment needs to be addressed through sustainable investment / manufacturing / industrial initiatives. This mean appropriate location, healthy and safe working conditions and pollution management.</p>	
Importance: Community and Stakeholder Perspective	Ugu District Municipality Perspective
<ol style="list-style-type: none"> 1. All local communities call for job creation activities. 2. Small-scale industries/ hives are seen as important for job creation – across municipalities. 3. Larger scale light industry, located in specifically zoned industrial areas is also called for. 4. There is a lack of job opportunities for school leavers and for students who have acquired technical training outside of the district. 5. The support of local products, goods and services was stressed in the Ugu community consultation process. 6. The call for investment is stressed. 7. The prevalence of rich deposits of limestone on state land - Ndongeni has resulted in a community-based initiative with the Department of Land Affairs for substantial external industrial funding. 8. The local municipalities call for industries such as glass making, medium scale manufacturing and small fishing craft manufacture. 9. A macadamia nut processing plant is high on the agenda for the local farmers. 10. A locally based manufacturing support centre (MAC) is welcomed by the Hibiscus Coast and Umdoni Municipalities. 	<ul style="list-style-type: none"> • Intensive promotion of investment in the district and place marketing is needed for multi pronged investment. • The importance of rapid land release based on “land legal packaging” of available industrial/manufacturing sites for investors. • The need for competitive “incentive packages” that would be applicable across the district. • A database of available “packaged and marketable” products for investor delegations and trips abroad. • The need for “Industrial site/ hub” development with associated infrastructure. • Appropriate tender policies and procedure, which are user friendly particularly for the PDI. • Training, skills development and business management skills for potential SMME’s. • The importance of the above for women and people with disabilities. • The prevention of leakage of funds and skills from the district. • The importance of district level and localised rural SMME support structures. <p>The impact of HIV/AIDS on the labour force, production levels due to absenteeism, skills base and the medical insurance sector needs to be taken into account.</p>

Important “causes / correlated factors”, effects and linkages of the priority issue

Some “causal / correlated factors” mentioned at community meetings and the IDP representative forum are:

- ⇒ Many people do not start small businesses because they lack the business skills and start up capital. Many small business projects are poorly planned and prone to failure. Correlated with this is the lack of transport for goods, poor rural road systems and poor marketing skills.
- ⇒ Correlated with the poor investment record is land legal uncertainty in the rural areas and bureaucracy in the coastal area.
- ⇒ The effects are that the youth turn to crime. There is loss of parental control; mothers have to raise children on their own and there is a loss of traditional values.
- ⇒ Investors locate in areas where incentives are attractive, labour can be easily managed, the appropriate infrastructure is in place, the necessary raw materials are at hand and the economies of scale are appropriate. Manufacturing based on wood, clothing and limestone has been successful in the district.
- ⇒ Unresolved land claims are also hampering investment progress.
- ⇒ Perceptions about safety and security in the district have a negative impact on investor confidence.

Important linkages:

1. Safety/security perceptions management.
2. Road network development
3. Resolution of land claims.
4. Local business and manufacturing growth and retention.
5. SMME development - potential Land Reform linkages to settlement / PPP's / tenure and Gender Equity / Poverty Alleviation
6. Regulatory reviews and an appropriate land use management system throughout the district. Local Municipality LUMS would need to provide the framework for investor confidence - Alignment is required.

Source: UDM, 2002

The concept of LED is not explicitly addressed in the IDP of Vulamehlo. The mentioning of LED is found in the analysis of the current situation under the sub topics “sources of income” and “types of activities” (Maseko Hlongwa and Associates 2002:23). This cursory attention to the concept of LED may be confusing to the end users of the IDP documents such as the local community, the council and local businesses and even officials who may not be well informed of what LED is.

One interviewee argued in his definition of LED that LED strategies should be reviewed regularly to identify and discard those that are not sustainable (Martin Sithole, personal communication). The issue of regular reviews correspond with what the IDP is trying to reinforce in municipalities. The IDPs are reviewed annually in accordance with the

Municipal Systems Act (2000). However, there is an indication at local level that these reviews have not yet been used as a platform to determine whether specific strategic guidelines (for example LED strategies) are still relevant or not.

From the examination of the 2003 reviews of both the UDM and the VLM IDPs it is evident that the reviews are mainly responding to technical or methodological issues raised by the MEC as lacking in the previous IDPs. For example the VLM IDP review had to address performance management, land use management and the council's operational plan because these are the issues that were identified as not sufficiently addressed in the IDP. The UDM IDP had to address similar issues as well in order to fully comply with the Municipal Systems Act (2000). This technical focus is essential mainly because IDP is a new practice in municipalities, therefore it would have been over optimistic to expect them to fully comply with the legislation in the first round of IDPs. However key strategic engagement with local stakeholders is as important as well. Therefore IDP reviews need to strike a balance between technical issues and engaging with stakeholders about strategic issues if the reviews are to serve as vehicle to create a common LED understanding in the local area

7.3 Local initiatives to improve LED understanding in the UDM

It was indicated that a concerted effort has been taken by municipal officials in the LED and IDP field to educate the people and councillors of the UDM and its Local Municipalities about LED, IDP and the importance of economic viability and sustainability in development planning and interventions (Pat Luckin Personal communication). It was indicated that before the council had a very limited understanding of LED. They used to think of LED as projects as they had to bring visible delivery in their wards. They would just propose any economic project that they think would make communities see that they are working without assessing its economic viability and sustainability. It took time for them to have a good grasp of the concept.

The B, R&E Visitation Programme contributed in improving the LED understanding in the area. This programme pulled together local stakeholders including business associations, NGOs, community representatives and local government representatives. Its goal was to assist local businesses to improve its competitiveness and to attract new businesses to the area and thus create sustainable local jobs. Some of its long-term objectives were to 'create a broad

based partnership to sustain long term economic development' and to 'establish and implement long term action plans for economic development' (B, R&E Visitation Programme, 2003:3). This programme marked the introduction of a strategic current approach to LED. It appears that it contributed in establishing a broader understanding of LED in the area. However the programme only focussed in Port Shepstone/ Margate area it did not extend to other local municipal areas. Hence LED understanding is still limited among business and community stakeholders in these areas (David Mzimela and Lucky Ndlovu, personal communication)

Other current projects that are contributing to the LED understanding in the area are the EU programme, the BEE Forum and the Tourism Initiative. The BEE Forum is funded by Trade and Investment KwaZulu Natal (TIK) and it was initiated by the B, R & E visitation programme. It aims at making people aware of the economic opportunities that exist and to see to it that municipalities and businesses do implement BEE. The active partners in the Forum are the B, R& E visitation Programme, LBSC and Chamber of Commerce. Martin pointed out that the participation of rural municipalities in LED initiatives of the District is very limited (Martin Sithole, personal communication). As in the B, R&E visitation programme rural local municipalities are not involved at all in the BEE Forum. The Forum is currently finalising a document that will guide BEE in the Ugu district area and they are conducting BEE road shows. There was also a BEE symposium in 2003 which took three days. The symposium was organised by the LBSC and the local BMF office. It enjoyed active representation from the Chamber of Commerce, Hibiscus Coast local municipality (HLM) and the Ugu District Municipality and both municipalities vowed their commitment to BEE (ibid).

The Tourism Initiative is a co initiative of the Hibiscus Coast Local Municipality, the UDM and the DEDT. It focuses on coastal development and the 2010 tourism strategy. The 2010 strategy seeks to position the UDM to make the most of the economic spin offs that will be brought about the 2010 soccer world cup (Nomfundo and Mlungisi, personal communication).

7.4 Private sector perceptions and involvement

Some of the drawbacks to taking the LED vision forward as identified by the private sector include the lack of continuity in the local government interventions, lack of coordinated strategy to manage partnerships and local government's lack of practicality with regards to project implementation and achievable targets within specific time frames.

The LED personnel in local government keeps on changing and one finds that the new officials lack of understanding of local dynamics and strategic way forward with regard to ongoing projects (ibid). One example of the impacts of these changes is Gamalakhe trader's village project. This project comprises of a number of small business development such as the bakery, shops, juice making plant and disposable nappy plant. A consultant was contracted to manage the project and transfer skills to projects members. The consultant's contract was going to end when the project members have acquired sufficient skills to manage the business by themselves. When the official who initiated the project left the municipality and the new official took over, without doing proper assessment as to whether the project members are ready to manage the businesses he ended the consultant's contract resulting in the collapse of the whole project.

Lack of practicality with regards to project implementation and setting up achievable targets within specific time frames was also raised as a key issue that hampers LED. The problem in this case relates to municipal budget cycles. Sometimes when the municipality sees that their financial year is coming to a close they start implementing projects hastily hence other stakeholders are left behind. In such cases the private sector is not consulted to make their inputs.

Despite these drawbacks; communication and mutual understanding between the private and the public sector is emerging and initiatives such as the B, R &E visitation Programme, the BEE Forum and the EU programme have been instrumental in developing these relations. However the private sector still sees the government as impeding the economic development process. The red tape delays and lack of rapid decision-making are key things that frustrate business people (Pat Luckin, personal communication). However generally the municipality appears to be supportive of LED initiatives in the area whether other stakeholders have initiated them or they have been initiated within local government. Notwithstanding the limitations alluded above municipal LED initiatives also enjoy reasonable support from business associations in the area. There has been an initiative to involve chamber

representatives in the tender board of the UDM and this is seen as a step towards improving working relations between business and LG in the area (Martin Sithole, personal communication)

7.5 Practical relationship between the IDP and LED

As in accordance with the Municipal Systems Act (2000) LED is supposed to be one of the key components of the IDP. The Ugu and Vulamehlo IDP do recognise this legal requirement. LED related sections are there in the Vulamehlo IDP although not well coordinated. The economic issues in the Vulamehlo IDP are mainly addressed in the situational analysis, strategic focus and projects. The situational analysis outlines the economic profile of the area in terms of employment status, household income, sources of income, types of activities and analysis of the tourism and the agricultural sector. As alluded to earlier there is no specific topic or subtopic that deals with LED, it is embedded in other subtopics. What is also noticeable in the VLM IDP is that the potential lead sectors such as tourism and agriculture are dealt with separately from LED and there is no sufficient alignment and linkages that are made between the two. Although this may have been done to give these sectors a focussed attention the method used is misleading. It appears like tourism and agriculture are not part of LED. The LED related activities are outlined as taxi industry, general dealers, spaza shops and taverns.

LED is also mentioned in the strategic focus and projects sections of the IDP. There is a lack of flow in the way LED is addressed from the analysis phase, cross sector or in-depth analysis, strategic focus phase and the projects phase. The lack of LED champions in the area, service backlog, absence of major economic centres and high levels of poverty are identified as factors that limits LED interventions in the area (Maseko Hlongwa and Associates, 2002).

With regards to the Ugu IDP, LED has been dealt with relatively well. There have been explicit sections dealing with LED in the analysis of the current situation phase, in cross sector or depth issue analysis phase, in the strategic focus phase and in projects or intervention phase. The situational analysis spells out major trends and patterns in the local economy with regards to the:

- Economic base

- Employment centres
- Growing and declining sectors
- Contribution of various sectors to the GGP
- Tourism and agricultural sectors (UDM, 2002)

Although this economic analysis is not adequate, it does paint a picture of what are critical issues in the local economy and where interventions are fundamentally required. The analysis in the IDP does not explicitly spell out the economic challenges and opportunities and the sector analysis is limited to the contribution of sectors to GGP. There is no comprehensive analysis of each sector. However the IDP does highlight that these issues will be dealt with more extensively in the Economic regeneration study that was undertaken in the subsequent year.

Contrary to the Vulamehlo IDP there is coherence in the way LED is dealt with between different phases of the IDP. The related patterns and trends identified in the analysis phase are clustered and linked to other important aspects of the planning process such as community participation, sustainability framework and possible linkages and alignment, see table two above. The method used in Table 2 was applied to all priority issues that needed in-depth analysis. However the impact of the loss of skilled personnel in Ugu is evident in terms of the LED/IDP responsibilities that were carried out in 2002 as compared to 2003. The 2002 IDP that was done internally is better researched and written than the IDP review document, which was done by consultants in 2003.

The differences that exist in a manner LED is dealt with in Vulamehlo as compared to that of Ugu illustrate the capacity disparities between the two municipalities. The district municipality has more capacity than the local municipality. The 2002 Ugu IDP was done in-house whilst consultants did the Vulamehlo IDP because Vulamehlo did not have sufficient skills and experience in the field of LED and Integrated Development Planning. Hence they could not do the IDP in-house, adequately monitor the work being done by consultants and they could not identify areas that were not sufficiently addressed in their IDP.

With the review the internal staff at Vulamehlo realised that if they do not become hands on in the formulation of IDP it becomes difficult for them to implement it (David Mzimela, personal communication). Therefore with the review they were more involved in the process.

The PIMS Centre and the UDM assisted them. In the IDP review (VLM, 2003) there is an emerging coherence in the way issues are dealt with between the local municipality and the district municipality. Table 3 and 4 resemble the table used by the Ugu District Municipality in their IDP (2002). These tables are one of the pro-formas developed by the PIMS Centre to assist local municipalities with the review process.

