

**UNIVERSITY OF THE FREE STATE**

**DEPARTMENT OF GOVERNANCE**

A master's dissertation submitted to the Faculty of Arts, in the Department of Governance, at the University of the Free State, for the degree of MA: Governance and Political Transformation

**TITLED**

Evaluating the implementation of Local Economic Development: the case of Emfuleni Local Municipality

**BY**

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**DUE DATE** : 15 June 2016

## DECLARATION

I, Moleboheng Gladys Lairi, declare that this dissertation is my own research work. It's being submitted for the degree Master of Arts (MA): in Governance and Political Transformation at the University of the Free State (Bloemfontein). It has not been submitted to any Institution of higher learning (University) before, for any assessment of another qualification.

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Date

## ACKNOWLEDGEMENTS

I would like to sincerely give thanks to all the people who were involved in making this dissertation possible. The following people, however, deserve a special mention and are acknowledged for their contribution.

- I would like to thank he, who makes all things possible; the Lord Almighty for blessing me with the will, strength, and all the required abilities to complete this study.
- My precious family, most importantly my mother, and my only sister Mametsi, for their loving support and tolerance during my hard and busiest times through completing this study. Thank you.
- How can I not mention my better-half, Charlie, for believing in me so much more than I believed in myself, the support, advices and resources that he has provided for me to see this study through, means the world to me. I will never forget.
- My greatest gratitude goes to my supervisor, Dr Jozet Muller, I thank her for her expertise, constructive criticism, patience with me, guidance, and most importantly the time she has given to this study through her busy schedule. The quality of this study wouldn't have been possible without you Doc. Thank you.
- The University of the Free State, Faculty of Arts, Department of Governance, thank you for all the academic advise and the opportunity for me to register and complete this study. Dr T. Coetzee thank for grooming me from undergraduate until this far.
- The Emfuleni Municipality team, especially the LED Coordinator Mr Jerry Moledi, thank for the time you borrowed me to conduct the interviews at your office and for ethically trusting me with the information provided.

## **SUMMARY**

The apartheid legacy left South Africa with a significant need of economic restructuring. The South African government had to transform its economy so as to improve the livelihoods of its communities and mend the gap between the rural and urban communities. This led to the formulation and implementation of the national Local Economic Development policy, for its effective implementation, the South African government realised the significance of the local government and through the Constitution, Act 108 of 1996, it provided the local government with a mandate to play a developmental role.

The objective of developmental local government was to assist the national government in transforming the local communities through taking the National Local Economic Development policy to ground levels of the country as a whole. Through developmental local government, the local municipalities are provided with a responsibility to create and implement Local Economic Development Strategies; these strategies must be in line with the guidelines provided in the Local Economic Development Framework.

The Local Economic Strategies must provide the municipalities with the direction and approach on how to improve the economic situation within their respective jurisdictions. The Local Economic Initiatives or programmes entailed within these strategies must be based on objectives to provide sustainable development to the local communities, through meaningful job opportunities, skills development, infrastructure improvement, etc.

## LIST OF ABBREVIATIONS

ASGISA:	Accelerated Shared Growth Initiative of South Africa
BRICS:	Brazil Russia India China South Africa
COGTA:	Co-operative Governance and Traditional Affairs
CRA:	Contingent Reserves Arrangement
DPLG:	Department of Provincial and Local Government
DTI:	Department of Trade and Industry
DORA:	Division of Revenue Act
ELM:	Emfuleni Local Municipality
GDP:	Gross Domestic Production
IUE:	Institute for Urban Economics
IDP:	Integrated Development Plan
ICMA:	International City Management Association
KPA:	Key Performance Area
LED:	Local Economic Development
LEDF:	Local Economic Development Fund
LGTA:	Local Government Transition Act
MFMA:	Municipal Financial Management Act
MIG:	Municipal Infrastructure Grant
NA:	National Assembly

NCOP: National Council of Provinces

OECD: Organisation of Economic Cooperation and Development

PGDS: Provincial Growth Development Strategies

PPP: Public Private Partnerships

RFE: Russia Far East

SETAs: Sector Education and Training Authorities

SMME: Small Medium and Micro Enterprises

SONA: State of the Nations Address

SALGA: South African Local Government Association

TISA: Trade and Investment South Africa

UNGA: United Nations General Assembly

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## **CHAPTER 1: An overview of the implementation of local economic development strategy in South Africa with particular reference to Emfuleni Local Municipality.**

### 1.1. Motivation and background

Key words: Local Economic Development Plan; Economic Transformation; South Africa

The year 2014 marked the 20<sup>th</sup> anniversary since South Africa's transition from the apartheid system of governance to a democratic one. According to Hartley (2014: 6) "the last 20 years of democracy has changed the face of South Africa" the country that once was minority-ruled, now practices a democratic system of governance and enjoys economic ties with much of the world. The legislation, which enforced racial discrimination, has been removed from the statutory books, and the new policies aimed at improving the lives of those who were on the receiving end of apartheid have been developed. According to South Africa web portal (2014: online) since 1994, there has been a marked improvement in living standards: millions have been lifted out of extreme poverty and given the basic essentials of life: the population has grown to over 50 million, of which 85% have access to electricity, 73% to water and 63% to modern sanitation. Gross Domestic Product (GDP) increased to around 400 billion dollars (\$) from 140 billion dollars (\$) in 1994. However; even after the many public policy reforms to address the country's past imbalances, sustainable economic development in local government is still a major challenge in South Africa.

This study evaluates the implementation of local economic development for a sustainable economic transformation in the South African Local government, with a particular focus on Emfuleni Local Municipality's Local Economic Development Plan. The chapter is structured as follows: motivation and background; problem statement; the aim and objectives of the research; research methodology; research design; and chapter outline.

Post 1994, the democratically elected South African Government had to transform itself in order to recover from the effects of the social, political, and economic oppressions of the apartheid government (Davies 2012: 10). One of the reformation strategies was the

amendment and implementation of the Local Economic Development plan (LED), to restructure the economic challenges in local government. According to World Bank (2014: online) LED is defined as a “process by which public, business and nongovernmental sector partners work collectively to create conditions for economic growth and employment generation”. According to the Development Bank Southern Africa (DBSA) (2014: online) “the government of 1994 inherited an economy in crisis”. The economy of the South African government before 1994 was shaped by apartheid policies; it was built on racial divisions. The apartheid government excluded black people from opportunities in the labour market, and direct ownership of business and land. If there was any local development, it was only limited to the minority. The apartheid government limited investment in infrastructure and services in black communities, and black entrepreneurs were denied access to industrial and retail sites, as well as credit. Furthermore, apartheid limited the residential rights of Africans in the economically developed areas- it named such areas “homelands”; these were areas that were characterized by high levels of poverty and joblessness (DBSA 2014:online). Based on these outlined economic limitations, the developments and opportunities that came with the LED plan after 1994, did not exist during the apartheid system in South Africa, and as much as the white South Africans were forcefully given local economic preferences, their benefits were also limited; hence it can be said that the apartheid system oppressed the black South Africans, but it affected the whole nation and created a huge economic setback in the country. According to Powell (2012: 2) many industries were highly protected and spent little on investment, research, development or training. At the same time, Small Medium and Micro Enterprises were under-developed. Such economic exclusion caused a negative impact in the country. From the 1970s through to 1994, South Africa experienced high levels of poverty, slow economic growth, falling investment, uneducated workforce, and skills shortages (DBSA 2014: online).

Ulriksen (2012: 10) highlight “the crisis in local government was a major force leading to the national reform process that began in 1990”. The unstoppable protests in the 1980s against the way human settlements were distorted played a major role in the collapse of the apartheid local government. In an attempt to redress the social and economic

imbalances brought by the apartheid system, the democratically elected government of 1994 reformed previous legislations and policies to address issues regarding segregation, inequality, discrimination, and poverty. The new institutions were created with new principles in order to transform local governance. Hartley (2014: 15) states that after 1994 three new Acts were created; First, the Local Government Transition Act, No. 209 of 1993 (1993: Chap 1) (LGTA), which provided for transitional local government as well as for a clearly defined transition process. Second, the Developmental Facilitation Act, No. 67 of 1995 (1995: Chap 3) which according to Hartley (2014: 16) “attempted to address the mindset of Local Government and to steer it in the direction of being more participative”. Such an Act was created with the intent to improve the functions of Local Government to become more economically participative in order to develop the local communities. The third piece of legislation was the Municipal Demarcation Act, No. 27 of 1998 (1998: Chap 5) that allowed for reconsideration of the geographical areas of jurisdiction of Local Government and to ensure that every area of South Africa falls in a democratically elected Local Government. Based on the functions of the three Acts, it can be said that these legislations were created in order to create a more economically inclusive and Developmental Local Government.

Hartley (2014: 18) points out that the idea of LED strategy is rooted in the concept of Developmental Local Government brought forward by the late former president Nelson Mandela’s government from 1994-1999. The concept of Developmental Local Government was mandated by the White Paper on Local Government (WPLG). As highlighted by WPLG (1998: online) “it is in the interest of the nation that Local Government is capacitated and transformed to play a developmental role”. The idea of developmental Local Government was to ensure the commitment of national government, in providing support that enables municipalities to utilise the resources put forward by the White Paper to make them more developmental. The approaches put forward in the White Paper created a framework in which municipalities could develop their own strategies for meeting local needs and promoting the social and economic development of communities (WPLG 1998: online). The concept of Developmental Local Government brought forward the introduction and implementation of the LED.

According to Ulriksen (2012: 21) the public policy framework to structure LED to become a development strategy that benefits all municipalities and all South Africans, was made compulsory in the 1996 Constitution and later established in the 1998 White Paper on Local Government. The functions and responsibilities of the LED strategy were later defined and legislated in the Local Government Municipal Systems Act, No. 32 of 2000 (2000: Chap 3), with the Integrated Development Plan included as compulsory for every municipality.

Municipalities faced challenges in developing sustainable settlements that meet the needs and improve the quality of life, of local communities. To meet these challenges, municipalities needed to understand the various dynamics operating within their area, develop a concentrate vision for the area, and strategies for realizing and financing that vision in partnership with other stakeholders (Powell, 2012: 20). To achieve this goal, the Integrated Development Plan was introduced. As stated in the White Paper on Local Government, 1998 (WPLG) (1998: Section B), "Integrated Development Planning is a process through which a municipality can establish a development plan for the short, medium and long term". The WPLG (1998: online) further outlines the main steps in producing IDP as follows:

- An assessment of the current social, economic and environment reality in the municipal area
- A determination of community needs through close consultation
- Developing a vision for development in the area
- An audit of available resources, skills and capacities
- A prioritisation of these needs in order of urgency and long-term importance

The development of integrated frameworks and goals within specific time frames  
Based on the above definition and process, an IDP can be described as an outlined plan on how a particular municipality is going to execute its functions per five-year term in order to satisfy the needs of the community through municipal service delivery. The IDP is based upon the involvement of the community in the municipal decisions, so as

to transparently prioritise and deliver the most critical and urgent services to the community, through public consultation.

Based on WPLG, 1998 (1998: Section B) the National Government believed that Local Government had the potential to play an important role in promoting job creation and boosting the local economy. The starting point to unleash this potential was for Local Government to invest in the basics by providing good quality cost-effective services and by making the local area a pleasant place to live and work. WPLG, 1998 (1998: Section B) highlights that in order to improve Local Government, the National Government had to review existing policies and procedures to promote local economic development plan. Patterson (2008: 2) states “before LED became popular in many developing countries in the 1990s, including South Africa, it had already been implemented for many years in various forms in industrialised countries”. In the early stages of LED, activities focused strongly on the marketing of locations to external investors, often linked with incentives systems such as tax breaks and reduced costs of public services (Patterson, 2008: 2-3). In the second phase, attention shifted to endogenous economic potentials, striving to support the competitiveness of existing firms, promoting entrepreneurship and business start-ups. According to Patterson (2008: 9) since the late 1990s, a more holistic approach to local economic development was prevalent. This approach is marked as the third and latest phase of local economic development. It focuses on providing a competitive local businesses environment that encourages and supports networking and collaboration between businesses and public/private and community partnerships, facilitating workforce development and education, focusing on inward investment to support cluster growth and quality of life improvements.

Hartley (2014: 14) affirms that in South Africa LED is a post 1994 phenomenon. LED came as a new vision of local development in South Africa, and its concept attracted attention in government circles and amongst policy makers, to the point of being a government priority today. The following range of key policies and policy papers has contributed to the LED debate in South Africa:

- The Constitution (1996)
- White Paper on Local Government (1998)

- Local Government Municipal Systems Act (2000)
- Draft LED Policy (2002)
- Policy Guidelines for implementing LED in South Africa (2005)
- National Framework for Local Economic Development in South Africa (2006-2011)

Rogerson (2010: 41) points out that “considerable confusion as to the meaning and activity of LED arose out of the operations of the Local Economic Development Fund launched in 1999”. This was introduced by the then Department of Provincial and Local Government (DPLG), which is now known as the Department of Cooperative Governance and Traditional Affairs. The funding was introduced so as to create economic based projects that could empower the municipal local communities. However, because the funding was for project-based initiatives, the municipal LED administrators did not understand that such projects needed to be maintained to form a sustainable economic growth. Hence, most projects that received funding from the LED Fund collapsed due to the confusion regarding the implementation of LED.

According to Impey (2013: 33), “in 2006 the DPLG released a comprehensive statement of its interpretation of and goals for LED”. This was done by introducing the National Framework for Local Economic Development, which role was to provide guidelines for the implementation of LED, aimed at creating a local environment that enables the creation of an inclusive economy; according to Industrial Policy Action Plan (IPAP) (2014/15: online), an inclusive economy is described as an economy which “promotes industrial development, investment, competitiveness and employment creation”. An inclusive economy facilitates broad-based economic participation through targeted interventions to achieve more inclusive growth; and creates a fair regulatory environment that enables investment and enterprise development in an equitable and socially responsible manner. Based on the outlined description, in order for local government to create an environment that enables an inclusive economy, the need for a better implementation and definition of LED was critical in order to transform the South African local economy.

Koop (2014: 272) points out that a locally transformed economy in South Africa is described as “an economy that is restructured to meet the basic needs of all South Africans by aiming to address extreme societal inequalities, empowering the historically oppressed Africans to play a leading role in decision making, ensuring equitable and mutually beneficial regional development through progressive integration and limiting negative economic environmental impact”. In order for the economy to be transformed, a radical shift from a traditional approach of economic governance to a modernized one is needed (IPAP, 2014/15: online). South Africa needs a local social environment that provides shared economic growth with positive impact on human life. Such an environment can only be identified through the implementation of strategic municipal Integrated Development Plans which provides visible community participation processes for sustainable economic programs. According to Rogerson (2010: 481) for a strategic IDP to exist, “a municipality must be equipped with planning and leadership skills that have moved away from the old governance practices that result in very little transformation. Such an IDP must entail a credible LED that funds sustainable economic projects with a broader meaning of their nature and understanding.

The IDP strategy provides a meaningful understanding of the role of local government in South Africa for inclusive economic transformation. Its intention is to provide the municipalities / local authorities with a clear definition of the economic developmental intentions stated in the national policy plans for economic transformation in South Africa. The IDP, if implemented based on the basic principles of good governance as according to the King Report on Governance for South Africa (King III), (2009: online) is meant to cater for the improved distributions of municipal services and bridge the economic inequality gap in local regions where the medium and upper class benefit economically more than the poor and marginalized economic groupings in society. However, according to the Intergovernmental Relations Act, No. 13 of 2005 (2005: Chap 5), “the principle of co-operative government set out in chapter 3 of the Constitution, sets out a framework for the national government, provincial government, and local government to facilitate co-ordination in the implementation of policy and legislation”. In this regard, the better implementation of a Local Economic Development

plan for a sustainable economic transformation must be coordinated through Intergovernmental Relations. The Intergovernmental Relations Act, No. 13 of 2005 (2005: Chap 5) further states that “the promotion of such a co-operative relationship among the three levels of government will assist the local government to better implement its economic strategic programs for sustainable development”. Within the local government structure, municipal public policy plans must not seem detached from those of the national government. Such an approach assists in bringing the national economy to ground levels, where an ordinary person from any economic standard is able to benefit from the long fought-for economic growth of South Africa.

Since South Africa is a unitary state, there is a strong push to drive policy priorities and approaches from national government, with an expectation that municipal plans must reflect and respond to national policy priorities and directions. However, it is apparent that there are coordination, information and alignment failures across governmental systems. The reasons for this are varied and complex. One important dimension of this institutional problem is the manner in which powers and functions are distributed across the three spheres of government and how this creates uncertainty about who sets policy and who merely implements and what the implications of such questions may be for funding responsibilities (Habib, 2010: 73).

However, despite the issues with the separation of power among the three spheres of government, with clearly defined policies from the national government, local government does still remain the level of government that has the capacity to play a significant role in transforming the local economy of South Africa. It is therefore noticeable that sustainable local economic transformation can be achieved through a better implementation of clearly defined Local Economic Development. This involves the promotion of inclusive and realistic economic strategies with the aim of reducing poverty and unemployment as stated in the 2014 Millennium Development Goals (MDGs: 2014: online).