Although the pro-forma is useful in ensuring that all critical issues are attended to in the planning process they appear not to be sufficient in cases where there is limited human resources capacity. Table 3 and table 4 have blank columns where they should have included community and stakeholder perspectives, factors that contribute to the problem and consequences of the problem. Firstly the blank spaces indicate that there are areas that have been omitted or not been thoroughly attended to in the planning process. For instance, if there has been sufficient community participation there is no reason not to have the column of stakeholder perspective filled in. Secondly, the blank spaces may be due to the fact that the officials responsible have not sufficiently applied their minds to the issue at hand or they do not have capacity to do it. For instance the issue of under utilisation of tourism potential in table 3, it would not have been difficult for an LED trained official to determine the factors that cause this problem and the consequences of the problem.

The evidence from Table 3 and 4 shows that formulating guidelines by itself is not sufficient, it needs to be coupled with relevant human resource capacity to enable people to adhere to those guidelines. There are other limitations with the pro-forma hereunder. Although it is adopted from the UDM IDP it omits some critical issues such as linkages and sustainability issues that are there in Table 2. These issues are critical because they form a basis for strategic focus and possible interventions. The clustering of issues have not been pursued as well, which would have given the municipality an opportunity of examining linkages between issues for example looking at the issue of poverty alleviation, tourism and agriculture as a cluster could have been instrumental in establishing linkages between the three and paving a way to identifying innovative LED interventions. Therefore it is imperative to ensure that the guidelines themselves are properly formulated to ensure better results.

Table 3: In-depth issue analysis - Tourism

Issue	Underutilisation of tourism potential
Description of issue (Problem issues / description of problems)	The tourism sector in Vulamehlo is currently focussed on the already affluent coastal areas. As part of the Natal South Coast, which is a popular domestic holiday destination, the area attracts a large number of tourists and holidaymakers. The Hibiscus coastline remains the second most popular tourism destination in KwaZulu-Natal. Although a range of alternative tourism opportunities exists in the poorer inland areas these have not been explored to date. Tourism expansion could therefore play an important role in developing the economy of the municipality to its fullest capacity.
Importance from Community and Stakeholder perspective	Importance from the Vulamehlo Municipal perspective
•	•
Important causal factors that contribute to the problem	
•	
Effects or consequences of the problems	
•	
Useful potentials / resources to deal with the priority issue	
<ul style="list-style-type: none"> • Vernon Crookes Game Park but people not taking the opportunity • Timber Forests • Scenic areas • Nature areas • River areas • Cultural tourism including traditional lifestyle, dance and traditional customs • Arts and craft products • Isintu cultural village (Thoyana) • Katlehong (Isimahla-Ehukwini) • Natural attraction (Enqushini waterfall, Etshenkombe, Emahlabathini-itshe'lizigayayo) 	

Source: VLM, 2003

Table 4: In-depth issue analysis: Agricultural development

Issue	Agricultural Development
Description of issue (Problem issues / description of problems)	<p>- Limited diversification of the agricultural economy has been experienced and this should be encouraged. Opportunities for small scale vegetable production for local markets exist. Such a production activity will support the policy of establishing service centers.</p> <p>-Agriculture practices in the form of community gardens in traditional areas are very vulnerable to failure – especially the ones that are not irrigated. These activities should be supported as it is viewed as the basis for the future expansion of commercial agriculture.</p> <p>-Commercial sugar cane agricultural practices are found mainly along the eastern areas of the Vulamehlo. Although the sugar industry has been very involved in the establishment of small grower production the incentives to encourage this type of production has diminished.</p> <p>-Both the timber and sugar cane industries in Vulamehlo comprise of three distinctive production systems – private growers, company land, and small growers.</p> <p>-Large scale timber growing is taking place in the south-western parts of Vulamehlo with small pockets situated in the north-western sections of the municipality.</p> <p>-Timber production is not necessarily labour intensive as large companies outsource production and operate large tracts of land on a rotation basis. The timber industry within the Vulamehlo and the Ugu District is regarded as stable with the only threat being out of season rainfall or lack thereof.</p>
Importance from Community and Stakeholder perspective	Importance from the Vulamehlo Municipal perspective
•	<ul style="list-style-type: none"> • Soils in the coastal areas of Vulamehlo are generally weakly developed and of moderate agricultural potential. Moving more inland, approximately 40 kilometers from the shore, pockets of high to very high agricultural potential soils are found.
Important causal factors that contribute to the problem	
•	
Effects or consequences of the problems	
•	
Useful potentials / resources to deal with the priority issue	
<p>As far as agriculture development is concerned, the development strategies of the responsible department remain largely the same and will continue to facilitate small-scale irrigation schemes. These interventions are unlikely to have major effects on the economy of Vulamehlo.</p>	

Source: VLM, 2003

With regards to perceptions of interviewees in terms of how far IDP serves as a tool for LED, most respondents are of the view that IDP could be a useful tool if it is properly carried out. Its usefulness is currently limited by the challenges that the municipalities are facing such as the insufficient skilled personnel and funding. At the same time they argue that taking out economic planning from the IDP process may make it invisible (Thulani Bhengu, personal communication). Most funding organisations only fund the projects that are part of the IDP as it is an overriding plan in local government. Secondly, most deliverables that are expected from the senior municipal managers according to their performance contracts relate to the IDP. These deliverables carry weight because of the bonus that comes with good performance and the negative consequences of not performing. As a result most officials focus on those deliverables in their term of office. Thirdly, excluding LED would compromise the very purpose of the municipal Integrated Development Planning in terms of promoting a balanced, sustainable, and co-ordinated development across sectors (ibid).

However it should be noted that pursuing LED as part of the municipal IDP does not mean that the municipality should lead it. As it is evident from the Midrand Municipal Council case study, municipalities can second development agencies or consultants to do this (Rogerson, 2003, DPLG, 2003a). In such instances municipal officials are able to focus on other duties and just be there to monitor the LED process and ensuring that it is handled properly in terms of achieving municipal goals. As the agency or the consultant will be acting on their behalf they are able to align and incorporate key LED analysis, strategies and projects in the IDP.

Business interviewees were rather sceptical about the IDP process and its contribution to the promotion of LED in the area. They view the consultation process of the IDP as a fulfilment of a legal requirement. It looks like decisions are made prior consultation. Although the IDP Forum is there the municipal people dominate it and the input from business people is not considered. This results in small survivalist projects and 'white elephant' projects that are not economically viable, lack linkages, integration and supply chain considerations. (Martin Sithole, Nomfundo and Mlungisi, personal communication).

It also became apparent that the extent to which LED is being prioritised in the IDP process depends on the background and the interest of the person who is driving the process. As LED is one of many things in the IDP you may find that it gets neglected if the local drivers of IDP

are not trained nor have interest in economic development. LED is unlikely to be successful if the IDP Manager does not have skills in the LED field or if there are no human resources specifically dedicated to LED or if it is not outsourced to an alternative agency. The reason for the importance of having dedicated LED human resources is that IDP process by itself is demanding. The IDP/municipal Manager amongst other things has to see to it that there is sufficient stakeholder participation, sufficient assessment of the current situation, sufficient alignment across sectors and other municipalities. Therefore focussing extensively on each sector, particularly those that are cross-cutting or do not fall within a particular sector, be it LED, gender, environment, waste management or disaster management appears to be impractical.

The relationship between the IDP and LED has also been explored in terms of the strategic focus and projects. It is observable from the IDPs of most municipalities that the senior officials and councillors are interested in LED. Most of the vision and strategies of many IDPs, relate to LED, but then it gets lost in the programmes and projects stages (McIntosh Xaba and Associates, 2004). Often municipal planners and planning consultants have little understanding of LED, and are not necessarily well equipped to identify the necessary interventions required to facilitate LED.

All prioritised LED projects according to the Economic Regeneration Strategy (ERS) of Ugu do appear in their IDP and most of them are identified through community participation processes of the IDP. The VLM completely relies on the IDP process in identifying and managing LED. There is a socio-economic survey that was conducted in the area. The report of that study was incorporated in the situational analysis of their IDP. According to the interviews it appears that LED in VLM is completely entrenched in the IDP process. They acknowledge not having any other planning process dedicated to LED, (Lucky Ndlovu and David Mzimela, personal communication).

7.6 The LED approach

The Ugu ERS (2002) is explicit about the approach they have adopted for LED. It is a kind of approach that tries to strike a balance between investment, growth and retention focussed approaches and a community focussed approach. It seeks to maintain an integrated and balanced focus whilst selectively applying the strategies of both approaches to achieve

sustainable LED. This kind of emphasis serves to ensure that LED strategies are aligned with the overall development vision of the District. This approach is in line with the national objectives of job creating economic growth and alleviating poverty (DPLG, 1998) and it is the approach that addresses the twin goals of poverty alleviation and economic growth, which is argued by, argued by the DFED (McIntosh Xaba and Associates, 2004). Although the UDM IDP document draws heavily from the purely pro-poor approach argued by DPLG (2002), the LED strategy breaks away from this position and seek a middle ground.

The Ugu LED approach both in the ERS and the IDP do consider the underlying principles of IDP. There is an explicit emphasis on integration and sustainability. The IDP's sustainability framework seeks to integrate key dimensions of development, which are economic social, spatial and institutional. They highlight the purpose of their IDP as a strategic plan which *"integrates and co-ordinates service delivery, firmly places the course of development on a path towards sustainability and strongly attack the high levels of poverty in the district"* (www.ugu.gov.za). However the extent to which the LED approach and the emphasis on integration and sustainability has been carried through to the IDPs of its local municipalities is minimal. The LED approach in Vulamehlo is predominantly pro-poor.

7.7 Role of the Municipality in facilitating LED

The Ugu ERS (2003) identifies the roles of municipality in LED as coordinator, facilitator, stimulator and an entrepreneur. The ERS recognises the role that the municipality has to play in the formation and management of interaction with other LED stakeholders and role-players such as local municipalities, provincial and national departments and service providers. The municipality also has a role to play in providing a conducive environment for LED and promoting investment programmes to attract investment in the area (Maseko Hlongwa and Associates (MHA)/Pat Luckin (PLPD), Iyer Rothaug, 2002). The roles identified in the ERS echo the national policy framework (DPLG/GTZ 2001a, DPLG 2002, DPLG 2003).

LED has to penetrate all municipal departments because they all contribute in one-way or the other to the development of the local economy (Sazi Mbhele, personal communication). Therefore the role of the LED department in influencing other departments internally is imperative if the municipality is to be well positioned to undertake its LED roles. For example, an LED programme to invest in the tourism industry can involve the construction of

roads, keeping oceans clean and provision of water hence the engineering department, water services and environmental affairs have to contribute towards realising the goals of the project. The programmes that they are implementing have to contribute towards the creation of a conducive environment for potential investors and potential market in the tourism sector. However it appears that the LED department has not yet assumed this responsibility of influencing other departments internally.

According to the LED officer in the UDM the intended role of the municipality in LED is to act as a facilitator and not as an implementing agent of LED (Musa Mseleku, personal communication). It has to focus on creating a favourable environment for investment, facilitate opportunities for local and international investors and build and manage partnerships with relevant stakeholders to insure that LED is a success in the local area. Currently Ugu's functions are 70 % on the planning and implementation of projects rather than on this desired role (ibid). Their roles include facilitating community participation, needs assessment, advice to councillors on a feasible and viable development path, securing funding for prioritised projects, implementation and monitoring of projects. The role of the UDM in terms of LED practice does not emulate the roles identified in the municipal led case study where the Midrand Municipal Council delegated most of its LED roles to other agencies, that is, MidDev and Midrand Eco City Trust.

7.7.1 Institutional arrangements and LED capacity in Ugu

Municipalities have the flexibility of determining their own institutional structures to facilitate LED. This depends on the assessment of their resources. Municipalities with a viable economic base are able to determine their human resource needs in terms of LED and finance them accordingly, whereas smaller and poorer municipalities have limited resources to finance their human resources needs. Therefore they have to make applications for grants to finance the post they are proposing and they have to wait until that is approved. Hence some smaller municipalities are still without human resources such as LED officers and IDP Managers even though they recognise the need for them.

Previously in Ugu the LED function used to fall under the powers and function of the Manager: IDP, Tourism and LED see diagram 1. Recent changes that occurred in July 2004

have seen LED having its own manager who is focusing primarily on LED and waste management. Currently the LED unit of Ugu has 5 staff members, The LED Manager, two tourism officers and two LED officers. The tourism officers' operate alongside the LED unit as Ugu Tourism Marketing Agency (UTMA) falls within the LED unit.

The LED capacity in the UDM is perceived as sufficient to undertake internal responsibilities, but not sufficient if they are to offer maximum support to local municipalities. The issue of LED capacity has been explored in terms of number of LED staff in the municipality, the levels of skills that they possess and the current initiatives to address HR issues. All the LED posts are post level 4 and above. This means that these personnel have tertiary qualifications and or experience to do the job they are employed to do.

The introduction of a post of an LED Manager is seen as an indication of commitment to LED by the UDM. However, combining waste management and LED does not appear to be an innovative step towards streamlining LED. The experience of the new LED Manager in Ugu lies with waste management rather than LED. As it has already been established (Harrison, 2002, Hindson 2003) IDP/LED personnel are likely to retreat to their traditional roles when faced with the challenges that they are not suitably capacitated to handle.

Another challenge that has been alluded to in interviews is the issue of experienced personnel that leave the municipality. For instance the LED officer and the general manager for planning and environment have recently left the municipality. The leaving of experienced officers affects the continuity in planning and LED departments (Mandla Mabhece, personal communication).