As emphasized by the current South African President, Jacob Zuma (SONA, 2015: online) “the South African economy needs a major push forward”. In regard to this

emphasis, in his State of the Nations Address (SONA) he further highlighted that as part of the Government's plan to ignite growth and create jobs, the Government will prioritise the following three action plans:

- Effective implementation of a higher impact Industrial Policy Action Plan;
- Encourage private sector investment;
- Unlock the potential of Small Multi Medium Enterprises (SMMEs), cooperatives, township and rural enterprises.

The President outlined nine action plans for economic growth / development in his presentation. However this study puts emphasis on the above three, since they all have a major influence in transforming the South African local economy through Local Economic Development plans / strategies. These action plans demonstrate that all public economic policies remain the responsibility of local government, and if these are clearly defined and implemented, the local economy has the potential to be transformed and developed. According to Koelble (2013: 345) "In order to foster the growth of local economies, broadly representative institutions must be established to address local economic development needs, their purpose would be to formulate strategies to address job creation and community development".

Koelble (2013: 347) further states that if necessary, the democratic government must provide some subsidies as a catalyst for job-creation programs controlled by communities and /or workers, and target appropriate job creation and developmental programs in the most neglected and impoverished areas of the country. Ultimately, all such projects should sustain themselves. In this regard, the local government is responsible for taking active steps to ensure that the overall economic and social conditions of the local environment are conducive to the creation of employment opportunities and businesses. The White Paper on Local Government, 1998 (1998: Section B) supports this by stating that "the powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities- in particular meeting the basic needs of the poor- and on the growth of the local economy".

## 1.2. Problem statement

When South Africa became a democratic country in 1994, the government took initiatives to reform the past economic imbalances brought about by the apartheid system. One of its initiatives in doing so was to reform the Local Economic Development strategy and make it mandatory to all municipalities in local government. In the year 2006 the Department of Provincial Local Government brought forward the National Framework for Local Economic Evaluating the implementation of local economic development: the case of Emfuleni local municipality

Development which provided a vision for creating robust and inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives (DBSA, 2014: online). This framework signaled a new policy maturity in the planning of LED in South Africa and furnished the essential base for a phase of consolidation in LED activities and planning. Against this background, this study investigates the challenges that confront the progress of LED in South African Local government towards achieving the goals set out in the national framework document.

According to Powell (2012: 25) 2006 was also the year that the former president Thabo Mbeki's cabinet adopted the five-year Strategic Agenda for the second term of local government. In order to develop local government and to transform the economy, the Agenda outlined three imperatives: firstly: municipalities had to improve their performance and accountability to communities; secondly: an unprecedented national capacity-building effort was required to help local government to discharge its mandate; lastly, more effective coordination of policy, monitoring, and supervision of local government was required. However; the Strategic Agenda still did not improve the progress of implementing LED in the South African local government.

This study highlights the implementation of the LED plan as a challenge in local government, and it identifies the causes and solutions to this challenge. According to Koelble (2013: 349) it is essential that all local authorities develop a firm understanding of the importance of various LED issues. By utilizing the unique powers and duties of local government and working in partnership with community stakeholders, local authorities can help stimulate the economy and improve the lives of their citizens.

In 2002, Emfuleni Local Municipality (ELM) developed its own LED Strategy (Heideman, 2011:86). This strategy was developed with the aim of developing and empowering its ward communities in its region as demarcated by the Municipal Demarcation Board i.e. Sharpeville, Sebokeng, Bophelong, Evaton, Vereeniging, Vanderbijlpark. However, the ELM LED strategy failed before bringing any significant local economic change or improvement, and since then, the ELM does not have an LED strategy. In this case, this study investigates the reasons behind the failure of the 2002 LED strategy. Based on an understanding that LED is a collaborated work by the local government, private sector, local communities and non-governmental organisations, the study makes findings if whether 2002 strategy failed because of lack of co-operative involvement from the mentioned stakeholders, the unclear understanding of the LED policy frameworks by the national government, and or challenges on the implementation stage of LED programs to improve the local economy

According to the White Paper on Local Government, 1998 (1998: Section C) “Local Government can play an important role in promoting job creation and boosting the local economy. Investing in the basics by providing good quality cost-effective services and by making the local area a pleasant place to live and work”. The White Paper further outlines that a thorough review of existing policies and procedures to promote Local Economic Development and also provisioning special economic services, is the fundamental way to develop the local economy. However, such a role can only be visible if the Local Economic Development strategic plan is clearly defined and its institutional stakeholders’ team up for better implementation.

### 1.3. The aim and objective of the study

The aim of this study is to analyse the implementation of the Local Economic Development strategy for sustainable local economic transformation in South Africa. The study provides specific focus on, and reference to the Emfuleni Local Municipality (ELM). It aims to understand the historical and modern meaning of Local Economic Development in the South African context and how it is applied in the local government. With this aim, the study aims to sufficiently describe the ELM Local Economic Development implementation process with the objective of gaining a thorough

understanding of its outcome on this particular region. The ultimate goal of this investigation is to provide recommendations to improve the implementation of LED in Emfuleni Local Municipality. The study achieves this through the following steps:

- Critically review the emergence of LED in the global arena and linking it with the South African LED during and after the apartheid system.
- Review the legislative policy frameworks that facilitate the implementation of LED in South Africa.
- Analyse the implementation of LED strategy in South Africa for sustainable economic transformation.
- A case study review and analysis of Emfuleni Local Municipality LED strategy.
- Discuss LED challenges in Emfuleni Local Municipality.
- Provide recommendations to improve the implementation of Emfuleni LED strategy for sustainable local economic transformation.

#### 1.4. Research Methodology

The study of the implementation of LED strategy for sustainable economic transformation in the South African Local Government, with a specific reference to Emfuleni Local Municipality, is based on qualitative research method. The scope of the study is based on describing and interpreting the actions of public institutions and the society. The approach of the study is based on the literature review research technique through South African and international publications. According to Brynard (2012:20) “literature review can be described as a critical assessment of what has been done in the past in the given discipline, more in the direction of revision and or reconsideration”. Based on this definition, this study is analysed through relevant books, journals, government publications and previous research papers on the research topics relevant to this study.

The implementation of LED in South Africa was mandated by policies that were based on the national reform process that began in 1990, in order to address the past imbalances. With this being highlighted, this study is based on two phases: the first phase analyses the legislative frameworks that mandated Local Government

development and LED in South Africa. The second phase focuses on the implementation of LED strategy based on the guidelines and mandate of the LED legislative frameworks, this phase further gives specific reference to the Emfuleni Local Municipality LED implementation. These two phases of the study recognizes that legislative frameworks mandate LED in South Africa as a strategy to improve local economy; hence this study finds it important to understand the policy background of LED and then analysing its implementation.

The first phase of the study entails the three sets of legislative analysis; the first analysis is based on the legislative frameworks that mandated Developmental Local Government; the second analysis focuses on frameworks based on the Local Government administration; and the last analysis is based on the legislative frameworks that administer economic development in the South African Local Government.

In consideration of legislative frameworks that mandated Development Local Government; the following three Acts that were created after 1994 for Developmental Local Government are analysed:

- The Local Government Transition Act, No. 209 of 1993.
- The Developmental Facilitation Act, No. 67 of 1995 regulations.
- The Municipal Demarcation Act, No. 27 of 1998.

After analysing the processes that took place in developing Local Government, the study critically analyses the legislative framework that guided the administration of Local Government for a sustainable local economy. The following legislative frameworks are analysed:

- White Paper on Local Government, 1998.
- Municipal Financial Management Act, No. 56 of 2003.
- The South African Constitution Act, No. 108 of 1996.
- The Local Government Municipal Systems Act, No. 32 of 2000.
- Intergovernmental Relations Act, No. 13 of 2005.

The third set of analysis is based on the frameworks that administered economic development in South Africa. The frameworks that are analysed are as follows:

- Draft LED Policy (2002)
- Policy Guidelines for implementing LED In South Africa (2005)
- National Framework for Local Economic Development in South Africa (2006-2011)

This study chose Emfuleni Local Municipality as its regional area of focus and in this regard, the investigation of the implementation of LED strategies and programs are based on Emfuleni's documentation. With this being said, the following Emfuleni documents are consulted:

- The Emfuleni Local Municipality LED strategy, 2002
- The Emfuleni Local Municipality turnaround strategy, 2010
- The Emfuleni Local Municipality Integrated Development Plan, 2013/14
- The Emfuleni Local Municipality Integrated Development Plan, 2014/15
- The Emfuleni Local Municipality Annual Performance Report, 2013/14

The above-mentioned legislative frameworks and Emfuleni municipality documents are analysed with more focus on the strategic implementation process. This study is based on the notion that for the successful implementation of legislative frameworks, the public entities must develop strategies that ensure that the goals of the policies mandated are achieved. According to Cloete and Coning (2011: 7) public policy is defined as "a public sector statement of intent, including sometimes a more detailed program of action, to give effect to selected normative and empirical goals in order to improve or resolve perceived problems and needs in a specific way, thereby achieving desired changes in that society". This definition emphasises the future problem-resolution and transformation-oriented focus of policy. It also focuses on the dynamic nature of policy decisions, which can include:

- The preemptive or proactive approach to policy: avoiding a potential policy issue from becoming a "real" policy problem, or

- The reactive approach to policy: the effective and efficient addressing of a perceived or real problem to improve future conditions

The concept of policy defined above, overlaps with the concept of strategy. Cloete and Coning (2011: 9) describe a strategy as “policy, procedure, planning, programs, approach, and scheme”. The two terms can therefore generally be used interchangeably, but in technical policy terminology, they are frequently distinguished as separate processes. Based on this background, when analysing the legislative frameworks that mandated Local Economic Development, this study bases itself on the notion that public policy is a general macro level policy strategy (about what should be done), while a strategy is referred to as implementation strategy or business plan (about how, when, by whom and with what anything should be done).

According to Henry (2010: 98) “although the United States and Western Europe have moved through different phases of policy-implementation research, South Africa is currently in the midst of the implementation era”. It is further stated that scholars began implementation research in the 1960s and 1970s; however, a common theory is still lacking. There is still some confusion about when implementation begins, when it ends, and how many types of implementation there are. Based on the above, this study analyses the 2002 LED implementation process of Emfuleni Local Municipality; the study analyses if this strategy was aligned with the local government legislative frameworks mandated by the national government. By so doing, this study can understand the challenges that this particular municipality has during the implementation stage of LED policies and the study will provide recommendations based on these challenges.

Cloete and Coning (2011: 137) defines policy implementation as a process that “encompasses those actions by public or private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decisions”. Based on this definition, this study regards policy implementation as the conversion of mainly physical and financial resources into concrete outputs aimed at achieving policy objectives. This recognition is rooted from the general observation that there is a policy gap between policy expectation and perceived policy results. The policy gaps are often between

compliance issues and the desired results of the implementation. According to Henry (2010: 110) scholars have done much to highlight the complexity of the implementation process and the importance of trying to understand this complexity. In recognition of the above importance, this study analyses the implementation of the outlined legislative frameworks based on the following steps:

- An analysis of the content of the policy itself- what it sets out to do; how directly it relates to the issue; and how it aims to solve the perceived problem
- The nature of the institutional context, the corridor through which policy must travel, and by whose boundaries it is limited, in the process of implementation
- The commitment of those entrusted with carrying out the implementation at various levels to the goals, and methods of the policy
- The administrative capacity of implementers to carry out the changes desired of them
- The support of stakeholders

Since the particular focus of the study is on analysing the implementation of LED in ELM, the study has seen it as significant to collect primary information from the ELM, and therefore, this study consists of one conducted interview with the Emfuleni Local Municipality LED coordinator. The basis of the interview is to receive primary information that can provide clarity to the study as to if the local government is mandated by the Constitution to play a developmental role to improve the local economy, how does ELM satisfy this mandate in the absence of the LED strategy.

### 1.5. Research Design (layout)

Table 1. The chapter outline of this study is as follows:

<p><b>Chapter One</b> Motivation and background.</p>	<p>This chapter introduces the nature of the study; it presents research questions that this study is investigating and the motivation for undertaking the study. It consists of the problem statement, aim and objectives of the study, and research methodology.</p>
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<p><b>Chapter Two</b></p> <p>A comparative overview of LED programs implemented in other countries</p>	<p>This chapter introduces the international perspectives of LED; it analyses the emergence of LED in the global arena in order to find out the true nature of why South Africa took an initiative to restructure its policies as a way to improve its local economy after the apartheid system.</p> <p>It also provides specific reference to Brazil, Russia, India and China. It looks at LED successes and failures; methods and models used in the implementation stage; challenges and recommendations for improvement.</p>
<p><b>Chapter Three</b></p> <p>Reviewing the legislative frameworks that facilitate the implementation of LED in South Africa</p>	<p>This chapter looks at legislative frameworks that mandated LED in South Africa. It examines the importance of LED and why it was made mandatory to all local municipalities.</p> <p>Furthermore, for a more in-depth analysis of how public policy is designed and implemented in South Africa, the LED strategy is taken through the public policy cycle in this chapter and the use of the systems model theory is applied.</p> <p>For any public policy to function efficiently there is a need for an enabling environment. Having highlighted this, this chapter describes the organisational design that the LED strategy needs to</p>

	<p>survive in. It describes this organisational design, by looking at the Municipal structure and the decision-making processes.</p> <p>It also examines the factors and constraints that contribute to the failure of LED strategy in the municipalities. It investigates the source of accountability. It suggests ways to forecast the risks of LED failure, and also suggests the promotion of pro-activeness in responding to policy risk factors.</p> <p>The chapter further looks at the importance of cooperation among the three spheres of government for the implementation of LED in South Africa. In this case much emphasis is given to the Intergovernmental Relations Act, where the decentralisation of power among the three spheres of government is discussed.</p>
<p><b>Chapter Four</b></p> <p>Analysing the implementation of LED strategy in South Africa for sustainable economic transformation</p>	<p>This chapter evaluates the progress of LED in South Africa from 1998-2014. It puts more emphasis on the importance of evaluating the implementation of LED programs by finding answers to the following questions:</p> <ul style="list-style-type: none"> <li>- Who is responsible for implementing LED programs?</li> <li>- Who is accountable for them?</li> <li>- Who are the stakeholders?</li> <li>- What are the risks?</li> </ul> <p>The chapter then analyses the current position of LED and its foreseen future prospects, with this it analyses if South Africa's LED is more political or administrative and if there's any possibility for its growth, based on the current South</p>

	African political position.
<p><b>Chapter Five</b></p> <p>A case study review and analysis on Emfuleni Local Municipality LED strategy</p>	<p>This chapter provides an in-depth analysis on the Emfuleni Local Municipality local economic development plans. It pays attention to its programs in terms of successes and challenges, failures, etc.</p>
<p><b>Chapter Six</b></p> <p>Recommendations and Conclusion</p>	<p>This concludes the study by providing the finding on the research problem stated and it provides recommendations on how to improve LED in South Africa, with particular focus on Emfuleni Local Municipality. In this chapter, findings to the research problem are provided, together with general conclusion on the implementation of LED in South Africa and specific conclusion on Emfuleni Local Municipality LED.</p>

1.6. Conclusion

This Chapter provided an overview on the background of LED in South Africa, with more focus on its implementation at Emfuleni Local Municipality. The highlight of this chapter emphasised that the transition that occurred in South Africa of moving from an apartheid system of governance to a democratic one, brought in with new economic development policies, one being the LED. It is also further acknowledged in this chapter that LED is not a new phenomenon in South Africa; in this regard its international implementation is further evaluated in chapter two.

## **CHAPTER 2: The international perspective on the implementation of Local Economic Development in South Africa**

### 2.1. Introduction

As discussed in chapter one, LED in South Africa is a strategy that the local government is mandated by the constitution to implement in order to improve the local economy and restructure the past economic imbalances. However LED is not only a strategy used in South Africa only, but also at other countries across the globe. According to Bull (2012: 325) LED is globally suggested as a means for implementing the future agenda at the local level and informs a revised global economic governance structure.

This chapter discusses the international perspective of Local Economic Development (LED); it analyses the emergence of LED in the international system in order to find out the true nature of why the post 1994 South African government perceived LED strategy as one of the best possible strategies to improve its local economy after the apartheid system. According to Bull (2012: 321) “an international system is a concept that can be described as a formation that occurs when two or more states have sufficient contact and impact on one another’s decisions, to cause them to behave, at least in some measure as parts of a whole”. Based on the definition, this chapter recognises that over the past decades the sheer scale and scope of interconnectedness has become increasingly evident in every sphere of the international system, from the economic to the cultural. According to Owens and Smith (2010: 16) “worldwide economic integration has intensified as the expansion of global commerce, finance, and production links together the fate of nations, communities, and households across the world’s major economic regions and beyond within an emerging global market economy”. The chapter further observes that the modern world has become so small, where one country facilitates its principles of governance based on the influence of other country’s policies; this observation is based on the notion of ‘globalisation’ which according to Owens and Smith (2010: 16) can be shortly described as the “widening, deepening, and speeding up of worldwide interconnectedness”.