One observation made in Ugu is that LED although it is planned and co-ordinated in the LED department it involves other departments, for example the Performance Management Systems (PMS) and the Program Management Unit (PMU). The involvement of the PMS is to monitor the projects that have been funded and are due for implementation in local municipalities whilst the PMU's role is basically in the construction of the LED projects and ensuring that target communities gain some economic spin offs from the municipal construction projects in terms of jobs and contracts. Generally their function entails the management of the Municipal Infrastructure Grant and implementation and maintenance of projects. Therefore they do not only focus on the LED projects, but on all municipal projects that involve the construction of

infrastructure. It is the LED unit that does monitoring of LED projects in case of flagship projects and local municipalities in case of smaller local municipal initiated projects.

One of the problems with this arrangement, especially when it comes to the projects in local municipalities is that as the PMU is only involved with the implementation of the projects; the management is then left with local municipalities. One finds that there is no capacity in the local municipality to manage such projects then the sustainability of the project ends up being compromised. In some cases these projects fall within government departments, for example the Department of Health, Department of Education and Department of Agriculture. In such cases the relevant departments takes over the management responsibility. Whereas in cross cutting issues such as LED there are no decentralised economic development offices to take over the management responsibility, it solely lies with the local municipality concerned.

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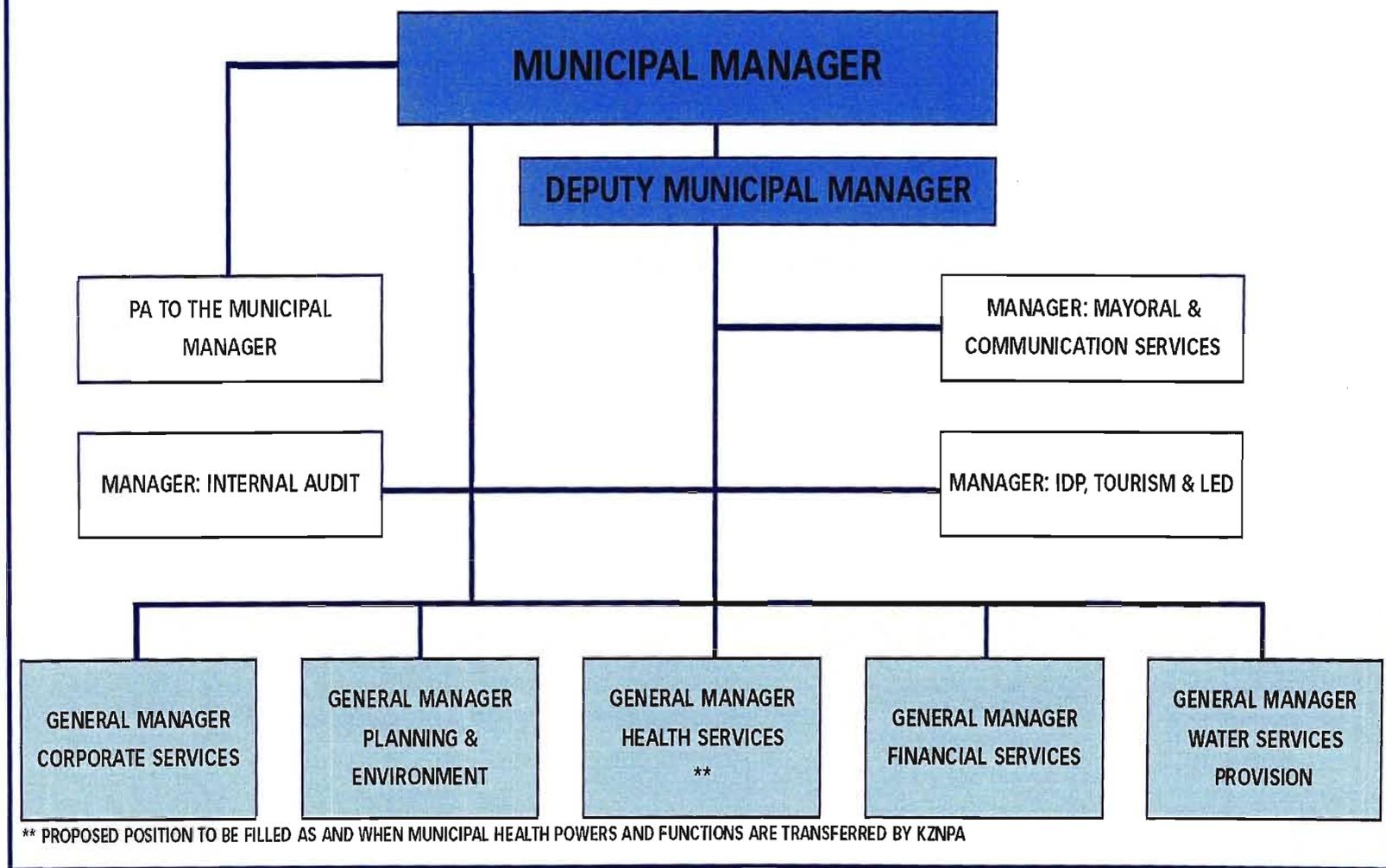
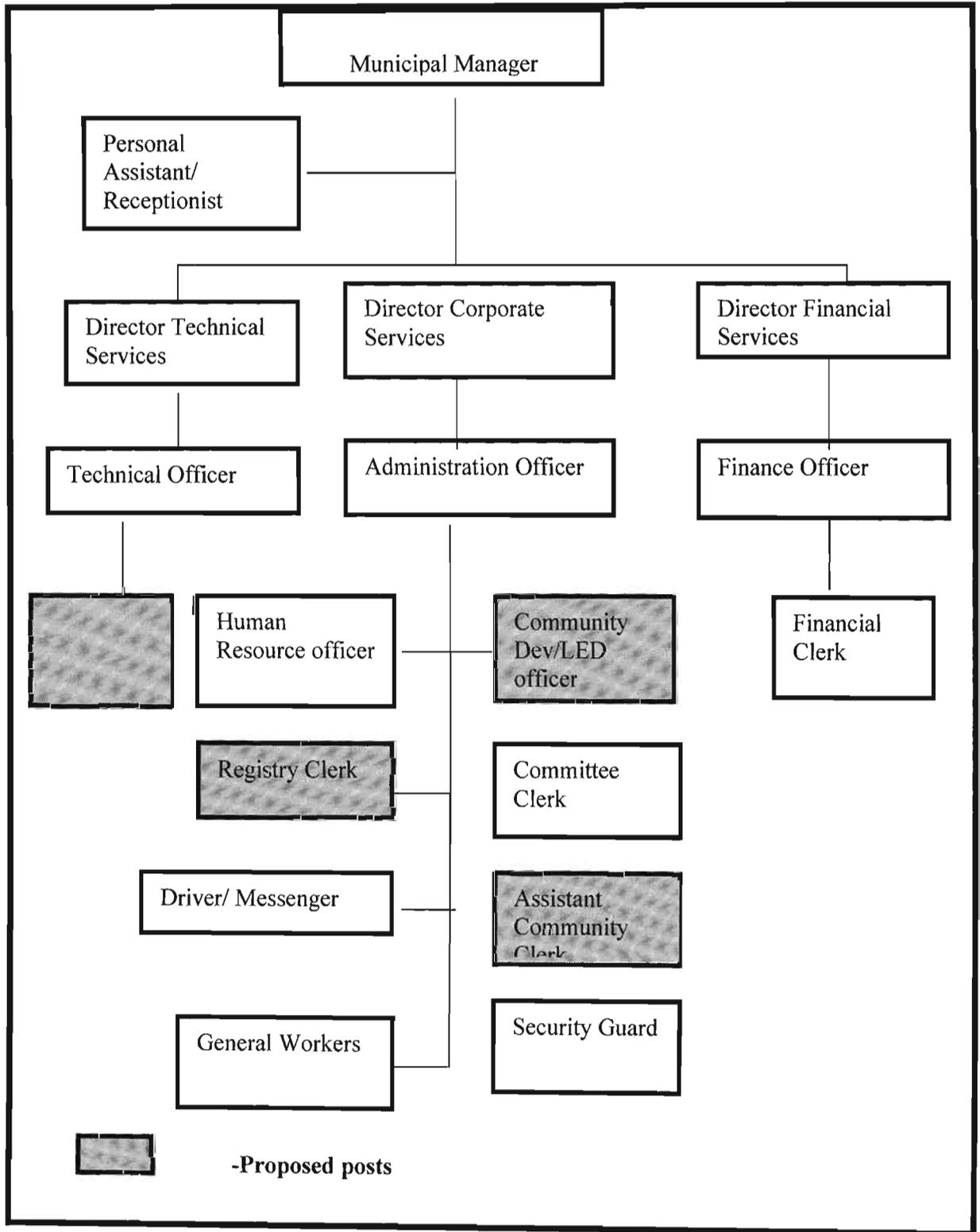


Diagram1 : Institutional Structure for UDM

Source: UDM-IDP 2002/7

Diagram 2: Institutional Structure for VLM



Source: VLM IDP review 2003

7.7.2 Institutional Arrangements and LED capacity in Vulamehlo

As an emerging municipality Vulamehlo has a very basic institutional structure and limited human resources. Therefore the responsibilities are spread across existing departments even if they do not form the core functions of those departments. For example the responsibility for LED is shared between the Technical and Corporate Services Department. The Municipal Manager who is also entrusted with the responsibility of preparing the IDP and monitor implementation and progress heads the municipality.

Flowing from the Municipal Manager are the director positions, i.e. Technical Services, Corporate Services and Financial Services. The position of a Director of Planning and Economic development has been recently advertised and filled. They also proposed a position of an LED officer, which is still pending due to unavailability of funds, see diagram 2. During the time of interview they did not have any personnel dedicated to LED. The lack of LED dedicated personnel impact on the development of an LED strategy and the management of LED projects (David Mzimela and Lucky Ndlovu, personal communication). The existing personnel are over occupied with the responsibilities of their own core functions. The issue of capacity also impacts on their ability to explore skills transfer as a strategy to develop local capacity. They stated that the existing personnel is over committed with the activities of their core function, they cannot spare time to attach one of them to an LED consultant to learn new skills on the LED field.

There is also an LED committee that oversees LED activities in the municipal area. But it appears that there is not much that it can do if there are no dedicated LED personnel within the municipality.

7.7.3 Initiatives to address capacity limitations at local government level

With regards to initiatives to address capacity limitations the PIMMS and UDM are exploring the alternative of skills transfer. The PIMMS is developing a formal skills transfer strategy where they will have someone to work with in all municipalities that do not have IDP Managers (Ben Schoeman, personal communication). Nevertheless this applies to IDP in general there is no specific focus on LED.

The business retention and expansion programme also present an innovative form of building capacity through skills transfer within the UDM. In this case there was a formal agreement that a skills transfer process would occur between the two co-ordinators of the B, R&E visitation Programme (Luckin, 2003). This was done through a process of joint programme co-ordination. The skills to be enhanced were outlined and an independent assessor undertook the assessment in several stages establishing the skills that were transferred. An explicit skills transfer initiative like this one can ensure that the local officials are truly empowered.

Smaller municipalities like Vulamehlo are trying to be strategic in the way they design new posts in order to attract versatile people who can assume the responsibilities of two or more positions, for example in Vulamehlo the recently filled post of a Development Planning and Economic Development Director. This post is designed to address their personnel requirements of a development planner, IDP Manager and an LED manager. Although these solutions appear to be strategic, they pose a challenge of overloading the person who fills in such posts. This may result in a person not being efficient in any of the performance areas.

Tourism is one of the leading sectors in Ugu. The challenge in this sector is that it was not well coordinated in terms of district wide packaging and marketing of the tourism products. The District recognised this need hence a tourism agency that is responsible for developing and marketing tourism products in the District was formed. It is called UTMA. The key purpose of this agency is to utilise and develop the district's natural and cultural resources into an integrated system of tourist attractions. It has to develop the emerging local, domestic, and international tourist markets so as to make the benefits of the industry accessible to all the people (UDM, 2003). UTMA is fully funded by the UDM and it falls under the LED unit.

UTMA is well positioned to be of assistance to local municipalities that seek to develop the tourism sector as it has jurisdiction over the whole district. The tourism officer indicated that they do not have sufficient funding to carry out their mandate. The available funds are mainly geared towards infrastructure development rather than the packaging and the marketing of tourism products (Phindile Mbono, personal communication). However having a dedicated unit to develop and market the tourism products in the District is the step towards addressing sector specific capacity limitations. Having experienced personnel open opportunities for

sourcing donor funding and they can develop business plans and project proposals to attract private investment. Their current activities include assisting the Vulamehlo Municipality in pursuing the Execution Rock project and assisting in the Horseshoe agri-village development in Eziqoleni local municipality. The assistance they offer in these municipalities is relevant as the LED goals of both local municipalities include developing the tourism sector and the tourism strategy of the district is to unleash the tourism potential inland.

In terms of the district support to local municipalities the district's focus is mainly on flagship projects. They do not have direct involvement on other local municipality projects unless they have been specifically asked to assist (Musa Mseleku, personal communication). They only assist under capacitated municipalities, mainly the small rural ones. For example they assisted Eziqoleni and Vulamehlo local municipalities to source funding from DPLG and the Department of Public Works for their tourism projects. The kinds of support they offer to local municipalities include funding, implementation of projects and the establishment of Local Business Service Centres (LBSC). Local municipalities apply to the district for funding to implement their priority projects and in other cases they submit their projects to be implemented by the PMU.