## 2.2. Local Economic Development (LED) as an alternative approach

Arzeni (2013: online) points out that although many development initiatives were only introduced for the first time during the course of the 1990s in the international system, a large stock of experience had already been built up at the local level. There is a strong demand for exchange of this experience, in order to help localities where policies have yet to be introduced and to help others to increase the scale and effectiveness of their initiatives. LED is not just seen a range of different micro-initiatives operated locally, or as a set of policies that seek to exploit endogenous resources. It is a means of integrating different policies and programs at a local level, thus releasing synergies and improving co-ordination, and as a means of improving local governance through involving local people and networks in the formulation and delivery of policy (Arzeni, 2013: online). Indeed, many local development initiatives have their origins in a grass-roots movement of local people and organisations, responding to issues of immediate local concern. Furthermore, it is not necessarily the case that local development only involves very small territories. The size of the territory concerned depends on the functional context i.e. where institutions and people can most form networks to tackle commonly perceived concerns (Lewis, 2012: online).

Lewis (2012: online) further highlights LED is a wide ranging concept that can be best seen as a process through which a certain number of institutions and /or local people mobilise themselves in a given locality in order to create, reinforce and stabilise activities using as best as possible the resources of the territory. It can be seen as a bottom-up attempt by local actors to improve incomes, employment opportunities and quality of life in their localities in response to the failure of markets and national government policies to provide what is required, particularly in underdeveloped areas and areas undergoing structural adjustment. Local development strategies can also contribute towards the goal of strengthening local participation and democracy.

Drell (2010: online) further outlines the following as central characteristics of the local development approach:

- There is an emphasis on the notion of ‘development’ (broad, structural and qualitative) and its capacity to generate new activities (in contrast to purely quantitative growth);
- It is based on the idea of highly differentiated processes and paths in different local areas due to the diversity of economic and historical conditions;
- The local territory provides the focus for the development process, for its decisions and actions, and constitutes a pool of potential resources to be tapped. Initiatives have a clear local content, responding to local problems and objectives, to be initiated and carried out by local people;
- It involves a plurality of local actors who design, develop and implement these schemes or strategies, people and institutions which have often been ignored by past policies; and
- The local approach attempts to build up the processes of development over the long term by emphasising the economic and social dynamics and behaviour of actors and improving local capacity to take initiative to respond to events.

Part of the logic of local development policies is that by using these approaches local actors can add value to economic development and social policies designed and implemented by national governments. Firstly, the mobilisation of local actors through local development initiatives helps to generate additional proposals for action and resources and competencies to help achieve them. Local development policies enable local actors to act as catalyst for development and draw on the ideas, energy and commitment of local people. Secondly, local awareness of needs and opportunities and local involvement in strategy development helps to tailor policy solutions towards the distinct requirements of each area and provides feedback on the effectiveness of the actions that are undertaken. Thus local development strategies adapt responses to local need. Thirdly, local development structures provide a forum for an integrated approach to policy delivery in which various instruments and funding streams are combined for maximum effectiveness. This can lead to better co-ordination of policy, which is

important for the multiple causes of unemployment, poverty and social exclusion for example.

According to Cities Network (2013: online) local development initiatives generally proceed initially from an examination of local needs and make use of a range of strategies, operational structures and actions in meeting these needs. In seeking to create effective local development approaches it is therefore necessary to consider each of the following aspects:

- Strategies: LED strategies provide a framework and logic for program spending and actions undertaken. They are normally built on an assessment of the nature of the economic and social problems affecting an area and manner in which policy can help to alleviate these problems;
- Operational structures: a range of operational structures can be employed in order to deliver policy, including intervention by local and regional government, locally targeted, measures operated by central government and partnerships that combine the role of different locally based bodies; and
- Actions: a very wide range of actions may be undertaken by policy. These typically include improving indigenous company competitiveness and exports, stimulating entrepreneurship and new business creation, attracting inward investment and tourism, improving skills and knowledge, reducing social exclusion, improving the physical business infrastructure and strengthening the institutional framework of the area.

The precise development approach chosen depends on area characteristics, local preference and objectives and the resources available. However, one of the most pervading concerns is job creation. On the one hand local initiatives for job creation include schemes to encourage self-employment and the creation of new micro-enterprises, particularly amongst groups who have had little prior experience in this area such as unemployed people, women, young people and minority groups. On the other hand there are schemes to strengthen the competitiveness of existing firms through

networking, the development and diffusion of technological innovation, finance, premises and marketing support. In addition many areas have programs to attract inward investment (Cities network, 2013: online).

### 2.3. The international approaches to LED strategy

Municipalities around the world have taken a number of approaches to economic development. Each rests on particular assumptions about local economies and the impact of local authorities therein (Cooper and Vegas, 2010: online). Six key approaches can be distinguished as follows:

- Traditional approaches which asserts that the key to prosperity is attracting investment (primarily manufacturing), through concessions such as tax breaks, cheap land and even direct financial rewards, in return for locating in an area. The argument is that investment creates jobs and provides taxes, which can be used by the local government for service provision. Attempts to attract tourists and other forms of economic activity and funding, such as government and financial institutions and spending on national social programmes, can also be part of this approach.
- Entrepreneurial-competitive strategies, which emphasizes the importance of local comparative advantages and small businesses in job creation. Local authorities play an important role in identifying growth sectors and in supporting businesses through research, consultancy, premises, technical infrastructure and even loans or grants.

Human resource development is also identified as a key focus for LED strategies. The argument is that low skills levels, especially amongst the poor, influence investment negatively. Local authorities must support establishment of local training bodies and require that firms provide a minimum amount of training to their employees.

- Community-based strategies emphasise the importance of working directly with low-income communities and their organisations. Community development trusts

and worker- or community-controlled enterprises, such as local credit unions or development corporations, are key features of this approach.

- Progressive approaches which explicitly aim to link profitable growth and redistributive development. An example of a progressive approach is a requirement that financial institutions opening a branch in an area, must invest a certain percentage of their turnover in local small businesses.
- Urban efficiency is another LED approach where local authorities should raise urban productivity, in part by lowering the costs of living and doing business in the locality. This is best achieved by cutting taxes and service charges and by privatizing services if and where possible

It is important in practice to achieve the right balance between these LED approaches based on every community's unique circumstances.

Identifying good practices for LED is a challenging task. This is partly because of the large variety of initiatives put in place in democratic countries for raising endogenous local potential, encompassing fields such as entrepreneurship, tourism promotion, training and skills development, environmental management, agricultural diversification and so on. It also reflects the broad range of objectives of these programs, covering different aspects of economic development, social development and long-term capacity building and the different criteria that can therefore be applied to judging success. Finally, it is challenging because the possibilities of what can be achieved by policy may vary between different areas and different times. Moreover, the very concept of local development is based on promoting local approaches that respond to local conditions. There is therefore no single model of how to implement local development or of what strategies or actions to adopt.

#### 2.4. A comparative overview of LED strategies implemented in other countries, with specific reference to Brazil, Russia, India and China

This section focuses on the above countries because together with South Africa they form part of the BRICS group and according to Prasad (2014: online) "the BRICS have a significant contribution to the international economy". Prasad (2014: online) further

elaborates that in 2006, the four countries initiated a regular informal diplomatic coordination, with annual meetings of Foreign Ministers at the margins of the General Debate of the UN General Assembly (UNGA). This successful interaction led to the decision that the dialogue was to be carried out at the level of Heads of State and Government in annual Summits. As of the first summit, held in Yekaterinburg in Russia in 2009, the depth and scope of the dialogue among the members of BRICs, which became BRICS in 2011 with the inclusion of South Africa, was further enhanced. More than an acronym that identified countries emerging in the international economic order, BRICS became a new and promising political-diplomatic entity, far beyond the original concept, tailored for the financial markets.

According to Prasad (2014: online) after the Yekaterinburg summit, five annual summits were held (Brasilia 2010, Sanya 2011, New Delhi 2012, Durban 2013, and Fortaleza 2014). The leaders of the member countries have been holding at least one annual meeting. In Durban last year, the first cycle of summits was completed, each member country having hosted a meeting of leaders. In this period, BRICS has been evolved in an incremental manner, in areas of consensus amongst its members, strengthening its two main pillars: coordination in multilateral with a focus on economic and political governance, and cooperation between members. Regarding the first pillar, the efforts towards reforming the structures of global governance, especially in the economic and financial fields- financial G20, International Monetary Fund, World Bank- received a special emphasis, as well the reform of political institutions, such as the United Nations. A broad agenda has been developed, comprising areas such as finance, agriculture, economy and trade, combating transnational crime, science and technology, health, education, corporate and academic dialogue and security (COA, 2013: online). In that context, the financial sector receives a special focus as a new front of cooperation. According to COA (2013: online) at its 6<sup>th</sup> summit the BRICS established the New Development Bank, aimed at financing infrastructure and sustainable development projects in the BRICS and other developing countries. Likewise, according to Prasad (2014: online) the BRICS also concluded the agreement that creates the Contingent Reserves Arrangement (CRA), a fund with an initial sum of US\$ 100 billion, which the

BRICS countries will be able to use to forestall short-term liquidity pressures. One of the objectives of the CRA is to contribute to international financial stability, by providing an additional line of defense to the BRICS. The establishment of the Bank and CRA conveyed a strong message on the willingness of BRICS members to deepen and consolidate their partnership in the economic-financial area.

Based on the Fortaleza summit, which launched a new cycle for the BRICS, Brazil will follow up on the initiative, aiming at incrementally increasing existing cooperation. The meeting's particular focus on social inclusion and sustainable development that gave visibility to policies implemented by member countries and to the contribution of the BRICS' economic growth to poverty reduction (Scissors, 2015: online). Scissors (2015: online) further highlights that the theme "inclusive growth, sustainable solutions" is not only in line with the member countries' social policies, but also highlights the need to tackle challenges in the social, economic and environmental fields, and creates new opportunities for the BRICS in different areas, including the negotiations on the post-2015 development agenda.

#### 2.4.1 A brief overview of LED strategy in Brazil

##### 2.4.1.1 Brazil description

According to the World Fact-book (2014: online) Brazil is a country located in the Eastern South America, bordering the Atlantic Ocean. It is a democratic, federative republic, divided by states and a federal district.

##### 2.4.1.2. Local Economic Development in Brazil

As a developing country, Brazil has had some success in implementing local and regional economic development strategies, and municipalities have played an important role in facilitating LED (Barberia, 2010: online). It is similar to South Africa in that both countries are the economic leaders of their regions, and both face similar issues in terms of race, class, rural and urban development and the way that this has impacted on approaches to LED. According to Barberia (2010: online) the broad outlines of LED policy in Brazil include the following overarching development objectives:

- Social inclusion and reduction of social inequalities;
- Environmentally-sustainable economic growth generating employment and income and reducing regional inequalities; and
- Promotion and expansion of citizen empowerment and strengthening of democracy.

The Brazil Country Strategy Paper (2007-2013: online) highlights that for each of the overarching objectives, the government allocated 60% of the funds to the first objective (social dimension of the strategy), which shows the high priority assigned to the social inclusion agenda. Around 36% of the funds are assigned to the second objective (covering the economic, regional and environmental dimensions) and the remaining 4% to the third objective. The key commitment of Brazilian government on regional and local economic development is preparing the country for new investment cycle that will spur growth. This preparation is based on three basic ingredients: the removal of regulatory obstacles to increase investment, especially in infrastructure; an articulated set of industrial policy measures for increasing competitiveness in order to cope with the effects of subdued recovery in the advanced economies on the international trade; and concentrated efforts to improve the education and skills of labour force and the innovation capacity of enterprises so as to boost the productivity of the economy and lift the growth potential in the long term (Brazil Country Strategy Paper, 2007-2013: online). Based on this commitment, the following pillars of LED Brazil are outlined as follows:

- Investment and infrastructure

According to the Brazil Comprehensive Growth Strategy (2014: online) there is a consensus in Brazil about the bottlenecks in logistics and the need to speed up implementation of investment packages in infrastructure. It is undoubtedly the main gap to be closed and it addresses other gaps in competition, employment and productivity. In terms of concrete reforms, the Brazilian Federal Government's top priority is implementing an ambitious (and already started) infrastructure program by means of extensive use of public private partnerships and concessions to private sector. The

measure adopted for the infrastructure sector will reinforce one another to raise the potential output and improve the competitiveness of the Brazilian economy.

- Employment and education

The Brazil Employment Plan (2014: online) points out that the Brazilian economy has been showing a strong labour market performance. In April 2014, the unemployment rate hit a historical minimum (4.9%). In the first half of 2014 493.118 net formal jobs were created according to the General Registry of Employed and Unemployed Workers of the Ministry of Labour and Employment. Development policy in Brazil recognises that a set of policies should be taken into account when assessing the results exhibited by the Brazilian labour market indicators, such as the Minimum Wage Policy and the expansion of social benefits coverage. Both, combined with the expansion of credit and conditional transfers programs, have made the labour market a key element of inclusive growth. These policies were able to induce growth and job creation in virtually all the sectors of the economy, including in less developed areas, and also promoted a revival in industrial jobs. This has therefore shown a trajectory of formal job growth within the employment sector. The result of this set of policies has been a decline in informality, a severe reduction of the working poor population, the reversion of a spatially concentrated development pattern along with better regional distribution of monetary income and a consistent fall in income inequality, through which workers at the base of the occupational pyramid have been seeing the largest gains (Brazil Employment Plan, 2014: online).

With regards to the policies to increase productivity in Brazil, it is worth noting that investments in education in 2012 reached 6.1% of GDP. Still on this subject, it is worthwhile to highlight the approval of the Federal law that sets aside 75% of the resources of oil royalties for investment in education and 25% to health; the same law also sets aside 50% of the social fund for education until the goals set in the national education plan are met. As a result of efforts to improve the educational skills of the population, the proportion of people employed with 11 years or more of schooling jumped from 21.7% to 36.1 % from 2001 to 2012, which means greater availability of

skilled manpower in the labour market (Brazil Comprehensive Growth Strategy, 2014: online). Moreover, according to the Brazil Employment Plan (2014: online) it is noteworthy that the increase in per capita household income has allowed the postponement of the employability of the young so that they can focus on studying more. Thus, it is apparent that the increased schooling of the younger has allowed them access into jobs with greater possibilities for professional progress. 17.2% of the people that entered the formal labour market had completed at least secondary level in 1996, while, this proportion reached 55,2% in 2013. Until the end of 2014, the science without borders program is expected to grant 101,000 scholarships to young Brazilians to study in foreign universities with high academic standards. More than 83 000 scholarships were awarded until June 2014; the new target is to grant 100,000 additional scholarships for students and researchers to study abroad by the end of 2018. Furthermore, the Global Legal Monitor (2011: online) highlights that the Brazilian government has launched the national program for access to technical education and employment, through which access to vocational training has been made feasible in all regions of the country at no cost to the students, and has offered financial aid in order to reduce dropout rates and guarantee course completion by students with lower household income. In 2002, Brazil had 140 federal professional, vocational and technological educational centers; in the 2003-2010 period, that number more than doubled, reaching 354 and, by the end of 2014, there will be 562 federal professional, vocational and technological educational centers that will be able to admit 600 000 students throughout the country.

- Competition and small and medium enterprises

The Brazilian federal government competition reforms are aimed at new regulatory frameworks to reduce bureaucratic costs, to facilitate access of small and medium enterprises (SMEs) to capital markets and establish a new facility to provide funding for SMEs engaged in export (Brazil Comprehensive Growth Strategy, 2014: online). In addition, it is further highlighted in the strategy that Brazil has just adopted (June 2014) a package of measures of microeconomic competition reforms in order to cope with effects of the subdued recovery in the advanced economies and in international trade

on the domestic economy. Among these measures, it is worth mentioning the following: permanent payroll tax exemptions; permanent tax devolution in exports; permanent tax exemptions in some sectors; tax debts payment in installments; incentives for mid-sized companies; extension of tax incentives for issuance of infrastructure debentures; reduction of bureaucracy and so on. Given the importance of the SMEs for employment and economic growth, it is really necessary to address the challenges for starting and operating a business. Small businesses suffer from the excess and a bureaucratic requirement that must be satisfied before the registration and intricate regulations affecting operation. A large number of procedures elevates the cost to formalise the company and, consequently, leads many to informality.

Based on the outlined economic development pillars, the LED strategy in Brazil is meant to assist the country to secure long-term sustainable growth, providing development opportunities for its population. Under Agenda 21 (1992: online), Brazil highlighted its LED implementation for successful long-term sustainable growth through strengthening public and private investment, improving service delivery to the poor, strengthening regional and territorial development and support the effective management of natural resources and the environment. The focus of this development is based on states and large Municipalities of Brazil and its poorest regions.