7.7.4 National and Provincial support to local government

At national level the DPLG is the one active in the LED field. The IDP Manuals (DPLG, 2001) address the issue of LED. They have also developed an LED Manual (DPLG 2003), developed a LED fund and made several attempts at developing LED policy. The use of the LED manual is limited, what most officials seem to be familiar with is the IDP manual. Awareness about LED policies is also limited. The UDM IDP and the ERS do refer to the LED policy (DPLG, 2002), but when asked about the current LED policy that is being drafted by DPLG neither of the officials at local government level were aware of it.

Coming to the issue of provincial support to local governments, this is limited. The DTLGA support is virtually non-existent. They only see to it that LED is incorporated in the IDP, but they do not have any mechanisms to ensure that it is adequately addressed. It was established through the interviews with the provincial department that DTLGA does not have any LED function hence the DPLG has to liaise with the DEDT or directly with municipalities in

matters pertaining to LED (Thulani Bhengu, personal communication). For instance the LED fund of the DPLG was administered by DEDT in the province. Nevertheless relations between DPLG and DEDT were not formalised. The LED fund was the only thing that linked them. There was no memorandum of understanding or reporting mechanism between them. The relations ceased with the end of the LED Fund (Thandaza Ntikinca, personal communication). As part of the processes of administering the LED fund the DEDT formed partnerships with the municipalities that were selected to conduct economic regeneration studies. They were working together in selecting and managing consultants and also assisted in the implementation of projects (Thandaza Ntikinca, personal communication).

Based on the findings of the recent research they conducted (McIntosh Xaba and Associates 2004), they are now working out a strategy on how can they best be of assistance to local municipalities. They also developed business plan proformas to assist municipalities when doing business plans. The EU Programme is also an initiative of this department. Through this programme they seek to improve the LED support that it offers to local municipalities.

7.8 Strategic Focus for LED

This section examines the strategic focus of Ugu and Vulamehlo municipalities to determine the extent to which they have prioritised LED. This is examined through the analysis of their vision, objectives and strategies of these municipalities as outlined in their IDPs. In the case of the UDM the analysis is also based on the Economic Regeneration Strategy.

7.8.1 Ugu District Municipality

Ugu like most other municipalities in the province has accorded high priority to LED. This is evident in the vision as outlined in their IDP (UDM, 2002).

VISION

*“By 2009 Ugu will have developed **sustainable** agriculture, tourism, and commerce with balanced infrastructure and social amenities. Its people will be empowered through education, skills development, good health and safety. There will be sufficient water services and land for development, investors and settlement. The imbalances of the past, gender equity, and the needs of the youth, the elderly and people with disabilities will have been seriously addressed*

The vision draws attention to the key economic sectors in the District, that is, agriculture, tourism and commerce. The goal of the UDM is to attain sustainable development in these sectors. Other statements in the vision that relate to LED is that the municipality seeks to provide balanced infrastructure, sufficient water and land for development and investment. These are all important infrastructure development that serves to create a favorable environment for LED. The district recognizes that imperatives such as skills development, poverty alleviation and social justice need to be addressed in order to ensure sustainable economic growth and development.

In relation to LED the IDP also outlines objectives and strategies. Table 4 outlines some of these objectives and strategies. There seem to be coherence between the economic opportunities and challenges and the strategic focus of the UDM IDP. The strategies outlined below addresses the challenges such as uneven tourism development between the coastline and the inland, undiversified agricultural sector, poverty and high levels of unemployment.

Table 5 LED strategies in Ugu

Objectives	Strategies
<ul style="list-style-type: none"> • To maintain and create new jobs and income opportunities in the, agricultural, tourism and associated sectors • To create at least 1 500 new permanent income opportunities of which at least 1200 should be located in the rural areas with specific focus on disadvantaged groups (At least 50% women) 	<p>Develop an Integrated environmental management / sustainable livelihood development programme for the entire District</p>
<ul style="list-style-type: none"> • To maintain and increase the current share of domestic tourism by 1% 	<p>Maintain and improve the coastal belt with the simultaneous identification and development of tourism products based on environmental assets</p>
<ul style="list-style-type: none"> • To develop an open space system linked to catchment management and facilitate an appropriate working for water programme (At least 50% women) Linked -To create a “ sense of place” 	<p>Integrate the use of open space across the district</p>
<ul style="list-style-type: none"> • To manage natural assets appropriately • To maintain and create new jobs and income opportunities in the associated sectors, (At least 50% women) To create a “sense of place” 	<p>Develop an appropriate Conservation and Rehabilitation Programme</p>
<ul style="list-style-type: none"> • To redress the poor levels of amenity 	<p>Create a sense of place throughout the district</p>
<ul style="list-style-type: none"> • To co-ordinate an agricultural development programme • To promote access to land for potential small scale farmers • To promote sustainable soil and pesticide management in the district. • To promote the use of indigenous medicinal plants in redressing the economic imbalances of the past • To strive to ensure that the access to needs of small scale farmers are addressed so that they can become economically empowered. 	<p>Promote sustainable agricultural development</p>
<ul style="list-style-type: none"> • To maintain and increase current share of domestic tourism • To maintain and create new jobs and income opportunities in the tourism, agricultural and associated sectors 	<p>Maintain and Improve coastal belt with simultaneous identification and development of tourism & agric products in the hinterland.</p>

Objectives	Strategies
<ul style="list-style-type: none"> To maintain and increase the current share of domestic tourism 	Prepare marketing plan aimed at international, local and low season markets
<ul style="list-style-type: none"> To maintain and increase current share of domestic tourism To maintain and create new jobs and income opportunities in the tourism, agricultural and associated sectors. 	Support of the SDI – focusing infrastructure that functions as enabling factor for economic development & Poverty Alleviation

Source: UDM, 2002

The UDM did not solely rely on the IDP process in developing the strategic focus for LED in the area. The Ugu District Municipality was selected as one of the municipalities in KwaZulu-Natal to undertake an Economic Regeneration Study. These studies were planned by the department of Economic Development and Tourism. They were aimed at revitalizing the economies of the declining small towns due to political violence or declining lead sectors. This study enabled the UDM to conduct a comprehensive economic analysis of the area and to develop a strategy that will inform their LED initiatives. The study also enabled them to put into place the necessary LED institutional arrangement. The ERS deals with LED more comprehensively than the IDP as it is specifically dedicated to economic development.

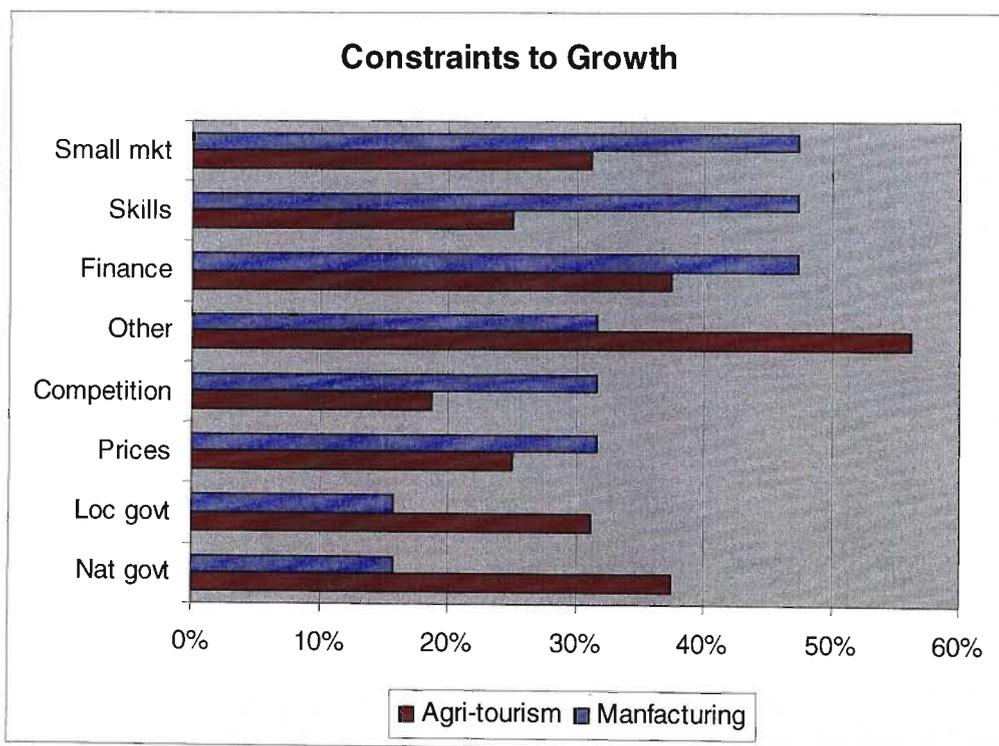
The ERS provided an analysis of the local economy looking at strengths and weaknesses and providing strategies as to how can the weaknesses be addressed. The sector analysis in this study was in-depth, comprehensively analysing and developing strategies to strengthen each of the dominant sectors, that is, agriculture, manufacturing, tourism, community services; construction, informal sector and transport. The ERS pointed out that the UDM's potential in all these sectors is vast hence opportunity to develop Ugu into an area with a diversified economy, strong economic growth and development that is able to support and improve the standard of living for its people. The strategic analysis shows that Ugu has most of the building blocks necessary to build a viable economy (Maseko Hlongwa and Associates (MHA)/Pat Luckin (PLPD), Iyer Rothaug team, 2002). According to the ERS the people of Ugu need to form partnerships to make LED viable in the area.

There are some fundamentals for economic development identified in the ERS (2002) that need to be addressed in order to facilitate the implementation of the strategy. One of these is institutional capacity. It is highlighted that the institutional capacity to drive LED both at the

District and at Local level is limited. The extent of this problem is even worse in rural municipalities such as Umzumbe, Eziqoleni, Vulamehlo and Umuziwabantu.

The second fundamental is coordination. There is limited coordination between the efforts of the local municipality and those of the District. This is as well precipitated by the lack of institutional capacity. Coordination is hindered by the fact that some municipalities still see their municipal boundaries as the end of the world. They limit their opportunities on what exist within the municipal boundaries thus hampering linkages and formation of partnerships.

Graph 1: Constraints to growth



Source: Maseko Hlongwa and Associates (MHA)/Pat Luckin (PLPD) and Iyer Rotahaug team, 2002)

The third fundamental is skills development. Lack of skills and the culture of entrepreneurship does not only relate to municipal official and council only, but to the broader community. This hampers the ability of the community in general to participate in LED Programmes. Graph 1 shows that local businesses rate the problem of lack of skills as a second prevalent constraint to growth. Skills shortage exists in both the tourism and the agricultural sector.

The strength of the ERS of Ugu is that it did not only focus in administrative town of Port Shepstone but it also addressed the LED issues of local municipalities. This provides an opportunity for the District municipality to restructure and position itself to be of assistance to local municipalities as they would be aware of the economic challenges and potential in these areas. A district wide strategy could also enable coordination of LED activities to ensure that local municipalities within the district do not compete with one another, but complement in their LED interventions.

7.8.2 The VLM LED strategy

The Vulamehlo municipality in their IDP does acknowledge their legal mandate to pursue LED and the benefit that can be derived from such an endeavour. However, they highlight that the progress in planning for and implementing LED is hindered by the lack of local champions, trained LED personnel, and lack of funds. They call for the National government and District Municipality intervention on the matter in terms of facilitation, funding support and transfer of skills (Maseko Hlongwa and Associates, 2002). The Vulamehlo municipality accords significant value to economic development as a step towards self-sustenance. The Vulamehlo vision is outlined below:

VISION

*“Vulamehlo municipal area will use its God given strength in culture and environmental beauty to **attract local and external tourist**. This will contribute to the municipal’s revenue thereby assisting in the provision of basic services which must have been adequately dealt with in the next 5 to 10 years. By year 2021 the entire municipal area must be crime free, **economically sound and self- sustaining**. The municipality will facilitate the empowerment of its residents through skills development, awareness and training.*

*In the next 15 to 20 years Vulamehlo will be an **economically viable municipality** which is not only accessible to the general public but also has sound access to outside world through communication technology. It will be a crime free municipal area.*

In the next 5 to 10 years the municipality will attempt to meet all backlogs on basic needs created as a result of past developmental imbalances”. (VLM, 2003)

The vision emphasise the importance of natural resources in the area and the role that will be played by tourism in its economic development. There is also an emphasis in economic

viability and self-sustenance. This emphasis is critical as it indicates whether the municipality believes in its economic potential or it feels it does not have sufficient resources to turn the current situation around. The shortcoming about this vision relates to the way it is articulated. A sharper and more precise statement rather than detailed one would have been more appropriate. This would ensure that the vision is entrenched in official, councillors and other stakeholders' minds as the day-to-day activities of the municipality are geared towards achieving the vision.

The key sectors that have been identified as potential lead sectors are agriculture and tourism. One would expect the vision to highlight the role of agriculture in developing an economic base, as it is one of the potential lead sectors in the area. The area already has well developed commercial farms and a number of small farmers. The IDP (VLM, 2003) states that limited diversification of the agricultural economy has been experienced in the local economy and the municipality seeks to encourage this trend.

In terms of tourism, urban – rural linkages is seen as a potential development path. They propose the formation of linkage between the traditional areas, coastal areas and developed towns in the District. Their LED strategy involves the development of the SMME sector as an instrument to promote LED. This would be linked to both the agriculture and tourism sector and it relates to the existing business activities such as general dealers, taxi industry, spaza shops, commercial farmers in sugar cane and timber. SMME participation could be in the form of the provision of transport, accommodation or catering. This will serve to ensure that existing small business do benefit in tourism development.