According to World Bank (2015: online) the bank-financed projects included support for the highly effective 'Bolsa Familia', which according to the World Bank is a conditional cash transfer program that reaches 12.7 million families. According to the World Bank (2015: online) the 'Bolsa Familia' program is among the most effective social protection programmes in the world, having contributed to the reduction of inequality and extreme poverty. In partnership with the World Bank, sustainable Brazil is directed at improving quality of life through better local services in urban and rural areas, and for efficient management of Brazil's abundant but fragile natural assets. Indicators show progress on protection and sustainable development of the large biomass, however, sanitation and pollution control are still major challenges. In Brazil, a set of programs is allowing the country to preserve its rich environment without excluding economic opportunities for the traditional communities living in rich biodiversity areas, including the Amazon

region protected areas program and the marine protected areas, a pioneer initiative that will more than triple the marine area under protection (World Bank, 2015: online).

#### 2.4.1.3. Lessons that South Africa can learn from Brazil with regards to LED

According to the Country Study Report (2014: online) the Brazilian government managed to sustain its economic growth through impressive rates of public investment in infrastructure, education, sustainable environment, agriculture and health. These pillars paved the way for new industries to emerge and raised the returns to any private venture that benefits from healthy, educated workers, passable roads, and reliable electricity. Growth entails structural transformation of the economy, from agricultural to manufacturing, from a rural workforce to an urban one. This transformation is the result of competitive pressure. The government committed to growth must therefore liberalise product markets, allowing new, more productive firms to enter and unproductive firms to exit. It must also create room to maneuver in the labour market, so that new industries can quickly create jobs and workers can move freely to fill them.

This chapter recognises that these reforms are easier to recommend than to enact. If a wholesale overhaul of the labour laws is politically impossible, policy makers should instead seek a pragmatic compromise that fulfills the aspirations of jobseekers and is not vetoed by politically influential jobholders. While creative destruction is economically natural, it doesn't feel natural to those displaced in the process. Policy makers should resist calls to protect industries, firms, or jobs, but they should endeavor to protect people. Perhaps the best protection a government can provide is education, which makes it easier to pick up new skills, and strong rate of job creation, which makes it easy to find new employment. The LED strategies cannot succeed without a commitment to equality of opportunity, giving everyone a fair chance to enjoy the fruits of growth. But equal opportunities are no guarantee of equal outcomes. Indeed, in the early stages of growth, there is a natural tendency for income gaps to widen. Governments should seek to contain this inequality at the bottom and top ends of the income spectrum. Otherwise, the economy's progress may be jeopardized by divisive politics, protest, and even violent conflict (Country Study Report, 2014: online).

According to the World Bank (2015: online), given the great importance of infrastructure and tight constraints on their resources, governments have increasingly sought to tap private sources of finance. Although most investments in infrastructure are still public, the private sector has increased in importance as governments have gained experience in regulating it. These public-private partnerships can help a government stretch its budget further. They also spare the public sector the burden of running projects. But if the partnerships are to work, governments must be prepared to bear other responsibilities instead. They must establish autonomous regulatory agencies to oversee the activities of the private agents. The terms of the partnerships must be written and monitored carefully, so that the private investor can earn an honest return but not a monopoly profit. It is also important for commercial risks to be borne by the private party. In too many cases, the division of labour has put profits in private hands and risks in the public lap. There is now a great deal of accumulated, international experience with these partnerships. Some have been extremely successful in a wide variety of infrastructure areas, including telecommunication, roads, power generation, and port management. But there have been equally numerous failures. Lessons should be drawn from both.

#### 2.4.2. A brief overview of LED strategy in Russia

##### 2.4.2.1. General description of Russia

According to the World Fact Book (2014: online) Russia is the world's biggest country with its vast territory that occupies the East of Europe and the North of Asia.

##### 2.4.2.2. LED in Russia

According to Shleifer and Treisman (2010: online) the most important feature of Russia's economic and political progress in the last few years has been the return of focus on long-term challenges. During the first post-communist decade this theme disappeared completely from the economic and political agenda, as priority was given to overcoming the crisis and creating basic state institutions, which Russia had almost completely lost during the period following disintegration of the Soviet Union (Union of

Soviet Socialist Republics). However the return of political and economic stability has made the issue of economic strategy relevant once more. In 1999 Vladimir Putin reinstated solution of long-term socio-economic problems as a national priority for the first time in post-communist Russia when, as Chairman of Government, he highlighted the need to devise an economic development strategy for a 10 year period. Prepared by the summer of 2000, the strategy laid the basis of the Russian government's program in following years and remains a reference point of government policy planning. According to Shleifer and Treisman (2010: online) the Russian President formulated some key long-term goals and targets, which became the basis for plans and actions by the executive branch of power. The targets included: doubling of GDP in a decade, regional economic development and modernisation of the armed forces. Under economic development the focus of the government is on five pillars and they are as follows:

- Alleviating poverty
- Enhancing education
- Promoting gender equality and empowering women
- Ensuring environmental sustainability and
- Developing a global partnership for development.

Based on these targets according to the United States Agency for International Development (2010: online) the Russian government also went into partnerships with external stakeholders so as to enhance its LED in the country's poorest areas. International City Management Association (ICMA) is one of the stakeholders that assisted LED in Russia. ICMA is the premier local government leadership and management organization. Its mission is to create excellence in local governance by developing and advocating professional management of local government worldwide.

According to ICMA International (2010: online) ICMA conducted City Links LED activities in the Russian Far East (RFE); those RFE efforts concentrated on an overall goal of building more sustainable and self-dependent RFE communities that would be

able to address the chronic economic development needs of their citizens and private sector partners through the following:

- Improved infrastructure.
- Diversification of economic opportunities.
- Developing business incubators to foster investment and grow small businesses.
- Formation of Public Private Partnerships.
- Promotion of tourism.
- Business trainings.

#### 2.4.2.3. Lessons that South Africa can learn from the implementation of LED in Russia

The City Links LED program implemented in RFE, shows that cities can be the engines that drive a country's economic growth, providing an environment in which private-sector jobs can be created and maintained, but they can also become barriers to economic growth and competitiveness if they do not understand the extraordinary tools that lie within their grasp. Improving local economic competitiveness requires the active participation of local governments, which are critical to the expansion and creation of jobs in the private sector. Local governments are the intersection through which most business creation must flow, this regulatory and administrative gateway needs to be supportive and transparent, and local governments need to create an environment conducive to business. In addition, local governments are best positioned to create realistic economic development strategies grounded in the specific strengths of the community, and to mobilise resources for their implementation.

Based on the above the South African Local government must design an economic development continuum wherein municipalities serve as the nexus between jobs and basic services, adequate infrastructure, and financial management, and realize how these basic elements are interdependent and contribute to a local government's ability to create and implement proactive economic development strategies. Once the South African local authorities appreciate this, they will be able to place into context the basic improvements that are needed to be competitive, i.e. improve municipal service delivery and physical infrastructure, create the political will for change, identify business

opportunities, and develop public-private partnerships that foster economic and community growth and create more competitive cities. Furthermore, learning from the RFE LED improvements, South Africa can implement a comprehensive community based economic development strategy that fosters an open, democratic process for public-private cooperation and mobilises all community resources, including land, labour, capita, and technology, to improve the competitiveness of the community in the global market. The idea of the approach is to recognise that economic development programs involve many sectors, such as housing, education, labour force development, infrastructure, finance, law, health, civil society, and private sector development and it also allows for the efficient use of resources in a way that benefits business and citizens.

#### 2.4.3. A brief overview of LED strategy in India

##### 2.4.3.1. General description of India

According to the World Fact-book (2014: online) India is a country located in Southern Asia, bordering the Arabian Sea and the Bay of Bengal, between Burma and Pakistan. It is a federal state with a parliamentary form of government.

##### 2.4.3.2. LED practice in India

According to Commonwealth Local Government Forum (2015: online) there is a large number of local government LED development projects underway across Southern Asia. The following are existing projects and initiatives in India:

- Women's and Girl's empowerment

Bibipur village in Haryana has a gram Panchayat that has initiated a range of initiatives to strengthen the role of women over the past three years. In 2014, Bibipur village announced the women gram sabha would decide the use of 50% of the funds it gets from the government for development works locally. The village has won awards for empowering the women's gram sabha, as well as for earlier launching an effective save the girl child campaign.

- Gram Panchayats' e-Panchayat Initiatives

According to Commonwealth Local Government Forum (2015: online) The government of India has initiated a program to digitise local Panchayats across the country, through the Digital Panchayat e-platform and with the support of the Digital Empowerment Foundation (DEF) together with the National Internet Exchange of India (NIXI). The goal is for each Panchayat to have a website that improves the functioning of the Panchayats and their service delivery, as well as to provide information about the Panchayat and services. The aim is also to strengthen and empower local communities as regards local government governance and transparency. An important side effect of the e-Panchayat initiative is that it raises awareness of the Internet among Panchayat members, in turn enabling access to information that members may not have been able to access previously. What each of these pioneering village Panchayats have in common, are leaders that are educated and relatively young.

- Cooperative

According to Bello (2010: online) the National Policy on Cooperatives emphasises the role that cooperatives can play in local economic development. There are cooperatives for agriculture credit, farm inputs, agriculture produce (sugar, wheat, milk, and oil), warehouse, fisheries, rubber and spices. The cooperatives have been successful in driving economic development at the grassroots level. India's 100,000 dairy cooperatives, for instance, collect 16.5 million liters of milk from 12 million farmer members every day, making a significant contribution to India's food supply. However, farmer cooperatives have yet to reach their full potential as they address their requirements for financing and technical support.

- National Agricultural Innovation project

This project aims to enable accelerated and sustainable transformation of Indian agriculture by public organisations in partnership with farmers, the private sector and other stakeholders so that it can support poverty alleviation and income generation through collaborative development and application of agricultural innovations. The

project focuses on the management of change in the agricultural research system, research on production to consumption systems, research on sustainable rural livelihood security, and basic and strategic research in frontier areas of agricultural science (Richard and Sverriccon, 2012: online).

- Scheme of Rural Tourism

Richard and Sverriccon (2012: online) highlight that various stakeholders, including enterprises, are exploring the role of tourism in benefitting local communities and there is a role for the local governments to enable tourism-led economic development. There are prospects to improve the impact of tourism on local communities through training and employment generation. The Ministry of Tourism in India has introduced a scheme for rural tourism, which plans to promote village tourism as the primary tourism product. The implementation is planned to be done through a Convergence Committee headed by the District Collector to carry out assisted activities like improving the environment, hygiene and infrastructure.

- Samvardhan by support program for Urban Reforms for Bihar (SPUR Bihar)

According to the Commonwealth Local Government Forum (2015: online) Samvardhan is a six-year partnership program (2010-2016) that aims to spur economic growth and poverty alleviation through the states urban centres. It plans to catalyse the Urban Local Bodies (ULBs) by building their capacities and enabling them to attract private investment to raise revenues and improve their services. Samvardhan provides financial, technical and managerial support to the ULBs and related departments of the State. The LED thematic area under this program will identify the economic growth potentials of the ULBs for inclusive urban development and promote and guide growth of the pro-poor business sector and informal economy.

#### 2.4.3.3. Lessons that South Africa can learn from the implementation of LED in India

As highlighted above, India has based most of its LED initiatives on developing the farming sector and forming Private Public Partnerships (PPP) to build skills in core

sectors like automobile manufacture, agriculture, healthcare, civil engineering, construction and real estate, among others. This approach provides South Africa with a main lesson that LED initiatives cannot always be sustainable without the government subsidising them through the development of partnerships with the private sector.

According to National Treasury (2007: online) “PPPs are long-term contracts between the public and private sector”. The main objective of PPPs all over the world is to ensure the delivery of well-maintained, cost-effective public infrastructure or services, by leveraging private sector expertise and transferring risk to the private sector. In traditional procurement of public services or infrastructure, government pays for capital and operating costs and carries the risks associated with cost overruns and late delivery. While the expertise and experience of a private company may be procured for the design and construction of infrastructure, once the asset is delivered the private company is paid and then leaves. The public sector is then responsible for staffing, maintenance, and operation.

In PPP procurement on the other hand, the public sector buys sets of services, including infrastructure and other services, from the private sector. It pays for these over the term of the PPP agreement, based on successful delivery. The private sector typically puts its own capital at risk, funding its investment in the project with debt and shareholder equity. Because of the financial risk the private sector takes, it is motivated to provide a high level of service, as good returns on equity will depend on the quality of services it delivers (National Treasury, 2007: online).

In South Africa, the Middle East and North Africa, and the Sub-Saharan Africa, the PPP projects still lag largely. Shediak and Abouchakra (2012: online) explain that this is because these countries have traditionally lacked the right political and economic environment for PPP investments. However, since in South Africa the regulatory systems are reformed and the economy is opened, PPP investment is expected to increase in number and value, and in this regard the South African government must take advantage of this improvement to sustain its economic development, more especially in the local level. Although PPPs can free up government resources for other

public priorities, they will not necessarily influence the economy without the right blend of factors. The number of value and type of PPPs combined with supportive policies, power economic growth. The more PPP projects launched in a nation, the higher the rate of GDP growth. This is because such projects tend to be large undertakings that bring capital into the market while creating long-term employment. Job growth drives more consumption, generating more wealth and fueling a stronger economy. Private investment of this nature also attracts other private investors to the market, creating a sustainable model for economic growth. High value projects inject more financial resources and investment into the economy. As PPPs introduce additional financial resources into the economy, government expenditures decrease. In response, public resources that previously would have been used for infrastructure needs are channeled into more socio-economically productive sectors, such as education and health (Shediac & Abouchakra, 2012: online).

#### 2.4.4. A brief overview of LED strategy in China

##### 2.4.4.1. General description of China

According to World Fact-book (2014: online) China is situated in Eastern Asia on the western shore of the Pacific Ocean.

##### 2.4.4.2. LED in China

According to Europe China Research and Advice Network (ECRAN) (2010: online) in 2011, the Europe China Research and Advice Network (ECRAN) with the assistance of the European Union developed a policy brief document named the Chinese Five Year Program (2011-2015) and Europe 2020. The Chinese Five Year Program is a detailed and comprehensive document; it is approved by the National People's Congress and has the full authority of the Chinese Communist Party behind it. The background of this policy brief reflects the differing economic, social and political systems that produced them, and the ways in which they articulate their divergent economic challenges. Both see the immediate short-term period as crucial for attaining economic transformation and steady and sustainable economic growth. But Europe 2020 takes longer (10 years)

and a more wide-angled view, while the Chinese Program is more detailed and comprehensive.

As this section focuses on the LED program in China, it recognises that there is no specific LED policy in China that can be strictly overviewed; however the policy brief document provides an understanding of the country's economic development focus and direction. In this regard, based on China's economic development elements, this section will identify the policy brief and also bearing in mind the LED definition discussed on the earlier chapter, the chapter will base its LED analysis on the economic development progress made from 2011 to the current year, and its benefits on the Chinese society. According to ECRAN (2010: online) the following elements are the main focus of the Chinese government economic development strategy:

- Social development
- Services industry
- Governance and
- International aspects

In order for the Chinese 5 year program for economic development to reach ground levels of the government so as to benefit the Chinese communities (same as LED), the government came up with two regional development strategies: the Western development strategy and the Central development strategy. Western development strategy is China's first comprehensive development plan to boost the economies of western provinces and the Central development strategy is a development strategy to coordinate growth in six central provinces. To achieve the broad goals outlined in the strategies, the Chinese government implemented strategic programs, developed industry specific plans, created industry specific catalogues of preferred technologies, and announced new incentives to attract investment to the central and western regions. Though both plans have limitations, they provide important guidance and specific incentives for foreign companies looking to expand in China and gain access to

potential customers in untapped regions (China's Report on Sustainable Development, 2012: online).

According ECRAN (2010: online) the aim of the Western development strategy is to call for the central government to invest in infrastructure development and natural resource exploitation, and set market liberalisation policies to create regional economic development centers. As discussed earlier in the chapter; globalisation has an impact on the country's policies, and because of this the central government of China began to call for a new round of regional development in 2008 because of the damaging effects of the global recession. The purpose was not only to support ongoing efforts to build basic infrastructure, but also to call attention to the broad industries the central government wanted to prioritise for development. The government added new energy, equipment manufacturing, new materials, biotechnology, pharmaceuticals, aerospace and defense, and information technology to the list of encouraged industries. These additions joined traditional sectors that had previously dominated economic activity in the Western region, such as petrochemicals, energy and minerals processing. Furthermore; the Chinese State Council released the Rise of Central China strategy

The Rise of Central China strategy has a few characteristics that set it apart from the Western development strategy. Notably, Central China development policies seek to exploit the region's agricultural advantages and develop industries such as agricultural machinery, food processing, logistics, and petrochemicals. The strategy has already shown some positive results; impressive economic growth in the central region appears to be generating domestic demand. However, companies have expressed doubts about the business-operating environment in central China. Many complain about the region's poor infrastructure and fragmented logistics networks relative to the coast. Higher transport costs and relative isolation from supply chains may outweigh the benefits of tax breaks and other financial incentives available to foreign invested enterprises that relocate to central China (China Business Review, 2015: online).