In interviews in Vulamehlo they highlighted that strategic support from the district is limited. It also emerged that although they are aware of the District LED strategy it has not been effectively communicated to them hence it does not inform their LED interventions. They acknowledged relying on IDP only as the guiding framework for LED. The correspondence that they manage to achieve with the District is due to the alignment procedures that are part of the IDP process.

Table 6: LED Strategies in Vulamehlo

Objectives	Strategies
<ul style="list-style-type: none"> • Decrease in the number of reported malnutrition related cases • Every municipal ward has at least 2 sustainable community based economic projects by 2005 	<ul style="list-style-type: none"> • Facilitate establishment of food safety net projects. • Formulate policy for supporting the indigent and destitute • Increasing and improving benefits derived from Department of Transport projects such as the Labour Based Road Maintenance System. • Promote establishment of income generating projects • Create opportunities for skills training in various trades and disciplines
<ul style="list-style-type: none"> • Ensuring an increase in the number of people with technical expertise within the potentially economically active age group 	<ul style="list-style-type: none"> • Ensure establishment of post-matric educational facilities • Establish and develop skills development programme • Provide access to educational institutions to minimize brain-drain and school-leavers. • Introduce municipal literacy programme.
<ul style="list-style-type: none"> • Creation of 350 economic opportunities per annum (from 2003/2004) with special focus on youth and women • Reduce development deficit by 5% • Reduce socio-economic deficit by 5% 	<ul style="list-style-type: none"> • Investigate potential for the establishment of agro-industries • Undertake Local Economic Development Study for Vulamehlo area • Promote viable community-based local economic development projects • Establish shelters for informal traders in Vulamehlo and major taxi ranks.
<ul style="list-style-type: none"> • Developed tourism anchor projects by 2007 • Attract 15% of tourist visiting the South Coast by 2007 • Develop a number of sustainable tourism products by 2007 	<ul style="list-style-type: none"> • Identify and prioritise existing tourism potentials • Promote Vulamehlo Municipality as a tourism destination • Establish linkages with existing tourism ventures outside of the municipal boundaries
<ul style="list-style-type: none"> • Diversify agricultural production • Promote intensive irrigation schemes • Support emerging farmers • Support and promote establishment of community gardens 	<ul style="list-style-type: none"> • Identify viable agricultural, industrial/tourism clusters • Develop "niche markets" of agricultural opportunity with small-scale industrial beneficiary capacity • Link potential cluster programmes to land reform programmes where appropriate • Promote a range of small, medium and large scale farming options on the basis of sustainable business plans • Ensure provision of adequate agricultural extension services. • Identifying possible funding sources to support intensive irrigation schemes

Source: Maseko Hlongwa and Associates, 2002 and VLM, 2003

7.9 LED interventions

This section examines the LED projects that are being implemented in Ugu and Vulamehlo municipalities. The focus is on the projects that appear in the IDP as the main thrust of this research is to find out the extent to which IDP serves as an enabling tool for LED. The types of projects identified in the IDP will then be assessed in terms of application of a pro-market approach. The reason for this is that even though some of the LED projects are intended to serve the poor they have to make business sense for them to succeed. This means that they need to be targeted to a specific market or potential market, they need to be innovative in order to stand out from other similar or related initiatives and they need to be able to optimally harness the local potential. The number and types projects being implemented will serve to indicate if it has been feasible for the municipality to carry out the Local Economic Development mandate in their area of jurisdiction.

7.9.1 LED Projects in Ugu

Most of the projects in the Ugu IDP show that municipalities are still in the planning phase of LED. Most projects identified in the Ugu IDP are mostly planning, institutional or skills development projects. Planning projects include a number of research studies such as feasibility studies and assessment of certain potential projects, for example, ocean based sustainable livelihood feasibility study, archaeological significance assessments and a detailed State of Environment Assessment. Other planning projects include developing new strategies and initiatives to form partnerships with relevant stakeholders in order to unlock specific LED potential, for example, *entering into agreements with Traditional Authorities and healers on sustainable harvesting of muti plants and introduction of medicinal plant management approach*. Dominance of planning projects in the UDM may be due to the fact that it is a district municipality, so it sees its role as that of generating information and strategies that would help local municipalities to develop related projects.

Table 7: LED Projects in Ugu

Project type	Project	Sector	Budget	Driver	Key partners	Form of support	Rating
Planning	Ocean based sustainable livelihoods-feasibility study x1/LM	Agric	151,200	Ugu	DEAT, DAEA	Funding	5
Skills development	Environmental management /hands on education for community driven ocean harvesting	Agric	71,200	Ugu	DEAT, DAEA	Funding	4
Business support	Community based ocean harvesting monitoring programme	Agric	51,200	Ugu	DEAT, DAEA	Funding	5
Skills development and management support	Environmental management /hands on education for community driven agricultural enterprises monitoring programme	Agric	71,200	Ugu	DEAT, DAEA	Funding	4
Agriculture	Community based agricultural enterprises monitoring programme	Agric	51,200	Ugu	DEAT, DAEA	Funding	4
Planning	Archaeological significance assessments and management programme between local municipalities as per SEA	Tourism	251,200	Ugu	DEAT, DAEA	Funding	8
Planning	Commission a detailed State of Environment Assessment		261,200	Ugu	DEAT, DAEA	Funding	4
Institutional	Initiate Agricultural Development Forum	Agric	25,000	Ugu	DEAT, DAEA	Funding	4
Skills Development and Business Support	Develop appropriate agricultural development skills transfer programme	Agric	1,025,000	Ugu	DEAT, DAEA	Funding	4

Project type	Project	Sector	Budget	Driver	Key partners	Form of support	Rating
Planning	Enter into agreements with Trad Authorities and healers on sustainable harvesting of muthi plants	Agric	255,000	Ugu	DEAT, DAEA	Funding	6
Planning	Introduce a medicinal plant management approach	Agric	100,000	Ugu	DEAT, DAEA	Funding	4
Tourism development	Securing" blue flag" status for main beaches (Hibiscus, Umzumbe and Umdoni	Tourism	980,000	Ugu	DEAT, Hibiscus Coast	Funding	8 M
Business support	Business growth and retention program on ISO 14000 principles (projects)		57,425,000	Ugu	DEAT, DAEA	Funding	7 M
Tourism development	Market the concept of Umzimkulu Game Reserve	Tourism		Ugu	DEAT, DAEA	Funding	8 M
Tourism development	Feasibility and business plan for Ezingoleni tourism trail including Horseshoe Farm development	Tourism		Ugu	DEAT, DAEA	Funding	8 M
Planning	Active support & complementing the SDI			Ugu	DEAT, DAEA, LMs	Funding	P
Tourism development	Develop district wide branding cross municipality (place marketing)	Tourism	120,000	Ugu	DEAT, DAEA, LMs	Funding	8 M
Institutional/ Business support	Maintain District Marketing Association 6 complex and business plan	Tourism	17,800,000	Ugu			6
Tourism development	Initiate district wide S.A. Host Programme	Tourism	60,000	Ugu	DEAT, DAEA, LMs	Funding	8 M
Agriculture	District Fresh Produce Market (Port Shepstone)	Agric	20,040,000	Ugu	DEAT, DAEA, LMs	Funding	3 H

Project type	Project	Sector	Budget	Driver	Key partners	Form of support	Rating
Planning	Explore "export driven niche market" agro industry/tourism cluster development (diesel oil plantations , flowers bees , nut)+incentive package	Agric	2,905,000	Ugu	DEAT, DAEA, LMs	Funding	10
Planning	Incentives package development		315,000	Ugu	DEAT, DAEA, LMs	Funding	7
Planning /Poverty Alleviation	Identify and develop sustainable livelihood projects across the district		965,000	Ugu			7
Business support	Small scale farming & SMME support and marketing centre with satellites	Agric	2,190,000	Ugu	DEAT, DAEA	Funding	10
Agriculture	Agro-Business hives on serviced sites in nodes - business plan preparation	Agric	135,000	Ugu	DEAT, DAEA	Funding	11 L
TOTAL			108,198,400				

Sources: UDM, 2003 and McIntosh Xaba and Associates, 2004

Consultants do most of the planning projects. Consultants get commissioned to undertake specific planning projects, then internal staff is responsible for implementing those plans. For example the consultants have recently completed the ocean based sustainable livelihood feasibility study commissioned by DTLGA in the UDM area. This research identified a number of vulnerabilities that would need to be addressed in order to create an enabling environment to facilitate appropriate interventions. These include improving communication with the public and relevant stakeholders, political tolerance between different political parties and traditional authorities, improving access to tourism opportunities to previously disadvantaged groups, optimum harnessing of the agricultural potential and protection of natural resources (Phelamanga consortium, 2005). The research does include an implementation framework; however the question still remains whether the internal staff will be able to implement the plan. The reaction from most consultants is that municipalities

sometimes do not put into use the findings of the studies they commission due to lack of institutional capacity or lack of ability to relate to those plans as they are sometimes not active part of their formulation.

An example of institutional projects in the IDP is “*to initiate agricultural development forum*”. The aim of the forum is to bring together established commercial farmers and emerging farmers together for dialogue and support. The forum is not yet formalised although it was given a relatively high priority in the IDP.

Direct LED interventions in Ugu can be classified into two categories, the short-term poverty alleviation projects and long-term market orientated projects. The poverty alleviation projects that are classified as LED are those that serve to generate income for its beneficiaries. Projects in this category include Expanded Public Works Programme (EPWP) and small survivalist projects. EPWP entails the employment of local people in the construction of roads, community facilities such as crèches, halls, and clinics and schools. Projects such as informal trade, garden projects and sewing projects and poultry projects are all examples of poverty alleviation focussed LED. The employment created through these projects is usually temporary and it generates low income for its beneficiaries.

LED projects in this category that were identified by the Programme Management Unit (PMU) as having been implemented include cluster projects and market stalls in several villages. The PMU is responsible for implementing cluster projects in local municipalities within Ugu. Cluster projects include small survivalist projects for example gardening projects, poultry farming, and sewing projects and provision of infrastructure social facilities such as roads and community halls. The clusters that have been implemented are Kenterton Cluster, Nodalane cluster and KwaNogoduka cluster. It was the Department of Public Works initiative to cluster projects to ensure sustainability and maximum benefits for beneficiary communities (Lungisani Mkhungo, personal communication). Most of these cluster projects are not explicitly incorporated in the IDP. It is possible that they fall into the project to “identify and develop sustainable livelihood projects across the district”.

Most of the poverty alleviation projects are designed for subsistence and they do not apply a business model. Musa Mseleku (personal communication) highlighted that although they do intend to develop small survivalist projects into viable business initiatives it is extremely

difficult to introduce pro-market strategies in such projects. Most people involved in these projects are extremely poor and have low skills level. Their reason to be part of projects is that they could not find employment, not that they are entrepreneurial. Therefore these projects were not based on any market research and people involved are not trained in business skills and skills necessary to excel in their chosen fields. Most of these projects are the same in all municipalities, sometimes there are many projects doing similar things within one municipality. They mostly depend on the local market or distribute the produce among the members of the group such as in gardening projects where some of the yield is sold locally and the rest is used by members of the project. The clustering of projects is trying to establish markets for some of these projects. For example in one cluster there can be the projects such as block making, construction of a community hall, market stalls and garden projects. The block-making project would supply blocks for the construction of the community hall and the garden projects would use the market stalls to sell their products. However these markets are still local, seasonal and temporal. The block making projects only generate reasonable income when there is a construction project locally. There are yet no attempts to encourage private businesses and persons to buy local.

The Department of Finance and Economic Development is currently conducting training on cooperatives throughout the province and there are a number of projects in Ugu that are participating in the training. This training amongst other things includes training on formulation of business plans, conducting market research, product development, pricing and financial management (Department of Education and DFED, 2005). Through this training some of the projects can develop business acumen and take the opportunity of developing their projects into viable businesses or start to explore other more viable business opportunities. On the other hand the municipality needs to assist in unlocking more opportunities for small business in key sectors such as agriculture, tourism, commerce, construction and manufacturing to facilitate the entry of more entrepreneurial projects and small businesses into the formal economy. For example the Hibiscus Coast municipality has a hydroponics pilot project. In this project they are exploring the use of technology in the agricultural sector and entrance into established markets and export. If this pilot project succeeds it can open a whole new world of opportunities for agricultural projects in the area.

The long-term market oriented projects are mostly flagship projects, have municipal wide impact and they are meant to create permanent jobs and generate good economic spin offs.

Examples of these in the IDP include agricultural and tourism projects. An agricultural project that is being implemented currently is the fresh produce market. The projects received the highest rating in the prioritisation process. It seeks to provide market for local farmers and gardening projects. It also serves to prevent leakages in a sense that local consumers and shops will not have to go and buy from other towns outside the district, but will get their supply locally. There are limited projects in the agricultural sector that involve diversifying the economy, agro-processing and export promotion. Agro processing is critical in developing local economies as they generate more returns than selling raw or primary products. There is one project in the Ugu project list that supports value-adding activities in the agricultural sector, that is, "*Agro-business hives on serviced sites in nodes*". One limitation with this project is that it is not a high municipal priority and it focuses on the local market only it does not explore the option of export promotion. The project has a rating of eleven, which indicates a very low rating. The estimated budget for this project is only for the business plan preparation, which also indicates that the project is in the planning stage they are checking its feasibility. The project that seems to explore both agro-processing and export promotion is the project to "*explore export driven niche market-agro industry and tourism cluster development: diesel oil plantations, flowers, bees and nuts*". The limitation with this projects as well is that it is not a high municipal priority, it has a rating of 10 which also a low rating.