#### 2.4.4.3. Lesson for South Africa in China

Based on the China's 5-year program and the Western and Central strategies for regional development in China, it becomes clear that China is looking to diversify and upgrade its industry in terms of value chain and modernise its economy. Through learning from China, South Africa can exploit the opportunities at hand now for agricultural modernisation, to generate a widespread growth dynamic with supply chains and economic linkages that integrate the national and regional economies and joins up with global markets. Small farmers, men and women, can take on the character of entrepreneurs in modernising this sector and generating incomes. Furthermore, the South African government can adopt the dynamic capacity development approach to enterprise development, starting with current strengths/advantages, with ongoing adaptation and interaction between the state and enterprises to promote fast learning and capacity building in both the public and private sectors (KPMG, 2011: online).

The South African government can further support the emergence of a creative middle class through upward mobility and attracting expatriate talent to return home in the context of national economic project for economic transformation, to provide the entrepreneurial skills and the well-educated human resources needed to manage a more complex, more organised economy that engages in regional and global markets.

#### 2.5. Conclusion

The multilateral involvement of South Africa in the international system in terms of trade and investment and the rate of globalisation in terms of integrating countries together and giving them a platform to learn from one another in terms of the policy practices for economic development, has helped South Africa boost its economic growth post 1994. According to Owens and Smith (2010: 31) the LED experiences in South Africa made a contribution to the debates in the international arena on how a state can recover from colonialism or a trembling economy caused by a political instability. Globalisation has provided a realisation that LEDs are a reflection of the globalised forces of local and international realities- the large metropolis will attract investments, but the smaller localities will either receive smaller investments, or not be visible at all. Therefore, larger

and particularly smaller municipalities do require support in terms of knowledge, skills and being able to integrate their resources to create the enabling environment for entrepreneurs, micro-enterprises and livelihood support.

Furthermore, membership of South Africa on the BRIC has undoubtedly raised global awareness of the potential of the BRICS grouping and the African continent to build a mutually and highly beneficial partnership for development, integration and industrialization. In this regard, with the BRIC LED overview made on this chapter, it's important to highlight that South Africa can learn a lot on economic development strategies from its members, by understanding that there is no one best LED strategy to be implemented by all countries, and LED strategies cannot be adopted, however countries can learn from one another's mistakes, challenges and success stories, and try to enhance their strategies based on the turnouts of other countries' experiences. In this regard the concluding comments below retrieved from the overview can assist South Africa to learn from the LED experiences of the BRIC.

- Brazil

Economic inequalities endure in what are much divided cities, where the poorest communities are still poorly served despite sustained economic growth. Today, rising urban land prices prevent action to improve infrastructure and services. On the plus side are the social innovations that some of Brazil's cities have pioneered in recent decades.

- Russia

With the intent to improve regional economic development Russia highlights the importance of how and where urbanisation happens. While early urbanisation sparked economic growth, the Soviet Union's break up left Russia with poorly located cities that lack the infrastructure and economic capital to compete in the global economy. About 40 per cent of Russia's cities are based on a single industry, and a single employer dominates in about a third of these cities. Russia faces hard decisions about whether the difficulties faced by flagging cities are inherent in their location, or reflect inappropriate governance systems or land use patterns that it can reshape.

- India

India's ambivalence is a threat to its economic success, particularly for poor people who find it increasingly difficult to secure a place in India's cities. But India is in the earliest stage of its urban transition, and will hopefully learn from the experiences of the BRICS countries. In particular, urban development could play a stronger role in alleviating rural poverty if society accepted and promoted the accommodation of migrants in successful urban areas.

- China

China's overview highlights the importance of taking urbanisation seriously in development strategies. Its radical shift from anti-urban policies to aggressive pursuit of urban growth in selected areas dramatically emphasises that urbanisation can boost economic growth and reduce poverty. Yet planners must take account of the environment and social equality too. On the social side, China must address the limited rights of the third of urban dwellers who do not have permanent residence permits for the cities they live in.

Despite the very different characters of the BRICS countries, their experiences combine the immense importance of finding efficient and equitable ways of accommodation of regional and local economic development, through concepts such as urbanisation and industrialisation. Several of the BRICS countries still bear heavy burdens from past failures to accommodate urban growth equitably efficiently. Their histories highlight the need for pro-active planning.

## **CHAPTER 3: Reviewing the legislative frameworks that facilitate the implementation of LED in South Africa**

### 3.1. Introduction

According to Fukuyama (2013: 4) governance refers to “the establishment of policies, and continuous monitoring of their proper implementation by the members of the governing body of an organisation; it includes the mechanisms required to balance the powers of the members (with the associated accountability), and their primary duty of enhancing the prosperity and viability of the organisation”. In this context, the process of implementation and monitoring of the performance of policies can't be effective without sound legislative frameworks that facilitate that process. This chapter aims to unpack the legislative frameworks that mandated LED in South Africa, so as to examine the importance of LED and why it was made mandatory to all Local municipalities. Furthermore, as stated in the South African Constitution, Act, No 108 of 1996 (1996: Chap 7), “one of the objectives of Local Government is to promote social and economic development”. In this regard the Chapter also aims to analyse the powers and roles of Local Government by providing a thorough understanding of how public policies are designed in South Africa, the process of accountability in the policy cycle and the forecasting of policy risk factors during the implementation stage.

According to the National Framework for Local Economic Development (2006-2011: online) “the evolution of LED policy in post 1994 South Africa is closely associated with the transition to developmental local government”. As early as 1995 the country had constitutional debates on the role of Local Government, and a far more proactive role was given to Municipalities for economic development initiatives. The declaration of Local Government as a sphere of government reflects the importance that was attached to local state actors during that early period. The final version of the Constitution itself declared that a fundamental objective of Local Government was to promote social and economic development in localities.

The Constitution expressed this declaration in Chapter 3 and 7. The South African Constitution, Act, No. 108 of 1996 (1996: Chap 3) facilitates Co-operative Governance

and Intergovernmental Relations through constituting the government into National, Provincial, and Local spheres. It describes these spheres as distinctive, interdependent and interrelated. Intergovernmental Relations is intended to promote and facilitate co-operative decision-making and make sure that policies and activities across all spheres encourage service delivery and meet the needs of the citizens in an effective way. The three spheres of government are guided by the Intergovernmental Relations Act, No. 13 of 2005 (2005: Section 1) in terms of implementing sound policy and legislation, establishing Intergovernmental structures, settling disputes and monitoring and reporting to parliament. According to Williams and Sayeed (2011: 14), although each sphere of government has different roles and responsibilities. The Constitution does recognise that the spheres cannot work independently of each other. The three spheres of government are therefore obliged to co-operate, negotiate and find ways of agreeing on administrative, political and financial issues. This co-operation must take place in mutual trust and good faith.

Based on the autonomous powers vested in every sphere of government, the South African Constitution, Act, No. 108 of 1996 (1996: Chapter 7) highlights that the local sphere of government consists of Municipalities, which must be established for the whole of the territory of the Republic. It further highlights that the executive and legislative authority of a Municipality has the right to govern on its own initiative, the Local Government affairs of its community, subject to National and Provincial legislation as provided in Chapter 3 of the Constitution. The Municipality has the duty to structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

According to White Paper on Local Government (WPLG), 1998 (1998: Section B), in order to perform this duty, the Municipality is mandated to draft an Integrated Development Plan (IDP) every five years. This plan is a draft that outlines the Municipality's budgetary plans for service delivery, infrastructure and LED initiative programs. Every Municipality has to draw up an IDP; it aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life

for all the people living in an area. It takes into account the existing conditions and problems and resources available for development. The plan looks at the economic and social development for the area as a whole. It sets out a framework for how land should be used, what infrastructure and services are needed and how the environment should be protected. In order for the Municipalities to co-operate through Local Government with the National and Provincial sphere, the OECD (2013: 154) states that the Municipalities must contextualise the National Spatial Development Perspective (NSDP) and the Provincial Growth Development Strategies (PGDS) and align them with their IDPs in order for regional and spatially aligned planning to have meaning. Daniel and Donogue (2014: 176) describe the PGDS as “a regional planning tool for three spheres of government which was launched by the Presidency in 2005 to promote informed economic investment profiling to guide regional growth and development planning within a socio economic framework in South Africa”. According to Daniel and Donogue (2012: 176) the primary purpose of the PGDS is to provide a collaborative framework to drive implementation within a province. It is not a provincial government plan, but a development framework for the province as a whole. When the Municipalities draft their IDPs the PGDS provides them with a thorough understanding of their Provincial endowments and assets, development potential and constraints, along with the forces shaping these and their shaping over time. On the other hand, Tewder-Jones (2012: 50) describes the NSDP as a regional economic planning tool for the three spheres of government that were launched by the Presidency in 2003 and further amended in 2006 to promote informed economic profiling to guide regional growth and development planning within a socio-economic framework. According to Tewder-Jones (2012: 50-51) the 2003 NSDP was meant to encourage interaction and coordination between departments and spheres of government. It provided the methodological tools and principles to make government decisions on infrastructure investment and development spending more focused. The further amendments of 2006 NSDP demonstrate the urgency as to the kind of economy required in South Africa in order to achieve the objective of a better life for all. The perspective identifies key localities throughout the Country whose growth and development performance are crucial to the attainment of the national objectives. The 2006 NSDP also represents a major achievement in

intergovernmental collaboration, being the outcome of intense engagements between national government and provincial and municipal structures.

This section aims to provide a thorough understanding that in order for the IDP to be effective in executing the stipulated service delivery plans, it is important for the Municipality to draft it in co-operation and alignment of the National and Provincial sphere. This section provides as much focus on the IDP as it is the document that entails the LED plans. The Municipality drafts its LED strategy based on its IDP plans; this is so as to have a clear understanding of its budgetary allocation in order to be able to identify available resources, capacity, and budget for their LED project to be successful. When the municipality aligns their IDP with the NSDP and PGDS, they are able to produce IDPs that are methodologically principled for making decisions on infrastructure investment and development spending that is more rational and focused, so as to produce LED programs that respond to the challenges of economic growth and inclusion (Cole & Lucas, 2013: 7).

### 3.2. The role of Local Government in promoting social and economic development

White Paper on Local Government (1998: online) puts forward a vision of “Developmental Local Government” that centers on working with local communities to find sustainable ways to meet their needs and improve the quality of their lives. It establishes the following characteristics of Developmental Local Government:

- Exercising Municipal powers and functions in a manner that maximises their impact on social development and economic growth;
- Playing an integrating and coordinating role to ensure alignment between public and private investment within the Municipal area;
- Democratising development; and
- Building social capital through providing community leadership and vision.

The White Paper on Local Government provides approaches to assist Municipalities in becoming more developmental, such as Integrated IDP and budgeting, performance management and working together with the local citizens and partners. It is thus apparent that under the post-apartheid South African Constitution, Local Government has a new expanded role to play.

According to Haque (2011: 154), in addition to providing many of the traditional municipal services- such as ensuring water provision and refuse collection, local authorities must now lead, manage, and plan for development. Their task together with national and provincial government is to eradicate poverty, boost Local Economic Development and create jobs. Local authorities are expected to provide clear and accountable leadership, management, budgeting, and direction in such areas as participation of the community in its own government; communication and cooperation between community and government; integrated development and management of the municipal areas; provision of infrastructure, household, and community services; land-use regulation and planning; housing and township establishment, local economic development; environment and health care; and local safety and security. Local authorities are further expected by their constituents to address these responsibilities to the greatest extent within the constraints of available resources and abilities. Furthermore, Haque (2011: 160) states that planning and management for development must also combine and integrate all-important aspects of development: social, economic, ethical, infrastructural, and spatial. To achieve all of this, local authorities must mobilise the participation, commitment, and energies of residents and stakeholders by establishing participatory processes that are constructive and effective. Competing claims on the limited available resources might lead to conflict; and local authorities will have to provide direction and leadership, ensure fairness, and build agreement and consensus around common shared goals. This is elaborated upon in the Municipal Systems Act, No. 32 of 2000 (2000: Section 2) in that it describes an Integrated Development Plan as a single inclusive and strategic plan for the development of a Municipality that links, integrates, and coordinates plans for the development of the Municipality, aligns the resources and capacity of the Municipality

with the implementation of the plan, and constitutes the policy framework and general basis on which annual budgets must be based.

Added to the above, according to the White Paper on Local Government, 1998 (1998: Section 5), municipalities are encouraged to facilitate Local Economic Development (LED); it is acknowledged that Local Government can play an important role with respect to promoting job creation and boosting the local economy. This can be achieved by providing cost-effective services and establishing a sound infrastructure, reviewing existing policies and procedures to ensure that they promote LED, and providing special economic services, such as investment support and small business support and targeting assistance to particular sectors in the local economy with the potential to expand.

Local Economic Development needs to take place within the context of increasing global competition between cities for limited investment. Local Governments are thus under tremendous pressure to exploit their natural resources and other competitive advantages to attract both domestic and foreign investors. LED plans should be formulated within the parameters of National and Provincial policies, and could include infrastructure investment objectives, job creation through community public works programs, a framework for public-private partnerships, and special planning to integrate various communities.

### 3.3. Legislative frameworks that mandated LED in South Africa

#### 3.3.1 White Paper on Local Government (1998)

According to the Constitution of the Republic of South Africa Act, 108 of 1996 (1996: Chapter 3) one of the mandated objectives of the Local Government is to provide democratic and accountable government for local communities and to promote social and economic development. In support of this mandate the White Paper on Local Government, 1998 (1998: Section 6) gave provision to the notion of 'Developmental Local Government', this concept gave the municipalities the central responsibility to work together with local communities to find sustainable ways to meet their needs and

improve the quality of their lives. This concept put forward the implementation of Local Economic Development Strategy; the aim of the implementation of this strategy was to provide municipalities with tools to review existing policies and procedures so as to create programs that can enhance employment and investment and also to give provision of special economic services.

According to Eeden (2012: online), the White Paper on Local Government provided clarity on the broader policy framework surrounding the 'developmental role of Municipalities'. The White Paper put forward four inter-related characteristics of Developmental Local Government: maximising social development and economic growth, integrating and co-coordinating, democratising development, and leading and learning. It provides a framework within which Municipalities must develop their own strategies for promoting social and economic development of communities. Developmental outcomes of the Local Government identified in the White Paper include "the provision of household infrastructure and services; creation of livable, integrated cities, towns and rural areas; local economic development and community empowerment and redistribution (White Paper on Local Government, 1998: Section 6). The Municipal Systems Act, No. 32 of 2000 (2000: Section 5) and the Municipal Planning and Performance Management Act, No. 22605 of 2001. Regulation (796) (2001: Chap 2) provide a comprehensive basis for the emerging system of IDP proposed in the White Paper. According to Eeden (2012: online) as part of compliance with the above legislation, Municipalities drew up Local Economic Development strategies and some established dedicated LED offices within their departments.

### 3.3.2. Local Government Municipal Systems Act (2000)

According to South African Local Government Association (SALGA) (2011: online) "The Municipal Systems Act is part of a series of legislation which aims to empower Local Government to fulfill its Constitutional objectives". As discussed above in 1998 the government issued a Local Government White Paper, which outlined a Policy Framework for Local Government. Later that year government passed the Municipal Demarcation Act, which enabled the re-demarcation of Municipal boundaries; and the

Municipal Structures Act, which defined the structures of Local Government. According to Government Gazette (2010: online), the Municipal Systems Act complements these pieces of legislation, by regulating key municipal organisational, planning, participatory and service delivery systems. The Gazette further highlights that the National Government has also prepared the Municipal Financial Management Act, which regulates municipal financial matters. Together, these pieces of legislation provide a framework for a democratic, accountable and Developmental Local Government system as envisaged by the Constitution.

The Municipal Systems Act defines the legal nature of municipalities as part of a system of Co-operative Government. It also clarifies the rights and duties of the Municipal Council, local communities, and the Municipal Administration. The Act further defines a municipality as the structure, political office bearers and administration of the municipality; a geographic area; and the community of the municipality. In other words, a municipality consists of a municipal institution (political and administrative structures), and the people who live in the local area (Local Government Municipal Systems Act, No. 32 of 2000: Section 1). The Municipal Structures Act recognises that for every development strategy that the municipality creates and implements, protocol must be followed. This does not only mean internal protocol but also external protocol. As according to the Municipal Structures Act, No. 32 of 2000 (2000: Chapter 7) the municipal administration must ensure that all the developmental strategies are responsive to the needs of the local community; before developing a service delivery developmental strategy, a need within the community must be identified and clear channels of communication within the community must be open. The Act further highlights that informing the local community about the services that they are entitled to receive, and how the municipality is managed, spend its money, and who is in charge, is very important.

When relating the above duties of the Municipal Administration to the Local Economic Development strategy with the municipality; the Municipal System Act seeks to prohibit non-beneficial strategies in the municipalities, where strategies are implemented but the ordinary members of the communities are not aware of them, because of non-public

consultation and participation. The Act seeks to avoid situations where young entrepreneurs are not aware of Local Economic Programs that are facilitated by municipalities to empower or invest in local businesses.

The Municipal Systems Act, No. 32 of 2000 (2000: Chap 2) says that municipalities must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. Municipalities are the sphere of government closest to the people. They have powers and duties that directly affect the development of local areas and the daily lives of local residents. Formal systems of governance (such as elections) ensure that Municipal Councils are representative of the local community. However, the local community should not only participate in the governance of their local area once every five years when they vote for a new Municipal Council, rather, local communities should be actively involved in shaping their living environment through participating in municipal processes.

The Public Participation Framework, 2013 (2013: Section 9), states that community participation deepens democracy by giving local citizens a direct say in a range of decisions and processes which affect them, for example, municipal planning and budgeting. Community participation also strengthens the relationship between Municipal Councils and community groups, and enhances the accountability of Municipal Councils to local citizens. Municipalities must therefore encourage, and create conditions for, the local community to participate in the affairs of the municipality, including:

- The preparation, implementation and review of the Municipal IDP.
- The establishment, implementation and review of the Municipal Performance Management System.
- The monitoring and review of municipal performance, including outcomes and impact.
- The preparation of municipal budget and strategic decisions relating to the provision of municipal services.

### 3.3.3 National Framework for Local Economic Development in South Africa (2006-2011)

Rogerson (2011: 162) point out that the National Framework for Local Economic Development in South Africa seeks to build a shared understanding of good LED practices and motivate more effective implementation. The framework is the product of intense dialogue and deliberations amongst several government departments and spheres. It seeks to create conditions under which the local economy can grow. The framework that indicates that there's a need for sustainable community investment programs where municipalities have a responsibility to ensure that available opportunities, are properly utilised at local level. The National Framework for LED in South Africa has been developed as a guide that seeks to advance an understanding of LED and has put forward a strategic implementation approach that municipalities, provinces, national government, state-owned enterprises and communities may concentrate on in order to improve LED (National Framework for Local Economic Development in South Africa, 2006-2011: Chapter 1). According to the Act, the implementation of LED should be based on the concept of 'New Institutionalism'; this is a concept that has developed simultaneously in both economic and social theory. Rogerson (2011: 347) highlights that the New Institutionalism breaks down the distinction between economy and society, showing how economic decision-making and action is shaped by the shared values, norms, beliefs, meanings, and rules and procedures, of the formal and informal institutions of society. The normative agenda of the New Institutionalism is to develop shared meaning and values, and to strengthen the networks of social interaction. This has also been variously described as building social capital, or developing social cohesion. Rogerson (2011: 171-172) states that partly due to the influence of the New Institutionalism, contemporary ideas in the study of local economies and the practice of LED include:

- The role of the locality within multiple, complex networks that may extend right up to the global scale.
- The role of institutions in supporting economic development and the importance of strengthening these institutions.

- Both the hard infrastructure provided by new technologies and the soft infrastructure of social networks and interaction.
- The mix between co-operation and competition that is required to support development; the importance of knowledge transfer and innovation.
- And, the need for sustainable and inclusive patterns of growth.

Based on the above mentioned, the National Framework for Local Economic Development in South Africa is therefore governed by the following principles:

- Through a developmental approach, government has a decisive and unapologetic role to play in shaping the economic destiny of the country.
- Creating an environment in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities is the responsibility of Local Government.
- Local Economic Development is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programs in local spaces.
- Inward investment from the state or private sector will only be effective where the potential and competitive advantages of each area are known and exploited.
- Promoting robust and inclusive local economies requires the concerted, coordinated action of all spheres and sectors of government.
- Locally owned appropriate solutions and strategies must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements.
- Private companies, including social enterprises and cooperatives, form the heart of the economy and have a crucial role to play as partnerships with public and community role players that will ultimately stimulate robust and inclusive local economies.

- People are the single greatest resource and including all citizens in development and increasing their skills leads to increased opportunities for stimulating local economies, and
- Local initiative, energy, creativity, assertive leadership and skills will ultimately unlock the latent potential in local economies and will shape local spaces.

### 3.4. Analysing the implementation of Local Economic Development strategy as mandated by the public policy framework

#### 3.4.1. Conceptualising public policy and providing its historical background

Cloete and Coning (2011: 17) defines public policy as the “authoritative allocation through the political process of values to groups or individuals in the society”. Policy specifies the basic principles to be pursued in attaining specific goals. It interprets the values of society and is usually embodied in the management of pertinent projects and programs. Cloete and Coning (2011: 17) further outline that the policy process has several phases. These include initiation, design, analysis, formulation, dialogue and advocacy, implementation and evaluation. When looking at the origins of public policy, Gumede (2014: 7-8) regards the legal code of ‘Hammurabi’ in the 21<sup>st</sup> century as the first systematic written text of how a ruler interpreted the socio-economic issues of his citizens in Babylonian society and how he intended dealing with his subjects in this regard. This was followed by the more recent classic Greek texts of Aristotle (384 BC) and Plato (427 BC), Confucius in China (551 BC) and Kautilya in India (300BC). The legal and political scholarly writings of the successive rulers of the Roman Empire followed, with the strategic spikes of policy change in the Magna Carta in 1215 in Britain and Macchiavelli's (1469) policy advisories to his prince. The next policy spikes were in a form of peace treaty of Westphalia in 1648 that led to the consolidation of nation states, and eventually Montesquieu's treatise on the restructuring and democratising of government along the lines of the trias politica, the policy tenets of liberty, equality and fraternity of the French revolution in 1789, culminating in the pre-modern policy text of American Constitution of 1779 (Gumede, 2014: 9).

By the 1800s, the modern roots of “democratic” government had been consolidated in many countries, and the practice of developing a systematic response to perceived problems in society and developing plans of action to deal with those problems had become normal democratic government practice, although the procedures of democratic decision making developed differently in Britain, continental Europe and the United States. These different parallel practices of democratic policy management prevailed for about 170 years, until the end of World War II in 1945 (Cloete & Coning, 2011: 33).

Chirwa and Nijzink (2012: 233) provides an understanding that the concept of “the policy sciences” was created by a theorist named Harold Lasswell in 1951, who, together with his collaborator learner, reconceptualised the intellectual tools needed to support problem-oriented, contextual, and multidisciplinary and explicitly normative enquiries to promote equitable development. This new development was a direct response to the horrors of World War II, in order to avoid future repetition of these tragedies. Chirwa and Nijzink (2012: 235) further highlight that the main concepts of the policy sciences developed from the design of social-reconstruction programs for Europe and later African and other colonies in the 1950s, to an explicit general evaluation focus of those programs during the 1960s. There were then further too specific cost-benefit assessments and improvement of policy program implementation and termination in the 1970s. By the 1980s, the focus moved to better Watergate democratic ethics and values, with attention graduating to public choice, business process re-engineering and new public management in the 1990s. Currently, the emerging focus is on governance, governing networks, complex systems and technology to improve program outcomes and impacts in the first decade of the 21<sup>st</sup> century.

Cloete and Coning (2011: 14), further highlight that public policy research in the second half of the 20<sup>th</sup> century thus shifted from “sterile academic parlor games” to become problem and solution oriented, focused on the “real world”. It is committed to particular values, “thus avoiding the value neutrality stance that social science ought to be totally objective” and emphasised that the search for solutions to problems should not be lost in “scientific analysis”. Public policy analysis then became more “than simply addressing

big theoretical questions”, but encompassed the difficult task of “clarifying goals, trends, conditions, projections and alternatives” within the social environment.

#### 3.4.1.1. Phases of public policy

Lyla and Tait (2013: 25) state that phases within a policy exist within a policy cycle. The first phase in the policy cycle begins with public awareness of a problem or when office bearers and other interested groups identify an issue and make demands that the issue be addressed. This stage of policy making is referred to as policy formulation. During this stage decisions on what should be done to solve the problem should be made.

Once the problem has been defined it then forms part of the political decision-making agenda. The policy issues at this stage will be introduced to the political stage by different governmental institutions, individuals, interest groups, or specific events. Issues that appear and remain on the policy agenda should either have sufficient scope, where a number of people affected, or its intensity is high or it has been an issue over a long time (Lyla and Tait, 2013: 25). This implies that during the stage of agenda setting, a decision regarding who will deal with the problem- when and in what form- has to be made. Such decisions are guided by a set of rules laid down by the individual political system and by the protagonists in order to come up with a political position.

According to Vanderpool (2014: 57), Various alternatives to address the problem should be assessed, using measures such as costs and benefits to determine the feasibility of the cause of the intended action. In the context of assessment policy, the policy- making process (policy formulation) is essential as it facilitates the understanding on how outcome based assessment as a national policy was conceived as well as comprehending what the costs involved in the implementation of the new policy, including the problems that needed to be addressed.

It could be concluded that the policy formulation process ends with policy creation; that is the laying down of the valuable authoritative assignment in the form of a law; a program or a provision. The law or program is then given to the administrative structures for implementation. The results and effects of these policy and

implementation decisions finally create political reactions of either a positive or negative nature, which in turn, are also implemented politically and which lead to the continuation, change or end of the policy.

#### 3.4.2. Institutional Mechanisms in public policy making and implementation

According to Fukuyama (2013: 20) South Africa's history, like that of many African countries, is dominated by colonialism, racism, apartheid, sexism and many repulsive policies whose legacy remains severe. As a result, in every sphere of the society today, whether economic, social, political or cultural, South Africans are confronted with serious challenges to which public policies must respond. The era of apartheid, its legislation and institutions through which the ideology was implemented, produced and left a legacy of persistent poverty and extreme inequality. So, the society is confronted with massive accumulated disadvantages, particularly for the majority of South Africans, which can only be sustainably addressed collectively.

In this context, as this section focuses on the implementation of LED in South Africa through public policy processes, it is important to provide an understanding of policy making and its institutions in South Africa. Gumede (2014: 25) outlines that one of the key institutions, besides Parliament, is the Policy Co-ordination and Advisory Services State Presidency. It not only deals with policy making and its various components (such as policy analysis, policy coordination and policy advice), but also leads to medium-to long-range planning as well as government-wide monitoring and evaluation. In brief, the Policy Unit provides research, analytical, advisory, policy, project/program and strategic support to the presidency and government as a whole on matters of socio-economic development, justice, governance and international affairs. It comprises five main policy sectors: economic, social, justice, crime prevention and security, international relations, and governance and administration.

The Public Participation Framework, 2013 (2013: Section 7) at the highest level, as in many countries, the National Legislative Authority (NLA) in South Africa is vested in Parliament, which consists of two houses: the National Assembly (NA) and the National Council of Provinces (NCOP). The Constitution describes the NA as a body elected to

represent the people and to ensure government by the people. While its functions include holding the executive accountable, fulfilling the judicial role and those relating to its own activities and considering public petitions from the members of the public, the most important purpose of the NA is to pass legislation (the South African Constitution, 1996: online). In exercising its legislative power, the NA may consider, pass, amend or reject any legislation before it, and/ or initiate or prepare legislation. The NA is required to provide for mechanisms to ensure that all executive organs of state in the National Sphere of government are accountable to it, and to maintain oversight of the exercise of national executive authority, including the implementation of legislation, as well as that of any organ of state. The NA is also required to facilitate public involvement in its legislative and other processes and its committees, conduct its business in an open manner, and hold its sittings committees (Public Participation Framework, 2013: Section 7).

On the other hand, according to Mafilika (2013: online) the NCOP is the second house of Parliament that is constitutionally mandated to ensure that Provincial interests are taken into account in the National Sphere of government. This is done through participation in the National Legislative process and by providing a national forum for consideration of issues affecting provinces. One of the unique roles of the NCOP is the promotion of the principles of Cooperative Government and Intergovernmental Relations. It ensures that the three spheres of government work together in performing their unique functions in terms of the Constitution and that in doing so, they do not infringe on each other's area of competence. This ensures synergy between the spheres on matters of concurrent competence. The NCOP ensures that Provincial interests are taken into account in the National Sphere of government. It carries out this mandate by participating in the National Legislative Processes and providing a national forum for public consideration of issues affecting the provinces. In exercising its legislative power, the NCOP may consider, pass, amend, propose amendment to or reject any legislation before it, and initiate or prepare legislation falling within a functional area. The NCOP is also required by law to facilitate public involvement in its

legislative and other processes and its committees in a regulated manner (the South African Constitution Act, No. 108 of 1996: Chap 4).

Gumede (2014: 31) further highlights that overall; the process of making law is a lengthy one, involving a number of structures. By the time the draft legislation reaches Parliament, where it is tabled as a bill, it will have gone through a specific standard process. This is drafted in the ministry or department dealing with that issue, with the aim of demonstrating the way in which the ministry or department is thinking on a particular policy. The Green Paper is then published, so that anyone who is interested and/or affected can give comments, suggestions and ideas. The Green Paper process is followed by a more refined discussion document, a White Paper, which is a broad statement of government policy. This is drafted by the department or a task team designated by the government minister of that department. Comments may again be invited from interested parties, the parliamentary committees may propose amendments or other proposals, and send the policy paper back to the ministry for further discussion and final decisions. Once approved by the Cabinet, the white Paper is sent to the state law advisers, who assess the legal and technical implications of the draft law. It is then introduced in Parliament as a bill. At that stage the bill must have already gone through public participation processes where organs of civil society, other bodies and the general public are given an opportunity for input during drafting. To ensure public consultation, departments must list the bodies consulted in drawing up the bill in the explanatory memorandum (Gumede, 2014: 33-34).

Steytler (2012: online) states that at Provincial level, the legislative authority of a Province is vested in its Provincial Legislature, and confers power on the Provincial Legislature. A Provincial Legislature is governed only by the Constitution, and the Constitution for its Province (if it has been passed), and must act in accordance with, and within the limits of these Constitutions. In exercising its legislative power, a Provincial Legislature may consider, pass, amend or reject any bill before the legislature, and initiate or prepare legislation. Steytler (2012: online) further points out that a Provincial Legislature must provide for mechanisms to ensure that all Provincial Executive Organs of state in the Province are accountable to it, and maintain oversight

of the exercise of Provincial Executive Authority in the Province, including the implementation of legislation, and any Provincial Organ of State. As in the National Assembly and the NCOP, a Provincial Legislature must ensure public involvement in the legislative and other processes of the legislature and its committee, in a regulated manner.

Steytler (2012: online) further highlights that the Local Sphere of Government consists of Municipalities that have been established around South Africa. The executive and legislative authority of a municipality is in its Municipal Council. A municipality has the right to govern, on its own initiative, the Local Government affairs of its community, subject to National and Provincial Legislation, as provided for in the Constitution. Municipalities have the right to exercise their powers without the National or a Provincial Government compromising or impeding their ability or right to exercise their powers or perform their functions. In addition, municipalities may make and administer bylaws for the effective administration of the matters for which they are responsible. As highlighted on the Public Participation Framework, 2013 (2013: Section 6) at the Local Sphere, public participation forms a cornerstone of the administration processes. There is provision for public participation in all spheres of government and its policymaking processes. However, it is mainly the Local Government Sphere that is a product of a conscious policy and institutional design to ensure accessibility of government to communities and citizens. Among the objects of Local Government section 152 (1) of the Constitution includes providing for a democratic and accountable government for local communities, ensuring the provision of services to communities in a sustainable manner and encouraging the involvement of communities and community organisations in the matters of Local Government. This mechanism is meant to allow the public and citizens to be active participants in the policy-making process as expected of any democracy (Public Participation Framework, 2013: Section 6). The South African policy-making process provides ample room for participation of the public in its various forms. This approach is in accordance with the democratic nature of the government, giving voice and respect to the governed from various sectors, and from all walks of life.

### 3.4.3. Implementing Local Economic Development strategy through an integrated systems model approach

As stated by the National Framework for Local Economic Development in South Africa (2006-2011: Chapter 5), it is essential that the Local Municipalities create conditions under which the local economy can grow. This therefore means that in order for the municipalities to comply successfully with the Framework, they must develop LED strategies that are economically conducive to their unique organisations and locations. According to Marjanovic (2010: 8) “a strategy is effectively an overarching project, which contains a collection of projects”. A strategy should provide a realistic guidance to the effective allocation of municipal resources, be they human, physical, or financial.

Marjanovic (2010: 10) suggests that the better way for a municipality to create and implement a development strategy successfully, is to take the integrated approach. An Integrated Municipal Development strategy brings together all sectors for which local government has a mandate, and all corresponding actors and stakeholders, in a coordinated manner. An integrated strategy combines sector issues in a structured way. Traditionally, municipal departments, for example, for environment, infrastructure, economy, social affairs, etc. tend to work parallel to each other rather than collaborative. According to Marjanovic (2010: 10-11), addressing all issues that a municipal government is dealing with in a single overarching strategy, opens up opportunities for creating synergies, adding value, and innovation through cross-sectoral cooperation. For example, restoring a part of a municipality as a nature protected area might not only improve the environment, but might have recreational value and open up tourism potential, and might be used for youth education programs. Integrated strategic planning is moreover a process that follows a structured system for both the elaboration and delivery of the strategy. Such a system includes standards for public participation, and clear roles and mechanisms for managing and monitoring the strategy.