Other projects in the Ugu IDP are those that support the initiatives of local municipalities, mainly in the tourism sector, for example the feasibility and business plan for Eziqoleni tourism trail and Vulamehlo execution rock, (UDM, 2002). Most of these projects do relate to the LED strategy of the UDM. The two flagship projects in Eziqoleni and Vulamehlo respond to the proposed intervention in the UDM strategy of developing the tourism potential inland. The fresh produce market will respond to the imperative of forming linkages in the economy and expanding the agricultural sector. For instance it will address the needs of the informal sector by providing shelter for the existing fruit and vegetable hawkers. The small agricultural producers in local municipalities will also benefit since they would have a place to market their products. Involving communities and local contractors in infrastructural projects is a step towards growing the construction sector. However there are limited projects that respond to the strategies to develop and expand the manufacturing sector and transport sector in the area. This is startling because the manufacturing sector together with tourism and agriculture are the leading sectors in the district. Like it is the case in the whole province this sector is experiencing decline hence it needs special attention. Although it can be argued that

strategies to save this sector are beyond municipal capacity since they relate to changing global trends municipalities do need to be able to develop local responses to international challenges that affect their locality. Other projects that were identified in the 2002 IDP and no longer appear in the 2003 project list are the the Gobhela Arts and Crafts and Nhlaza Bakery as they have been implemented. They were both implemented by the PMU.

7.9.2. LED projects in Vulamehlo

The projects in the Vulamehlo Municipal IDP can be classified into four categories the large flagship projects in the tourism sector, small scale projects in the agricultural sector and SMMES, small survivalist projects and skills development projects. The VLM IDP in its project list associate LED with small survivalist projects as if the bigger tourism and agricultural projects are not part of LED. This is a mistake that is common to most municipalities. It is partly due to the fact that LED is a new concept which is not yet fully understood and partly due to the pro-poor LED strategy argued by the DPLG in their 2002 draft policy.

The small survivalist projects relate to the food security strategy. There are two projects in this category; one is to identify and develop sustainable livelihoods projects and to establish block yards along major river systems. Most of the agricultural projects also fall into the category of survivalist projects. The agricultural projects are predominantly small and appear to be for subsistence rather than commercial purposes. They include fencing of community gardens; grazing camps, support for the existing poultry and piggery projects. Bigger projects are irrigation schemes and feasibility studies to ascertain other potential agricultural opportunities. All these projects are not market orientated. They are either to develop new forms of food security or to maintain the existing ones. The agricultural projects attempts to introduce technology to existing projects such as the introduction of irrigation scheme. However this kind of innovation is too limited, it relies on low level technology thus it can hardly make any significant economic improvement in the existing projects.

Table 8: LED Projects in Vulamehlo

Strategy/	Project	Sector	Budget	Key partners	Form of support
FOOD SECURITY	Identify and develop sustainable livelihoods projects	Agriculture	2,770,000	DAEA/DPW/D WDS	Funding
	Establish block yards along major river systems		250,000	DAEA/DPW/D WDS	Funding
EDUCATION AND SKILLS DEVELOPMENT	Create opportunities for skills training in various trades and disciplines		150,000	DAEA/DPW/D WDS	Funding
	Introduction of Adult Basic Education and training programme		200,000	Dept of Education, Works	Funding
TOURISM	Completion of Ntshenkombe/ Execution Rock	Tourism	500,000	DEAT, NDA	Funding
	Feasibility of Diamond Tourism	Tourism	185,000	DEAT, NDA	Funding
	Ntshenkombe/ Execution Rock project packaging (traditional village)	Tourism	87,000	DEAT, NDA	Funding
	Feasibility of Mkhunya Mountain and implementation	Tourism	170,000	DEAT, NDA	Funding
	Tourism feasibility study	Tourism	1,000	DEAT, NDA	Funding
AGRICULTURAL DEVELOPMENT PROGRAMME	Feasibility study on other agricultural potential activities	Agriculture	181,000	DAEA	Funding
	Establishment of new agricultural activities	Agriculture	1,500,000	DAEA	Funding
	Feasibility study on potential irrigation scheme along major river systems	Agriculture	151,000	DAEA	Funding
	Provide support to existing agricultural activities	Agriculture	750,000	DAEA	Funding

Strategy/	Project	Sector	Budget	Key partners	Form of support
	Funding of Community Based Agricultural activities	Agriculture	600,000	DAEA	Funding
	Fencing of community gardens	Agriculture	300,000	DAEA	Funding
	Establishment and Upgrading of grazing camps	Agriculture		DAEA	Funding
	Deployment of 4 agricultural extension offices	Agriculture	600,000	DAEA	Funding
TOTAL			8,395,000		

Sources: VLM, 2003 and McIntosh Xaba and Associates, 2004

Tourism projects are the only ones that seem to be market orientated. The tourism projects include the tourism feasibility study, KwaQiko traditional Village Ntshenkombe Execution Rock, Mkhunya Mountain Tourism and feasibility study for diamond tourism (VLM, 2003). All these tourism projects have not yet been well researched in terms of the potential market and product development and packaging. Current interventions in this sector are around the packaging of the Execution Rock project. During the time of interviews the municipality was still in discussions with potential consulting organisations to do the packaging of the execution rock project. They were also holding several meetings with the district municipality and UTMA as they are the ones that are assisting them in the project. In terms of the market they are targeting the domestic market visiting the south coast, however it is not yet certain if there will be sufficient demand for this project (McIntosh Xaba and Associates). All the tourism projects identified in the VLM IDP have been considered in the Ugu District LED strategy (Maseko Hlongwa and Associates (MHA)/Pat Luckin (PLPD), Iyer Rothaug team, 2002)

There are a limited number of projects that are being implemented in the municipality (David Mzimela, personal communication). Except for the Execution Rock project other projects that are being implemented are the small survivalist projects. The Director: Technical who is actively involved in the execution rock project expressed that they would like to do more on the area of LED, they are aware of the existing opportunities in the area and external funding

that they can source, but the lack of human resource capacity is a hindrance, (Lucky Ndlovu, personal communication).

7.10 Partnership as a mechanism for facilitating LED

Addressing the question of partnership most of Ugu officials pointed to some kind of working arrangements that they have with other government departments or the private sector, but it appeared that these were just abstract they were not formalised in any way. The UDM has no strategy to manage partnerships that is in place. The working relations that are there are ad hoc.

Some of the organisations they have working relations with in the public sector are Department of Agriculture, Department of Labour, Water Affairs, and local municipalities. The government departments they relate to are those who supply them with funding or those that offer technical support. In the private sector they relate to private service providers and companies. This kind of partnership is limited. Community partnerships do occur as well. Communities usually enter into working arrangements with the municipality in terms of the maintenance of local projects such as the maintenance of local roads and community facilities. (Lungisani Mkhungo, personal communication).

The regeneration study does address the issue of partnerships and it identifies a number of possible partners. However active steps to form and manage partnerships are not yet there. Partnerships are only addressed per project, the management plan of each project identify forms of partnerships that can be formed and highlights how will those partnerships be managed throughout the duration of the project (Musa Mseleku, personal communication). He acknowledges that partnerships if well pursued will add value to LED initiatives in the area. It would allow the private sector, public sector and non-governmental sector to share ideas and best practices.

There are programmes in the UDM that begin to rectify this limitation. For example the B, R&E visitation Programme is based on a partnership approach. It was initiated and is managed through partnership between the local government, NGO and the private sector. The same is true with the EU programme. Hopefully these programmes will result in local

government realising the need to develop a coordinated and sustainable partnership strategy if it is to succeed in leading the LED focus in the area.

7.11 Conclusion

It appears that Vulamehlo local municipalities have not sufficiently implemented LED, except for the packaging of one flagship project and a few poverty alleviation projects. The main impediment that makes them lag behind is the unavailability of LED personnel. LED mainly receives attention as one of the components of the IDP. The role to monitor the LED projects is then delegated to other departments, which have other core responsibilities. Given the fact that LED is not their primary function they only focus on specific projects, they neither have time to develop a strategy, which will serve as a basis for LED nor they are capacitated to initiate innovative market oriented projects. Discussing with the officials in Vulamehlo one would see that the enthusiasm and the willingness to pursue LED is there, but the stumbling block is that the existing human resource has been stretched too far already. Looking at the vision of the VLM one can see that they do appreciate the role that can be played by LED in changing their current situation.

There are some indications that at district level LED is receiving considerable attention. The first indication is the number of LED personnel. The existing personnel appear to be sufficient in terms of the number and positions they occupy. Second indication is the internal restructuring and the introduction of a post of a manager who serves as the administrative head of the LED unit. Third are the LED studies that they have conducted in support of the LED function. These include the ERS and the B, R&E Visitation programme. Fourth indication is that the UDM has explored different mechanism to raise LED awareness in the district and has embarked on several initiatives in pursuit of LED. The UDM has extreme potential in terms of LED, although this has not yet been fully explored. There are a few innovative, value adding and export orientated projects within the IDP and those that are there are not given high priority, except for the fresh produce market.

The initiatives that involve private and non-governmental stakeholders appear to be the ones that are economically viable rather than those that are local government driven and facilitated

within the IDP process. These include emerging partnerships formations with the private sector and attempt to develop the overall business climate and competitiveness of business in the locality through the EU programme and B,R & Retention Visitation programme. However the LED successes of the UDM have not yet spread to its local municipalities. The capacity limitations in local municipalities are still vast and the district municipality is not doing much to save the situation.

Chapter 8

Conclusions and Recommendations

8.1 Introduction

This chapter firstly responds to the research questions posed at the onset of this research study. This is done by examining a set of sub questions in the light of both conceptual framework and the findings of this research. Secondly this chapter responds to the hypothesis, examining the extent to which it has been proven. Finally recommendations are made in terms of the measures that need to be taken to improve the facilitation of LED in local government.

8.2 Responding to the research question and sub questions

The primary question sought to be answered by this research study is whether municipalities have sufficient capacity to undertake appropriate management roles in the facilitation of Local Economic Development?

The following sub-sections assist in answering the primary question.

8.2.1 What is the function of local government in Local Economic Development?

In this subsection conclusions are drawn in terms of how far has the Ugu and Vulamehlo municipalities been able to play the facilitator, stimulator, coordinator and entrepreneur role. In terms of the facilitation role it has been established in literature that the local government has to create a favorable environment in the locality in order to facilitate LED. This can be in the form of the provision of bulk infrastructure such as roads, water services, sanitation, waste management and electricity and provision of social services such as health, education and community or city halls. Municipalities have to see to it that development regulations are friendly to investors and that there is efficiency in the processing of development plans and the like. The facilitator role has tended to be the role of the municipality as a whole and not of the LED unit per se. However the LED unit has to see to it that different departments are run in an economically and investor friendly way. In the Vulamehlo and Ugu case studies we have seen that the LED unit has not been involved enough in this role. There are more concerned

with LED specific roles, such as the implementation and monitoring of projects. Conversely the Cato manor case study has shown that the introduction of the LEDP within the CMDA improved the economic viability of the whole CMDA structure. Therefore in terms of the facilitator role LED units in local government has not yet fully assumed this role. However, projects that relate to the provision of bulk infrastructure and social services are always there in IDPs and there are some that are being implemented in Ugu and Vulamehlo as well, it is just that the LED unit is not actively involved in them.

The coordination role, mainly in terms of bringing together various stakeholders cannot be overemphasised, as the literature has established that there is a whole lot of benefits that can be gained through active involvement of stakeholders. The involvement of stakeholders is also promoted by one of the underlying principles of the IDP, which is community participation. Nonetheless there seem to be less of community participation and partnership formations in the IDP/LED processes of Ugu. Such conclusions cannot be made with regards to Vulamehlo because the research subjects only came from the local government institution. The business sector in Ugu expressed not being satisfied with the extent and nature of participatory processes. They argue that local government does not seek their input. The municipality decides first before consulting them. Hence community participation is only there to fulfil the legal requirement. Therefore it is evident that in terms of coordination the local government has not assumed an appropriate role as well. In Ugu as established through the findings the LED partnerships that are formed by local government with other stakeholders are ad hoc and not formalised at all. Conversely other initiatives that are not primarily coordinated by local government such as the EU programme and the B, R & E Visitation programme are keener to form and manage partnerships than the local government.

The stimulator role is about promoting investment programmes to attract investment in the area through infrastructure development, incentives and training. Literature has shown that skills development is one of the key LED instruments that are used by South African local governments. There are a number of skills development projects identified in the Ugu ERS, Ugu IDP and Vulamehlo IDP as well. These include training the people in different skills that are required by the business sector. Other training programmes are designed to enable SMME development. There are also several infrastructure and incentive programmes that are being implemented throughout South African municipalities and the UDM in particular. Therefore Ugu in terms of stimulator role it is assuming an appropriate role. Vulamehlo though is

lagging behind. There are limited infrastructure development projects that are undertaken whilst the situational analysis identifies serious backlogs in this area.

With regard to the entrepreneur role, the municipality is directly involved in certain initiatives and programmes to ensure investor confidence. Such as in the case of Ugu the municipality is playing an entrepreneur role in the fresh produce market project and the Vulamehlo municipality is playing an entrepreneur role in the Execution Rock project. However it should be noted that the municipal role as an entrepreneur should be limited. It should only be for the purpose of attracting private investment. Therefore in this case it is important for municipalities to adequately assess the feasibility of the project before investing taxpayer's money in business projects that would not be able to attract private investors at a later stage. It has been learned from the Cato Manor case study that using grant funding should be avoided in business ventures. That is why it is important to draw in all stakeholders from the onset so that private businesses can take ownership of the project and commit their investment to it from the onset.