This section does not only seek to emphasise the importance and benefits of integrating a strategy, but it also highlights the importance of making it systematic. According to Cloete and Coning (2011: 51), a strategy can be systematic through the application of

the systems model. This model is helpful in portraying policy processes on a general and simplistic level and often identifies major subsystems and processes; it focuses on the response by the political system to the demands and needs of interest groups. The systems model can provide perspectives on aspects such as the influence of the environment on political policy and vice versa, the success or ability of the political system to convert demands into public policy, the effectiveness of the feedback process and the extent to which feedback process and information is incorporated in the adoption of existing or new policies. The systems model is made up of four phases: the first phase being the policy or strategy inputs, which cover the demands of the community and resources, and support of the municipality in responding to those demands. The second phase is the policy or strategy decision-making: in this phase the municipal authorities facilitate a conversation with the community concerning the conversion of demands into policy outputs (political sub-process in political system). The third phase is the policy outputs: this is when the municipality publishes policy statements and documents, and the last phase is policy feedback. In this phase the municipal authorities monitor the activities set out in the strategy or policy statement and evaluate reports on the outcome of the strategy (Cloete & Coning, 2011: 52-53).

The two approaches works best when coordinated because the systems approach emphasises the way in which organized systems (human and non-human) respond in an adaptive way to cope with significant changes in their external environment so as to maintain their basic structures intact. Systems theory models of decision-making in human groups and organizations emphasise their interaction with external actors and organisations and concentrate on identifying the particular elements in the environment of the group or organization that significantly affect the outcomes of its decision-making. To understand what an organization did, try to find out what threat or opportunity it was responding to and how its pre-existing response mechanisms worked to do this (Marjanovic, 2010: 21).

Whereas, Cloete and Coning (2011: 40) highlights that integrated approaches, aim to find development paths that consider collaborations and trade-offs among sectors. Such approaches are applicable at different levels. At the global level, Long-term sustainable

development scenarios have consistently shown that approaches based on multiple goals related to the economic, social and environmental dimensions allow for the identification of significant benefits, while highlighting trade-offs that cannot be identified from purely sectoral approaches.

### 3.5. Conclusion

A good regulatory environment is an essential foundation of successful LED strategies and programs, hence the importance of legislative framework for good governance. Successful LED strategies in South Africa depend on well-designed public policies, legislative frameworks, and Co-operative Intergovernmental Relations within the three spheres of government. The South African Constitution mandated the Local government of its role to take reasonable steps, within available resources, to ensure that all South Africans have access to adequate housing, health care, education, food, water and social security, but most importantly to facilitate the implementation of LED strategies and programs by creating an enabling environment that is conducive to attract investment, create employment, promote entrepreneurship and small business, produce quality infrastructure, so as to transform the local economy.

However, the Local Municipality cannot achieve this mandate without sound legislative framework to follow while implementing LED. As earlier discussed, one of the most legislative frameworks that guide the facilitation and implementation of LED in South African is the National Framework for LED in South Africa (2006-2011), which aims to support the development of sustainable local economies through integrated government action. The framework promotes a strategic approach to the development of local economies, it has been developed as a guide that seeks to advance an understanding of LED and has put forward a strategic implementation approach that municipalities, provinces, national government, state-owned enterprises and communities may concentrate on in order to improve LED.

This Chapter further went to emphasise good design of policies and strategies as a tool for successful LED strategies and programs. This is based on the notion that a strategy is not a one size fits all. The chapter recognises that municipalities are unique entities

on their respective jurisdiction and when they draw down their LED strategies, policies and programs aligned with the National frameworks, they must ensure that those strategies are specially designed for the conditions of their areas. This is in terms of the special needs of their local communities so that they are able to prioritise their programs efficiently and effectively in terms of the resources and budget that they have. According to its uniqueness, a municipality needs to decide upon the key programs that will become the core of its LED strategy. Through this decision, considering infrastructure is important both to ensure that an appropriate LED strategy including relevant programs is developed. For example, a community with little land allocated and appropriate for industry to use would do well to focus on ensuring an appropriate supply of serviceable land prior to selecting a program to attract foreign investment. When basic infrastructure is limited, programs that assist the municipality to put in place infrastructure cost-recovery schemes and private infrastructure can be a good starting point. Hence the importance of integrating the systems model of policy making with the design of LED strategies of Municipalities is highlighted as important in this chapter. This is merely because every public policy, development initiative strategies and programs are based on a 'need' of the communities. The municipality must use the systems model of policy making to identify the special need of its surrounding communities to prioritise that on its programs.

According to Valdaliso and Wilson (2015: 78) the systems model is an important tool for the implementation of LED strategies because public policy implementation needs to be connected more to policy design and should involve communication, dialogue and the participation of actors in the territory. Valdaliso and Wilson (2015: 78-79) further point out that policy specialists have a consensus to blurred boundaries between policy-making phases. It is therefore sound not to see design and implementation as separated phases in policy making.

In selecting LED programs, municipalities have a range of both problems and opportunities to tackle, and selectivity and focus, though hard to achieve, are a priority. One of the most effective ways of facilitating job creation is to develop LED programs that improve the local business-enabling environment and support the development of

micro, small and medium sized businesses. Thereafter, the selection will be dependent upon the results of the local economy assessment.

## **CHAPTER 4: Analysing the implementation of LED strategy in South Africa from 2000-2014 for sustainable economic transformation**

### **4.1 Introduction**

Before being implemented in South Africa post 1994, LED had already been in existence in the international system. In the early stages of LED, activities focused strongly on the marketing of locations to external investors, often linked with incentive systems such as tax breaks and/or reduced costs of public services (such as water and electricity) and infrastructure development. In a second phase, attention shifted to endogenous economic potential, striving to support the competitiveness of existing firms, promoting entrepreneurship and business start-ups. This was often done via linkage mechanisms, providing access to finance, skills development, rural development and sectoral development approaches (Country Report on LED in South Africa, 2010: online).

South Africa LED is a post 1994 phenomenon. Under apartheid, South Africa had a distinct regional planning policy regarding settlement patterns with all residential areas underpinned by racial segregation. As a result, the majority of the population was displaced and lived in marginalised townships. Strong central government control, characteristic of most of the 20<sup>th</sup> century, suppressed the emergence of LED initiatives in towns and cities of South Africa and led to the erosion of local autonomy. However, democratisation in 1994 brought a new vision of development and the concept of LED attracted more and more attention in government circles and amongst policy makers, to the point of being an explicit government priority today (Ndletyana, 2014: online). This chapter seeks to evaluate the progress of LED in South Africa from 2000-2014. It puts more emphasis on the implementation of LED policies and programs in Local Government; it tries to find clarity on the challenges faced by local government when implementing these programs. This evaluation is meant to unpack whether LED has been beneficial to the local communities.

#### 4.2 A brief analysis on the implementation of LED post 2000.

According to the Country Report on LED South Africa (2010: online), with the idea of improving the definition and implementation of LED, the national government introduced the implementation of the following LED policies:

##### LED Guidelines to Institutional Arrangements (2000)

- Draft LED Policy (2002)
- Policy Guidelines for implementing LED in South Africa (2005)
- National Framework for Local Economic Development in South Africa (2006-2011) (NFLED)

The LED Guidelines to Institutional Arrangements (2000) and the Draft LED Policy emphasises a more community-oriented approach to LED, stressing that LED should be pro-poor oriented and target previously disadvantaged people and marginalised towns and regions (NFLED, 2006-2011: online). Ideally, municipalities should support local initiatives that encourage local job creation while still responding to changes in the national and global economy. According to Local Government Capacity Program (LGCP) (2012: online), in 1999, the Department of Provincial and Local Government launched the LED Fund (LEDF) as part of government's overall poverty alleviation strategy. The Fund provided support to municipalities of up to R1.5 million for projects that would lead to poverty alleviation and job creation within their localities. Municipalities would apply to the DPLG for funding of projects such as provision of business facilities, promotion of agri-industry, tourism initiatives, and human resource development programs. Unfortunately the Fund ultimately failed to deliver long-term sustainable LED and resulted in a number of small, unsustainable projects scattered around the country. At the time that the fund was administered, there was a general lack of understanding of what LED was and the capacity to implement it, particularly at local government level (LGCP, 2012: online). Furthermore, the fund itself set out a number of conditions to access the funds which were not conducive to sustainable economic

development and provided very little support in terms of strategic guidance, interaction, monitoring and evaluation of the projects. In order for the municipalities to qualify for LED funding, they had to create projects addressing one or several of the following themes:

- Promoting micro-enterprises and cooperatives including start-up, access to funding, business support services, product incubation, low cost serviced premises, coaching, clustering, networking and exchange of experience. Also including actions to develop “pathways to business” for those in the informal economy or subsistence economies.
- Promoting community enterprise and employment-social economy enterprise in small towns, townships, in rural villages, peri-urban areas, local community-based projects for improving the environment, quality of life, and alternative local provision of basic services.
- Promoting the sustainable renovation of villages and conservation of rural heritage, creating a better environment for enterprise and quality of life for local residents.
- Promoting better local links between education and enterprise (better skills to meet needs of the market) e.g. transition from school-to-work programs, firm-to-college lifelong learning programs.
- Improving essential local infrastructure for socio economic development, such as joint local schemes for water quality, waste management, reliable energy supply, access to ICT (and new broadband) for small firms clusters.
- Local employment and training actions for a sustainable, clean and attractive environment and community based socio economic development.
- Local actions promoting traditional and local produce and crafts-product development, marketing, logistics; business development, and

- Promoting new forms of economic activity, enterprises and jobs in townships, inner city and rural villages including environment, energy, culture and heritage, tourism, and social economy.

According to LGCP (2012: online), the offer of financial assistance to municipalities was an incentive to apply for the limited available funding, yet resulted in poorly thought out business plans and in most cases projects were funded without any prior feasibility assessment. Beneficiaries were often not consulted in the process, which resulted in a lack of ownership of the projects. Instead of creating long-term sustainable LED, the approach often resulted in poorly managed projects, dependent on funds to secure a future.

According to Country Report on LED in South Africa (2010: online) a new direction to LED through the DPLG's LED Framework (2006) that no longer encouraged dependency on government for funding, but emphasised that local government is not responsible for creating jobs but should rather invest in providing the overall economic and social conditions conducive to creating employment opportunities, was brought forward. Local Economic Development is therefore about creating a platform and an environment to engage stakeholders in implementing strategies and programs. The Framework emphasises that municipalities have a key role in creating an environment conducive for investment through the provision of infrastructure and quality services; rather than by developing programs and attempting to create jobs directly, the Framework assisted in shaping the current implementations of LED in South Africa.

Beyond this, municipalities should play a connector role in respect of LED drawing upon resources locked in a range of different government support instruments into their localities (NFLED, 2006-2011: online). For example, municipalities are able to draw on the support of the Sector Education and Training Authorities (SETAs) to address skills development in their areas as well as to draw on the support of the DTIs Small Enterprise Development Agency and other agencies at the DTI and national sector departments to assist with the retention and growth of enterprises in their area. NFLED (2006-2011: online) outlines that the focus of the LED Framework is on four areas:

“improving good governance, service delivery, public and market confidence in municipalities; spatial development planning and exploiting the comparative advantage and competitiveness of Districts and Metros; Enterprise support and business infrastructure development; and introducing sustainable community investment programs”. These four areas are an interesting mix of a more competitiveness or market development oriented paradigm. This paradigm is seen as important in developing a globally competitive economy that promotes competitive advantage.

Mahabir (2014: 12) highlights that government investment at a macro level is guided by the principles contained in the National Spatial Development Perspective (NSDP). The “NSDP is a policy advocated by the Presidency which is intended to focus government action and provide a platform for greater alignment and coordination across the three spheres of government which will allow government to make more explicit and rational choices about investment and development spending” (Mahabir, 2014: 16). The NSDP provides an approach that brings about synergy and complementarities in the spatial effects of government action by different spheres and agencies with a view to maximising the social and economic returns on government development spending. Mahabir (2014: 15-16) further outlines that the fundamental aim of the NSDP is to reconfigure apartheid spatial relations and implement spatial priorities in ways that meet the constitutional imperative to provide basic services to all and alleviate poverty and inequality. This means that whilst investment in basic infrastructure and services should occur across the board, when it comes to economic fixed capital formation, limited resources are applied strategically and investment in basic infrastructure and services should occur across the board, when it comes to economic fixed capital formation, limited resources are applied strategically and investment is channeled into areas that will yield the highest impact in terms of economic output, employment creation and poverty reduction.

The DTI’s Regional Industrial Development Strategy of 2006 was developed in line with the principles of the NSDP in order to help close the gap between regions, which partially reflects the first-second-economy division (DTI annual report, 2008/9: online). The strategy focuses fundamentally on addressing the key obstacles to the functioning

of the economy, primarily through infrastructural interventions which will enable all regions to better access markets and resources and to attain the full economic potential. The purpose is to provide a strategy that emphasises the importance of working with the local private sector and existing institutions, programs and initiatives.

According to Kearney (2011: online), through the Accelerated Shared Growth Initiative for South Africa (ASGISA), launched by the Presidency in 2006, government was committed to reducing unemployment and poverty by half in the second decade of democracy. This required an economic growth rate of around 4.5 per cent between 2005 and 2009 and an average rate of about 6 per cent between 2010 and 2014. Kearney (2011: online) further highlights that ASGISA was initiated to promote economic sector development strategies while still focusing on efforts to include the marginalised poor in the broad economy, and to improve services in all three spheres of government in order to halve unemployment by 2014. Kearney (2011: online) further acknowledges that although there is still work to be done at the national level, far greater challenges need to be addressed at the local level. According to the Government Strategic Agenda (GSA) (2011: online), the implementation of LED in South Africa should be aligned with the five national priority goals set out by the South African government's 5 year Local Government Strategic Agenda (2006/2011), which are:

- Effective and functional local government
- Financially sustainable municipalities
- Improved infrastructure and services
- Improved resilience and vibrancy of local economies and
- Strengthen local democracy

LED Policy and guidelines are therefore well documented at national level yet the issue of funding for LED remains a matter that should be addressed. According to LGCP (2012: online) LED is not yet well embedded in municipal practice, which is shown in

many cases by the limited funds allocated to LED by municipalities, and the lack of impact of interventions. Although financial support for LED can be derived from a wide range of sources, a key difficulty is that the municipality or local development agency often lacks adequate, locally available funds and competencies to drive the LED process independently. LGCP (2012: online) further highlights that “the compartmentalisation of economic development and lack of coherence is a significant problem in municipalities”. There are pro-poor statements in the policies of many municipalities, but this is often not translated into significant LED budgets, or the actions of other municipal departments. This impedes the overall scale and impact of council LED policies. In addition, there is an apparent failure to link line function interventions or national government-funded projects explicitly into LED e.g. housing construction and infrastructure. The varying size of LED units, the presence or absence of professional staff and resource differences create a very diverse profile in terms of what exists and also in terms of actual impact.

#### 4.3 Municipal capacity to implement sound LED programs

Reddy (2013: online) views capacity development as the “how” of development, it is about strengthening the capabilities of people and their institutions so that they are able to effectively and efficiently meet their objectives, adapt to change and stay resilient when confronted by external shocks, making institutions work for human development. Capacity development is about processes that drive progress, whether towards longer-term peace, equity or sustainable development. According to Reddy (2013: online) “developing local state capacity is critical to enhancing the delivery of municipal services”. This statement is further supported by the UN Millennium Declaration (2000: online) signed in 2000 by Heads of Government and States internationally, and committed themselves to:

- Fostering democracy and good governance and upholding human values
- Ensuring peace, security and disarmament
- Ensuring poverty eradication and development

- Protecting the environment
- Providing a safety net for the vulnerable and
- Addressing the special needs of Africa

The Constitution of South Africa Act, No. 108 of 1996 (1996: Chapter 6) clearly stipulates that the national and provincial government is required to develop capacity at the local government level. The National Department of Co-operative Governance and Traditional Affairs (COGTA) responsible for local government, does have capacity relative to supervision, support and oversight of municipalities, with the Municipal Infrastructure Support Agency tasked to develop additional capacity if need be. The government has spent a considerable amount of money on capacity development over the past 20 years. However, it would appear that very little of this has translated to increased capacity in local government. The municipal human resources sector is characterised by recruitment practices which are weak, key vacancies and political involvement in appointments and dismissals, limited capacity to attract and retain technical skills and ineffective performance management systems (Peters, 2011: online).

Peters (2011: online) further points out that the lack of formal government evaluation in this regard has made it extremely difficult to assess the situation. On the other hand, government has introduced informal approaches to capacity building, which, in turn, adds to the local government capacity challenge. The spending on Project Consolidate has raised concern as to whether it has impacted positively on municipal institutional capacity development. According to Reddy (2013: online) it is generally accepted that municipalities have major economic, special, social and demographic disparities, which have an impact on them financially. Additional concerns are whether funds were being directed to those municipalities that need them the most. In this context Reddy (2013: online) points out that monitoring of municipal capacity development initiatives is not very effective and seldom evaluated. Furthermore, there is a lack of detailed information on training expenditure, nature of training and staff benefitting from them, and whether

desired outcomes have been achieved relative to applied competence, transfer of skills and return on investment. The following conditions were proposed by the Financial and Fiscal Commission (2014: online) when capacity-related conditional grants were allocated:

- Commitment to capacity and performance improvements, which are verifiable
- Redesigned to focus on the quality as opposed to the quantity of capacity building interventions
- Subjected to an external, objective evaluation in terms of their impact.