8.2.2 How is LED conceptualized in the IDPs?

LED is conceptualized in the IDP as the legal responsibility of the developmental local government. The IDP brought the issues of social and economic development to the core of development planning and as part of the powers and functions of local government. The examination of IDP literature has shown that IDP policy itself has not comprehensively outlined the concept of LED and how municipalities will go about implementing it. The IDP guide outlines how LED can be incorporated in different phases of the IDP, that is, in situational analysis, in depth issue analysis, strategic focus and interventions. Then it outlines the purposes of LED in the IDP, such as the role of LED plans in facilitating private sector investment and securing funding. The document does not explicitly outline who will take the responsibility of facilitating LED, but it is implied that it is the same person who will be coordinating the IDP.

LED is seen in the IDP as a cross cutting issue, as it penetrates all sectors of local government and planning. In this sense if there is no dedicated LED officer or an LED unit in the municipality it is likely for LED to find itself neglected. The findings show that this is the case in Vulamehlo. The LED issue is not sufficiently addressed in the IDP. Only a few of the

identified projects are being implemented because LED one of many things within the IDP. There is no one who is specifically responsible for it.

The lack of coordinated and well-communicated LED policy hinders municipalities that lack capacity to gain it through reading relevant policy documents. The LED manual does attempt to close this gap, but it is not well communicated as a result its end users are not aware of it as it is the case with the IDP manual.

8.2.3 What are the prevailing approaches to LED and have local government led LED made attempts to move towards the current approach?

The overview of LED in South Africa has shown that the prevailing LED approaches in South Africa are first and second wave approaches and Vulamehlo and Ugu are of no exception. These approaches focus predominantly on investment attraction, SMME support, skills development and support to individual businesses. These approaches seem to have limited potential in terms of addressing the challenges of employment creation, sustainable development and poverty reduction if not combined with the current approach. They are not strategic enough to address the long term goals of economic growth and development in a sense that they lacks strategies to sufficiently scan the local economy, develop the competitive advantage and build a business culture in the locality. Therefore if South African local government has to move forward in terms of the strategic interventions and partnership formation they have to move towards adopting a current approach.

In terms of pro-growth versus pro-poor strategies Vulamehlo's approach, like most other small rural municipalities, is predominantly pro-poor whilst the Ugu approach is a balanced approach that combines both pro market and pro poor approaches. The approach argued as more appropriate in this research is a balanced approach as it addresses poverty alleviation and economic growth as twin goals and is sensitive to the national objective of setting the economy on a job creating economic growth path.

8.2.4 What are the different types of LED projects identified in the IDPs and have the municipalities developed appropriate responses to implement them?

With regards to types of projects in the IDPs there is a significant difference between the Ugu IDP and The Vulamehlo IDP. Projects in the Ugu IDP are mostly planning ones and they

entail conducting feasibility studies to determine or to enhance a certain economic potential in the District. Most of these proposed studies seem to have a municipal wide impact. The same applies in the selection of flagship or pro growth projects that are incorporated in the IDP. They focus mainly on those projects that have a municipal wide impact such as the fresh produce market, the Ezingoleni agro tourism project and the Vulamehlo Execution Rock project packaging.

The types of projects they have chosen to embark on indicate the role they seek to play in relation to local municipalities. Hence in this case it can be argued that they are assuming a supportive role. Supportive in terms of hands on support such as in the case of Vulamehlo and Ezingoleni and supportive role in terms of conducting studies which some local municipalities would not have sufficient funds to undertake. Hence local municipalities can use the findings from the district wide studies to harness their own economic potential. However in terms of implementation Ugu seem to be lagging behind as well. Most of the projects that have been implemented are clustered poverty alleviation projects and a few flagship projects.

Vulamehlo projects are predominantly poverty alleviation kind of projects with the exception of tourism development. In other sectors there is limited attempt to initiate pro-market strategies and interventions. The municipality could not develop appropriate responses to implement most of its projects identified in the IDP as it lacks institutional capacity to do so. As a result most of the LED projects in the IDP have not been implemented.

8.2.5 Have the municipalities developed appropriate strategies to facilitate LED?

Vulamehlo relies on the strategic focus developed through the IDP process. The vision of the municipality places high priority on economic development and mainly tourism. Through the IDP the municipality was also able to develop objectives and strategies that relate to IDP. Therefore it can be argued that the IDP is instrumental in introducing the issues of economic development in local government. The use of introduction here is deliberate. It means that the IDP is not yet sufficiently addressing the economic issues, as the LED information that gets incorporated to the IDP is quite inadequate and the quality of the analysis is poor. As it has been shown in Tables 4 and 5 above that lack of LED capacity limits the economic analysis and the type of strategies that are being developed.

Bigger and more resourced municipalities are in a better position to dedicate longer time, efforts and financial resources to economic development planning. In this sense they are able to come up with appropriate strategies to facilitate LED. However even in these cases it is evident that the responsibility to develop strategies is contracted to consultants. The Ugu district's LED strategy was done by consultants. This indicates that even when capacity appears to be there it is sometimes not sufficient because of the amount of responsibilities they have to handle or the lack of specialized skills. Therefore it seems imperative not to solely rely on internal capacity, but to carefully assess the internal capacity with regard to a specific task and then decide whether external support is needed or not.

8.2.6 What are the institutional challenges that hamper LED interventions in municipalities?

LED capacity has stood out as a key challenge that hampers LED interventions. This research maintains what has been argued by the IDP Guide that the real bottleneck to development is not funding, but it is the capacity to source funding. Small municipalities like Vulamehlo that virtually have no human resource capacity to undertake LED related research, to develop appropriate strategies and innovative project proposals, are unlikely to obtain funding as they do not have sufficient documentation that is needed to source funding. Well capacitated municipalities in terms of LED trained or experienced personnel are the ones likely to develop innovative projects, explore several economic opportunities and come up with projects that are likely to attract the private sector to the process.

8.2.7 What kinds of partnerships have the municipalities entered into in order to pursue local economic development, and have these partnerships yielded any better results?

The municipal partnerships that are formed in pursuit of LED are mostly ad hoc and there are no partnership management strategies in place. The issue of partnerships has been overlooked in both policy and in practice. The LED policy documents do not outline the role of other sectors such as the private sector and NGOs. It outlines the role of facilitating LED as predominantly the local government role. It is the local government that can decide to bring along other partners if it is not able to undertake the given task by itself. Hence partnerships are considered mainly in terms of procurement and potential source for funding. Even in this

case the considered partners are usually parastatal service providers and provincial sector departments such as the Department of Agriculture in seeking funding for poverty alleviation projects and or DEDT as a potential funder for tourism projects. Lessons of prioritizing partnership which have been learned from the EU and the B,R & Expansion Programme in Ugu have not yet been incorporated into the municipal led LED.

8.2.8 What are the key lessons emanating from LED experience in terms of the appropriate role of municipalities in implementing LED projects and the formation of partnerships as appropriate institutional vehicles for facilitating economic development?

Partnership: The section on LED experience internationally has shown that one of the lessons that can be learned from cases of best practice is the emphasis they put on the role of partnerships in LED. The case of the city of Liverpool in United Kingdom (UK) which was not designated as a special area to qualify for government grant, through partnership with voluntary organisations and the private sector managed to acquire land to build factories and offer loans to attract new firms in the area. In this case we can see that municipalities do not necessarily need to wait for funding from the province or the national government. By forging partnership with local stakeholders they can create a pool of resources to establish LED focus in the locality. Partnership also occurs between local government and the institutions of higher learning and between different service providers in the LED field learning such as in the case of the municipality of Grimsby and the case of Nabraska. These kinds of partnership are instrumental in dealing with the challenge of limited human resource capacity.

Limitations of first and second wave approaches: Most municipalities in the first world such as the case of North America and the UK have moved towards the current wave approach because of the limitations they have experienced with solely relying on the first and the second wave approach. Although the economic circumstances of South Africa compared to the first world countries are different it has to reconsider the application of these approaches and selectively choose those strategies that are useful from traditional approaches as it moves towards the current approach. The experience of the EU programme and the B, R & Expansion Visitation Programme will be useful in this regard.

Locally based strategies: The focus of LED is the harnessing of locally based resources rather than exclusively relying on foreign direct investment. Therefore it forces local stakeholders to examine the potential they have first in terms of natural resources, financial resources, time and human resources before seeking external support. Bearing this in mind when initiating LED projects can encourage people to be more innovative and inward looking rather than always seeking interventions from external sources. Local communities can also be encouraged to work together in developing the skills they are lacking in order to take their LED programmes forward. The case of Stutterheim here in South Africa is one example of how much communities can achieve if they come together to harness local resources.

IDP can facilitate meaningful community participation and economic growth: This is evident in the case of Dominica, West Indies where the IDP included strategies for economic recovery and growth. In this case there was meaningful community participation that made all stakeholders to see themselves as key partners in the development process.

Role of other agencies: The Midrand case study has shown that facilitating LED within the parameters of the IDP and within the local government context does not mean that local government has to do everything by itself. There is a room to bring along other agencies if the municipality realises that it does not have sufficient capacity to play the role. In the case of Stutterheim as well the community brought along the services of a consultant to assist them as they had limited LED experience.

Quality of personnel matters: In the case of Cato Manor the LEDP only had one experienced LED driver, but they managed to achieve a lot because the driver was well experienced and committed to his work. This is the culture that needs to be instilled in LED personnel in order to ensure that more projects get implemented.

8.3 Responding to the hypothesis

The research has sought to explore whether limited municipal capacity has seriously undermined the ability of local governments to facilitate LED, and has also undermined the formation of appropriate institutional arrangements with key partners in economic development.

This hypothesis has been proven accurate through this research. The Vulamehlo municipality case study clearly demonstrates that there is nothing much municipalities can do in terms of LED without the proper institutional arrangements in place and without human resource and financial resources dedicated to LED. The limited LED understanding among existing staff and the limited time available for them to dedicate to LED activities limits the extent to which they can form and nurture LED partnership in the locality. The research has also discovered that there are varying LED capacities between local and district municipalities. The Ugu District municipality has more human resource capacity than the VLM.

8.4 Recommendations

Based on the findings and the conclusions drawn herein this research makes these subsequent recommendations in order to improve the facilitation of LED in local government. The recommendations are divided into two, those that involve interventions that at local level and those that pertain to interventions at national level.

It emanated from most interviews and document review that the option of facilitating LED within municipalities and within the guiding principles of IDP is a better option. Establishing separate LED agencies and the use of consultants could be considered in cases where capacity within local government is limited. Local government can mandate these delivery vehicles to undertake the whole LED function or specific programmes in which local government lacks capacity. If LED agencies are used they are to complement the local government functions.

If LED function is undertaken internally the establishment of LED units is recommended for bigger municipalities to ensure that all LED related planning is properly carried out, implemented and managed. If these units are properly staffed and financed they can be able to push the LED agenda within the municipality and the community at large. Managing LED is complex and involves a lot of work hence it needs dedicated staff. In cases of smaller municipalities this role can be played at least by one LED officer. However given the challenges presented in this study there are some fundamentals that need to be addressed first if local government led LED is to be a success.

8.4.1 Local level interventions

Strengthening support to Local Government

The analysis above shows that there is very limited support offered by national and provincial government to local government in the area of LED. This is inconsistent with the magnitude of the mandate that they have. National and Provincial departments ought to offer more support. Support needs to come forth more vigorously from district municipalities as well. The district municipality should have sufficient LED staff to have one of them dedicated to assisting local municipalities. There is also a need to develop an LED focus within PIMS centres so that they could be better equipped to assist municipalities in this field.

Dismantling LED boundaries

LED goes beyond municipal boundaries and it needs to be pursued likewise. Municipalities need to look at partnering with one another. The Ugu strategy of linking the inland tourism to coastal tourism can involve the formation of partnership between local municipalities. For example, Vulamehlo can partner with Umdoni since they share boundaries and they are linked with a developed road network. The same can apply in the agricultural and manufacturing sectors. Vulamehlo relies solely on towns in the Umdoni local municipality for its goods and services, that is, Umzinto, Scottsburg and Park Ryne. Projects for agricultural production and manufacturing can be established in Vulamehlo to supply business in these towns. Partnership can also occur with other municipalities outside the district for example the Ethekwini Municipality, since it has bigger cities and towns like Durban and Pinetown. Partnership can also serve as a strategy to deal with capacity issues in smaller municipalities as we have seen in the case study of the Partnership for Rural Nebraska. Through partnership they can be able to share staff and facilitate skills transfer.

LED awareness and participation

The definition of LED emphasises the involvement of various stakeholders including the local community. LED's success in a locality depends on the support of the initiative by a broader community. The community needs to be made aware of the initiative from the onset. This can

be achieved through road shows and the formation of an LED forum and local newsletters. LED champions cannot only rely on community representatives to disseminate information to their constituencies because they sometimes filter information. The local community needs to have the first hand information on what is happening in their local area. This also enables their participation, which in turns builds a culture of entrepreneurship in the local area. The culture of entrepreneurship is instrumental in addressing capacity issue in the local area. It is through a prevailing culture of entrepreneurship that local champions can be groomed. As observed from Ugu, experienced personnel leave the municipality to seek greener pastures elsewhere or to be close to their families. This leaves a vacuum in the local area, and it is sometimes difficult to maintain continuity if the new people come (Martin Sithole, personal communication). Therefore if the LED/ entrepreneurial culture is entrenched within the community it can facilitate continuity (Pat Luckin, personal communication).

The community awareness initiatives can also serve to educate people on the importance of LED. People can be made aware of the small things that add up into building a viable economy for the locality, for example, the paying of services (Thandaza Ntikinca, personal communication) and the sustainable way of collecting wood (Pat Luckin, personal communication).

Learning municipalities/communities

The link between learning institutions and municipalities is critical in addressing the skill shortage within the municipalities and the communities at large. Municipality have to welcome and sometimes, if means exist, fund research in their areas. This enables municipalities to look critically at their current situation and also find innovative ways of dealing with their challenges.

Strategy based LED

As observed from the Vulamehlo case study, smaller local municipalities have not yet conducted LED studies to develop LED strategies in their localities. The only strategies that are there are those developed through the IDP process. The impact of lack of LED strategies is that the complex economic dynamics that are at play in the locality are not considered.

Therefore it is imperative to make funding available for this purpose so as to lay a good foundation for innovative interventions.

Multi skilling

Exposing staff to different types of work in various departments within the organization enables them to gain more skills than they were trained for. This can be useful in cases where organisations lose staff often because filling in of vacant posts can occur internally. Multi skilling was highlighted by a number of interviewees as another alternative that can be used to address the issues of LED capacity in municipalities.

Twinning

Twinning is a form of partnership that occurs between two cities, whether nationally or internationally. Cities and municipalities can benefit from the twinning relationship. They can be able to have their skills enhanced and learn new and innovative ways of practising LED.

LED Forum

The use of an LED Forum can be two fold. Firstly, it can serve as a platform to enable different stakeholders in the locality to engage in dialogue in LED related matters. It is a structure through which partners can be identified and where their valuable input can be considered. Through the forum private and community partners can commit themselves into the development programmes being initiated. Secondly it can be used as a platform where LED practitioners can share their experiences. In this case local municipalities within the given district can come together to learn from one another. Joint forum with other districts or LED agencies that have undertaken more successful LED interventions can also occur.

Skills transfer

Ugu presents a best practice example in the area of skills transfer as a strategy to deal with the lack of human resource capacity. An explicit skills transfer strategy is essential in ensuring that consultants do not only carry out the given task, but also transfer some skills to the local

officials. In turn these officials will be able to implement the strategies or plans that were being developed by consultants thus attain sustainability.

8.4.2 Provincial and national level intervention

Redefining the LED powers and functions

The problem that local governments are currently facing seems to have come from the top. The national government adopted a strategy for the devolution of responsibility without having proper institutional arrangements, policies and funding in place. Deducing from the interviews and the documents studied for this research there is yet no proper institutional arrangements for facilitating LED at national and provincial level. Redefining LED powers and functions at these levels can facilitate the flow of information, funding and expertise. Officials at local level become more committed to the mandate if there is a clear reporting system between different levels of the cooperative government. For example in the case of IDP all municipalities make an attempt to produce and carry out proper IDP because there is DPLG and DTLGA which is there to oversee the process and offer support when necessary. This is not the case with LED.

There is a need to define the national and provincial department responsible for LED. An agreement needs to be reached between DTI and DPLG at national level in terms of who will take the responsibility for LED. It is not feasible for a national government to administer a programme directly at local level without channelling it through a provincial department. The communication line between Department of Economic Development in the province and the DPLG with regards to LED are not clear. There is no LED function in the DTLGA either. This vacuum leaves municipalities with no one to seek support from.

An inclusive and properly coordinated LED policy

As a result of the lack of proper institutional arrangements there is no consensus in terms of who is supposed to draw an LED policy. The proposed LED policy that is currently being drawn by DPLG does not receive full support from the DFED and municipalities also seemed not to be aware of the policy drafting process. The policies that are there also lack the

definition of the roles to be played by the private and the community sector in LED. Therefore there is a need for current policy initiatives to address these issues. The recommended LED forum can also be applied at national or provincial level to ensure that the LED policy guidelines are properly communicated to local municipalities.

LED staffing fund to assist under resourced municipality

Instead of having an LED fund that caters for the implementation of projects it might be a viable option to only assist municipalities in establishing their LED departments and to get it staffed. One or two LED staff members can be sufficient to kick start the LED process in rural/ small town municipalities. If the recommendation of getting the whole community involved is applied it may ease the burden from the municipal personnel because their role would be facilitation and monitoring rather than implementation. The LED personnel may be employed on a performance contract and the fund be provided for a specific period until the municipality has managed to establish an economic base and generate its own income to support LED functions.

However the fund needs to focus on those municipalities with demonstrable potential. When one looks at the economic potential of Vulamehlo it is evident that an economic potential is there. The Vulamehlo has commercial farmers, fertile land, existing small farmers, small businesses and eco and cultural tourism potential. The area needs to contract or employ an LED experienced person who can be able to turn this economic potential into economic products. A person who will be able to link the Vulamehlo economy to surrounding small towns in Umzinto, Scottburg and Park Ryne, link it to the district economy, provincial economy, national economy and eventually to international markets. Hiring of experienced personnel will ensure that the local economy is not only inward oriented, focusing in primary agricultural products and has no innovative projects that explores the benefits of modern technology in economic development.

Safety nets and other survival strategies for municipalities with limited LED capacity

One should recognise that the LED potential does not exist for all municipalities. There are municipalities in deep rural areas that only have potential for subsistence agriculture and limited tourism. Such municipalities can only pursue limited LED, no matter how skilled

their economic development personnel are. An alternative for those municipalities is to ensure that their people do get all the government grants that they are eligible for, such as pension funds, disability grants, child maintenance grant and the like. People in poor communities have also devised their means of survival over the years. Some of the things they do involve bartering (exchanging goods and services without money as the medium of exchange) and stokfels (saving up money together for a specific period of time). Community gardens, poultry farming and local sewing of clothes are a long established tradition in several communities. Attempts have been made by some municipalities to convert these survival strategies into business ventures with limited success. Therefore it is better not to look at them as viable business ventures that can strengthen an economic base for the municipality, but as a means to develop sustainable livelihood for the people in the local area. Personnel requirements for those municipalities will then differ from those with vast economic potential. It might be sufficient for them to only employ community development workers rather than creating a fully-fledged LED unit with LED managers and officers.

8.5 Overall conclusions

It is evident that IDP could be a useful tool for LED if the limitations identified in this study are addressed. These include insufficient policy guidelines, lack of clarity in terms of powers and functions between the district and local municipalities, lack of guidelines to involve the private and the NGO sector, insufficient skilled personnel and funding.

Both the primary and secondary research has shown that the extent of the problem of institutional capacity in terms of skilled personnel is vast more so in smaller local municipalities. In the case of Vulamehlo we can see how much load the existing personnel have because of the lack of personnel in the LED and IDP department. They end up doing jobs they were not trained for and virtually have no experience of. As a result of these limitations the very purpose of integrated development planning ends up being compromised and its strength as a tool for facilitating LED is undermined.

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Annexure

Annexure 1: List of interviewees

Name	Organization	Position	Date	Comment
Thulani Bhengu	DPLG	Director -Planning	06/08	**
Musa Mseleku	Ugu	LED officer	25/08	**
Lungisani Mkhungo	//	Institutional and Social Development Officer	//	**
Sazi Mbhele	//	Acting IDP Manager	//	**
Phindile Mbono	UTMA	Tourism Officer	//	**
Pat Luckin	Ugu/consultant	Ugu/consultant	31/08	**
Andre' van Wyk	Department of Finance and Economic Development	IDP/LED	30/08	**
Thandaza Ntकिनca	//	LED	01/09	**
Martin Sithole	LBSC		03/09	**
Nomfundo Dlathu and Mlungisi Mnyameni	KZN MAC		//	They are both new in the organisation, so they helped each other in answering the questions **
Ben Schoeman	PIMSS	IDP Facilitation	03/09	**
Mandla Mabhece	PIMMS	PMS Manager	//	**
David Mzimela and Lucky Ndlovu	Vulamehlo	Corporate services and Technical Director	29/09	Limited time therefore only few questions were addressed
Total interviews conducted				16
** Interview conducted, went well.				

Annexure 2: Interview Brief

This is an example of interview briefs that were sent to interviewees prior the interview.

INTERVIEW BRIEF

Presented below is a short brief to introduce you to the research I am conducting and also to outline the purpose of our interview.

Research topic: Integrated Development Planning as an enabling tool for economic development: The institutional challenges facing Local Government in facilitating LED.

Case studies: Ugu District Municipality and Vulamehlo Local Municipality

Research Problem: The decentralization of some government functions to the local government sphere has meant more work and more challenges for local government. One of these challenges is lack of institutional capacity in terms of skilled human resources, infrastructure and funding. Without the necessary skills, resources and experience, it may be overly optimistic to expect all local municipalities to be key drivers of local economic development.

Key tasks:

- ✦ The primary task of this research is to investigate the existing LED capacity in local government.
- ✦ Secondly to examine if it has been feasible for them to carry out the Local Economic Development mandate in their area of jurisdiction,
- ✦ Thirdly to find out the extent to which IDP serves as an enabling tool for LED.
- ✦ Lastly, to investigate the extent to which Municipalities are able to form and manage partnerships as mechanisms to foster local economic development.

Purpose of the interview

The purpose of the interview is to get your perspective as an organisation on the following issues:

- ✦ Institutional capacity of the Ugu Municipality and its related local municipalities to facilitate LED.
- ✦ Partnerships that Ugu municipality has formed with other stakeholders such as the private sector, service providers and non governmental organisations.
- ✦ The extent to which they have been able to manage those partnerships and
- ✦ Your view generally about LED as a component of Municipal's Integrated Development Planning and alternative mechanisms that can be used to facilitate LED.

Annexure 3: Interview Schedules

This is one example of the interview schedules that were prepared for the study. There were three types of interview schedules, the one for LED consultants and business associations, the one for officials in provincial departments and PIMS centre and the one presented below for LED/IDP officials in the UDM and VLM.

Interview Schedule: IDP/LED officials in Municipalities

A: IDP and LED

1. What is your understanding of LED (i.e. How do you define LED?) What are the implications of the new draft national LED policy for municipalities?
2. What are the LED goals? How realistic are these given the economic potential of the area? What is necessary to realise these goals?
3. What is the role of the municipality in facilitating Local Economic Development?
4. Explain the process that you followed in planning for LED in your IDP? What role/priority is accorded to LED in the IDP? How should it link to other components of the IDP?
5. Comment on the participation from councillors and other municipal/PIMSS staff. Comment on the participation by key economic stakeholders (businesses, NGOs, communities, development agencies, chambers of commerce, etc)?
6. Does the IDP guide all LED programmes and interventions in the municipalities? Are LED programmes and interventions informed by other plans/policies/imperatives? What are they?
7. Comment on the impact of the IDP/LED policy on facilitating LED in the municipality. Is the IDP a useful document in planning for LED? If not, how can it be improved?

B: Institutional Arrangements

1. Which National and Provincial government departments do you work with in facilitating LED and what are their respective roles? How are they approaching LED

and what support/facilitation services do they provide to assist municipalities? Are there good/smooth links between them? How could they be improved?

2. Are these roles fully understood by LED officials in Local Government? If not, why not?
3. How is the LED municipal function organised between DMs and LMs? Is this a successful, effective arrangement? How can it be improved?
4. What support does the DM district municipalities offer to local municipalities in their area of jurisdiction? Is this sufficient? How can it be improved?

C: LED Capacity

1. Are there any staff members that are specifically dedicated to LED, if yes how many are they and what is their level of experience? Is this sufficient? What are their Terms of Reference?
2. Has the progress in facilitating LED been affected by capacity constraints? Explain
3. Comment on the use of consultants in formulating LED strategies and in implementing projects. Comment on the processes for, and extent of skills transfer between consultants and municipal officials.

D: Partnerships

1. Do the current LED and IDP Policy encourage the formation of partnerships as a mechanism for facilitating LED? Elaborate
2. Have you made any attempts to form partnership with any of the following parties?, explain and give examples.
 - ✚ Private sector
 - ✚ Non-governmental organisations
 - ✚ Other government departments
3. In your opinion have these partnerships added any value in the success of Led projects?
4. What challenges do you have in managing these partnerships and how do you deal with them?

E: Projects (Applicable to implementing staff only)

1. Comment about the progress of the LED Projects identified in your IDP
 - ✚ Describe the projects that have been proposed and approved
 - ✚ How many have been implemented?
 - ✚ What challenges do you face in implementing them?
 - ✚ Identify the ones that you regard as successful? Why do you consider them to be successful?
 - ✚ What do you attribute their success to?

2. What kind of partnerships were formed in planning and implementing them (i.e. comment on the involvement of private sector, other government departments, and the local community).

3. Has the involvement of these parties contributed in any form to the success of these projects? Will the implementation of these projects contribute significantly to the achievement of municipal LED goals? If not, what needs to be done to increase employment levels, investment potential and job creation opportunities?

F: General comments /Way Forward

How can municipalities (particularly those with limited economic potential, limited staff capacity and limited financial resources) improve their ability to facilitate LED?

Where can they obtain the necessary capacity and support? Are these possible options?

- ✚ Reliance on District Municipality
- ✚ Reliance on provincial department
- ✚ Independent LED agency (outsourced to consultants, partnerships with organised business, etc)