According to the Reddy (2013: online) there have been other strategies to develop the institutional capacity of municipalities; however the success was very limited despite significant resources having been invested over the years. In 2009, the Local Government Turnaround Strategy was introduced by government, which provided a broader perspective of the basic problems in local government in a political, intergovernmental, socio-economic, planning, service delivery and budgetary context. However, progress has been slow and Meyer (2008: 30) has highlighted implementation challenges as follows:

- Municipalities are expected to turn themselves around through adequate capacity
- Funding for the required interventions was limited
- The 2011 local elections resulted in political instability which proved to be a distraction
- The focus on “quick solutions” and achieving compliance with minimum requirements, as opposed to long-term, sustainable solutions executed with a scientific plan and change management
- The location, history, economic base, demographics and access to skills and resources imply that many municipalities, even with the best management, could

never be financially viable and the success of any turnaround is limited by indefinite grant dependency and

- Transformation fatigue and cynicism about yet another intervention

Based on the above, capacity-development initiatives should be comprehensive and sustainable rather than quick fix short-term solutions. According to Meyer (2008: 33-34), all action by the national and provincial spheres and other role-players should be stipulated and measurable objectives clearly defined. Environmental constraints, in relation to the allocation of functions and powers and the formula for conditional grants need to be simultaneously reviewed. Capacity-development interventions should be holistic and co-ordinate individual, organisational and institutional dimensions, medium and senior management should be stabilised and not subject to political interference. Furthermore, Meyer (2008: 34) suggests that minor competencies entrenched in the Municipal Financial Management should be enforced and additional matters that require urgent attention include avoiding political interference in recruitment and selection of senior management staff and allocation of functions and powers at the local level. According to Presidency (2008: online), the capacity development proposals put forward by the National Planning Commission have placed particular emphasis on the enhancement of management and technical skills and organisational systems in local government.

#### 4.4 LED challenges in South Africa

Meso (2012: online) points out that the slow growth rate of the South African economy with rising unemployment and economic social exclusion are some of the economic challenges face by municipalities to promote LED; more specifically, the reality for poverty and unemployment to be concentrated mainly within the black population and within the urban peripheries and rural areas, present major challenges.

While national policy and legislation make local government a central actor in LED at the local level, the reality is that local government lacks the capacity to undertake this role on its own, and is inherently not well suited to a leading role within certain domains

of LED, given its organisational structure and operating ethos. Furthermore, LED initiatives are, in practice, being undertaken by a range of different actors with different interests, sets of resources and objectives. This is resulting in a lack of coordinating and missed opportunities for synergies between initiatives and the challenge is to bring these together within convergent locality strategies.

Global Forum on Local Development (GFLD) (2010: online) further highlights that given the LED focus on active mobilization of economic actors, and their engagement in sustainable production and exchange, LED is not well suited to play a passive welfare role, though it may effectively complement welfare interventions. Its contribution to poverty alleviation is best performed through nurturing existing economic networks and activities within poor communities, building the capacity of the poor to undertake economic activity and connecting them with economic opportunities outside. This means going beyond the slip streaming of LED behind public sector housing, infrastructural and service expenditure, which often provides short-lived opportunities. It means connecting economic operators and work seekers in poor communities with the wider economy through a range of linkages-markets, sub-contracting, financial and employment exchange. Another challenge is the creation of Market-oriented LED initiatives; according to Meso (2012: online) the main challenge for marketing and investment promotion to date is that their focus on large investors' interests has been associated with forms of economic growth that are not creating a great deal of employment. The jobs that are created tend to be small in number and highly skilled, which favours Whites, Indians and Coloureds, but tends to exclude the majority poor black population. Small black business has gained from this through preferential tendering and associated support services, but the impact back into poor communities has been relatively slight.

Furthermore, institutional integration at the level of government has progressed rapidly since 1994, but challenges remain, especially within local government in the mainly rural districts. Within poor communities, organisational depth declined during most of the late 1990s and community based organisations need both the political space and support from local government to enable their renewal and growth. The institutional

challenge for LED is to bring together national, provincial and local government, private sector business organisations, non-governmental organisations and community based organisations pursuing LED within policy and institutional frameworks that enable convergence of interest and initiatives around shared goals. One aspect of this challenge is to establish the right mix of accountability and operational autonomy for LED institutions, so as to enable both co-ordination between LED actors and to promote the innovation needed to secure both poverty alleviation and growth objectives (Meso, 2012: online).

GFLD (2010: online) highlights that even when LED and institutional issues are addressed, the path to successful LED is a challenging one that requires specialised capacity and a determined mind-set. The main risk is that without adequate expertise and experience, local governments will spend resources on business ideas that have little or no chance of success or on those that may have a negative impact on their intended outcomes. Even if market potential is visible, local governments sometimes do not have the business expertise to develop the concept, manage the project or even communicate and cooperate with the local economic actors that do.

#### 4.5 Strategic support to LED through various departments of the South African government

The Department of Industry's Youth Enterprise Development Strategy (YEDS) (2013: online) outlines strategic support departments of LED as follows:

##### 4.5.1. Department of Cooperative Governance and Traditional Affairs

The Department of Cooperative Governance and Traditional Affairs, with its mandate of developing and monitoring national policy and legislation that seeks to transform and strengthen government authorities to fulfill their roles, to develop, promote and monitor mechanisms, systems and structures to enable service delivery within government, and to promote sustainable development by providing support to provincial and local government, further plays a developmental support role (National Treasury, 2013:

online). It renders support to provincial and local government and promotes development through the following subprograms:

- The Municipal Infrastructure investment program, which involves the administration and transfer of funds for financing approved Municipal Infrastructure Projects
- A personnel grant for local authorities who operated in former homeland areas
- The Local Government support program, which assists municipalities with management and financial support programs. The program also administers the local government equitable share, which involves fiscal transfers to municipalities.

#### 4.5.2 Department of Trade and Industry (DTI)

The DTI with its sub-division Trade and Investment South Africa (TISA), plays a vital role of promoting LED by increasing export capacity and attracting local foreign direct investment by undertaking effective investment recruitment campaigns, providing an efficient facilitation and information service in order to retain and expand investment into South Africa and Africa, thereby serving as a one-stop shop initiative, developing new and existing South African exporters' capabilities in order to grow exports globally (goods, services and capital), and providing appropriate information, financial support and practical assistance to sustain organic growth in traditional markets and penetrate new high growth markets (DTI, 2014 : online). TISA comprises of four business units:

- Investment Promotion and facilitation

The unit is responsible for attracting foreign direct investment, as well as developing and promoting local direct investment. This is achieved via the identification, packaging and marketing of potential investment opportunities, and the identification of potential investors. The unit facilitates investment in South Africa, provides general information on the investment and domestic business climate, and offers dedicated aftercare

services to investors. The unit organises inward/outward trade missions, and facilitates funding and government support for trade and investment activities.

- Export Promotion and Marketing

The unit is responsible for developing and implementing regional export promotion strategies based on market research and identification of export opportunities, reviewing the National Export Strategy by assimilating inputs from relevant stakeholders to ensure a targeted and focused approach, and rendering export support services such as providing export information and advice as well as administering an incentive scheme that partially compensates exporters for certain costs incurred in marketing their products and services in foreign markets.

- Export Development and Support

The unit is designed to contribute to the positioning of South Africa as a reliable trade partner by expanding the exporter base of the country, thereby increasing the export supply and sales of South Africa. The focus is on the creation of an export culture towards global participation, provision of assistance, extensive capacity building as well as the creation of opportunities and serving as an industry interface for the DTI. South African companies are assisted at all levels to ensure retention, expansion and diversification by company, product and market.

#### 4.5.3 Local Government SETA

Youth Development Strategy (2013: online) further points out Local Government SETA as being of the LED strategic support department. As a result of the skills shortage in South Africa and the need to empower the previously disadvantaged majority, the Skills Development Act (1998) provides a framework for the development of skills in the workplace. Amongst other things, the Act makes provision for skills development by means of a levy-grant scheme, and the establishment of 23 sector-specific Sector Education and Training Authorities (SETAs) to administer the scheme's funds, and manage the skills development process. The SETAs were established in March 2000 and are responsible for the disbursement of training levies payable by all employers in

the country. SETAs replace and extend the work of the previous industry training boards and are accredited by the South African Qualifications Authority.

According to COGTA (2009: 43) the Local Government SETA is one of the 23 Sectors of Education and Training Authorities established on the grounds of the Skills Development Act. One particular area that the Local Government SETA focuses on is training interventions and learnerships in LED. From August 2002 onwards the Local Government SETA embarked on a process to develop the LED qualifications framework with the final objectives to implement a range of LED learnerships and to provide all necessary tools and material for a nationwide rollout. In order to have a sound basis for the development of operational learnerships and skills programs the Local Government SETA initiated the establishment of partnerships between the SETA, employers (municipalities) and local/ regional training providers (FET Colleges, Universities of Technology (Technikons) and Universities). The LED learnerships are developed by the Local Government SETA with the support of the DPLG, the South African Local Government Association (SALGA) as well as a wide range of other relevant stakeholders.

#### 4.6 Economic Development partnerships challenges for the implementation of LED in South Africa

Lombaard (2012: online) outlines that the South African law defines a Public Private Partnership (PPP) as a “contract between a public sector institution and a private party, in which the private party assumes a substantial financial, technical and operational risk in the design, financing, building and operation of a project”. The private sector has much to offer in terms of financial resources, people skills and experience as an investment in public infrastructure and services. It is through partnerships that public and private sectors can both achieve their goals to the benefit of everyone in the province. If monitored, partnerships bring certainty, improved efficiency, affordability, reduced risk perception and thus better delivery cost. By its nature, a PPP entails:

- Targeted public spending, principally on outputs to agreed standards

- Leveraging private sector financing and efficiencies
- Allocating risks to the party able to manage the risk.

#### 4.6.1 Accountability of PPPs in South Africa

Among the vast number of accountability issues that pervade LED PPPs in South Africa, the three that will be discussed in this section are the complexity of the legislation and policies, transparency and the monitoring of PPPs. Firstly, on the issue of legislation and policies, several concerns have emerged. An overview of the different laws and policies will put these challenges into perspective. The overarching requirement of transparency and accountability in the procurement of PPPs is captured in the Constitution of the Republic of South Africa (1996: online), which states that when an organ of state in the national, provincial or local sphere of government or other institution identified in the national legislation contracts for goods or services, it must do so in accordance with a system that is fair, equitable, transparent and cost-effective. Furthermore, according to Fombad (2014: online), the different laws and policies governing PPPs in South Africa emphasise accountability and transparency and advocate the value for money in the procurement of goods and services. Among these pieces of legislation are:

- Treasury Regulation No. 16 of 2004
- The Municipal Finance Management Act No. 56 of 2003 and
- The Promotion of Administrative Justice Act No. 3 of 2000

Fombad (2014: online) points out that despite these pieces of legislation and policies, several challenges have emerged. A major concern is that the legislation is complex, resulting in a culture of rule-bending and the tendency to use corrupt means to avoid these rules. It has been observed that a variety of partnerships have emerged over time, some strictly adhering to the terms of the law, and others established within the law, but outside the structures of the PPP legislation and policies. Perhaps the complexity of the legislation and policies may be the reason for the slow roll-out of

PPPs, for example, the Municipal Finance Management Act, No. 56 of 2003 (MFMA) (2003: Section 2) requires feasibility studies to be undertaken before a municipality conducts PPPs. While the period for feasibility studies of Municipal Systems Act, No. 32 of 2000 (MSM) (2000: Chap 5) is approximately two years; in the MFMA it takes an average of six months. A municipality faced with the challenge of having to satisfy the requirements of both Acts might rather defer to creating partnerships that are not consistent with the structure of PPPs. Another concern is that the legislation and policies do not protect the legitimate interests of all stakeholders in fostering partnerships. In this respect there is little provision for input from citizens and other stakeholder from inception to procurement. It could be argued that the involvement of the community might further slowdown the PPP process because the communities do not speak with a unified voice and often tend to be passive receivers of services rather than voluntary participants. The reality is that completely excluding the community on issues of PPPs undermines the Constitution and “Batho Pele principles (the principle of government by the public service commission, that emphasise that the public must be put first and be rendered with a good public service) (Local Government Action, 2013: online)”.

The European Investment Bank (2010: online) provides that private companies have also expressed concern about the lack of a legislative framework that ensures private sector involvement in the management, financing and ownership in infrastructure. As a result, many unclear issues in the PPPs legislative frameworks such as force majeure, penalty and indemnity caps have resulted in some projects being termed unfeasible due to unmanageable risk. Another challenge is the lack of functional mechanisms to ensure that the different pieces of legislation are enforced. Secondly, notwithstanding the overarching requirements of transparency and accountability in procurement, according to HM Treasury (2012: online) several transparency concerns are evident in PPPs. Among these are procurement irregularities, non-disclosure and corruption. Procurement irregularities in PPPs are evident from the increasing demand for the need of sound procurement policies that have been emphasised lately. Furthermore, Preferential Procurement Policy Framework Act, No. 5 of 2000 (2000: Section 4)

stipulates that “after the evaluation of bids but prior to appointing the preferred bidder”, the institution must submit a report for approval by the relevant treasury demonstrating how the criteria of affordability, value for money, and substantial technical, operational and financial transfer were applied in the evaluation of the bids, and how the criteria were applied with respect to the preferred bid. However, there is no mention of an evaluation committee for bid selection; neither is there any mention of the criteria for scoring the bids.

Fombad (2014: online) points out that the non-disclosure of PPP arrangement between the public and private partners on the grounds of ‘commercial confidence’ protection of ‘property rights’ or on grounds of data protection raises issues of transparency. Although the need to protect trade confidentiality does warrant keeping some documents out of the public domain, the lack of appropriate and rigorous public scrutiny makes it difficult for the public to identify hidden costs transferred to the government in the long run by the private sector. It also makes it difficult for the public to make appropriate comparisons between alternative options and undermines attempts to regulate and monitor the outcomes. Secrecy must not come at the expense of the public’s right to know and the proper disclosure of information. This is particularly important, because public funds are committed for a long period of time. Therefore, in order to maintain public trust and ensure fairness, all parties must be willing to expose their proposals to public scrutiny. The third major accountability challenge in PPPs in South Africa is that little thought has been given to the monitoring structures within the PPPs. National Treasury Regulation, 2005 (2005: Chap 5) makes provision for the accounting officer or accounting authority of the institution that is party to a PPP agreement to ensure that the PPP agreement is properly implemented, managed, enforced, monitored and reported according to the mechanisms and procedures as approved by National Treasury. In reality, there are no mechanisms and procedures in place. Moreover, the institution’s accounting officer usually has little authority over the private party, because the private party is not part of the government’s democratic chain of command.

#### 4.6.2 Enhancing accountability in LED PPPs in South Africa

Fombad (2014: online), states that given the existing challenges to accountabilities in PPPs, it becomes clear that there is a need to enhance accountability in PPPs. Among the numerous techniques for enhancing accountability in PPPs, five major ones are discussed in this section, namely, monitoring majors, community monitoring, transparency, ethical standards, and risk transfer.

- Monitoring majors

A key to accountability is to ensure that the responsibility for LED PPPs does not end once the contract has been awarded but rather that they should be monitored throughout the lifespan of the agreement. National Treasury's PPP Unit (2000: online) currently focuses more on the pre-contractual stages, and not much has been given to the design of post-project evaluation stages, and not much thought has been given to the design of post-project evaluation mechanisms for PPPs. This creates an accountability vacuum at the operational stages.

- Community monitoring

Early serious engagement and participation by the community in the policy and decision-making processes of the PPPs and the checks and balances from the community on their activities will facilitate monitoring. Based on the World Bank Report (2011: online), successful service outcomes depend on the government working with citizens to design, implement and evaluate services with each party, each of which holds the other accountable. The World Bank Report (2011: online) stresses the need for public managers to work more closely with community-based organisations, which at the very least participate in the design and monitoring of plans through representations of the strategy group and regular civil society consultation. Perhaps the first step in engaging the community in participation in PPPs may be to sensitise them through awareness campaigns in an attempt to obtain a radical shift from the perception that they are mere service receivers accepting their responsibility as participants in service delivery.

- Transparency

Several measures should be taken to enhance transparency in PPPs, Urio (2010: 308) outlines that the first step is to regularly publish information on how transparency efforts are being implemented. The cabinet should regularly disclose revenue figures from the concessions it awards. The selection of bidders, pre-project analysis, tendering process and procurement procedures should be subject to public examination and review. Urio (2010: 309-310) further highlights that the second step might be to improve access to information; in this regard, a good balance should be struck between satisfying the public's desire to know and the private company's desire for commercial confidentiality and actual property rights. Information about eligibility, service delivery procedures, budget and expenditure should be made available through the media and websites of government ministries and departments directly connected or through other information communication technology tools. Another initiative in this regard might be the promotion of sound procurement procedures, such as conducting a pre-project analysis, setting up evaluation committees, selecting criteria for scoring bids, clearly defining the role of private partners and carrying out a detailed assessment of PPP project risk.

Finally, transparency in PPPs can be improved by reducing the opportunities for corruption. One method might be through the simplification of legal procedures and regulations in the procurement process. The procurement policy should provide for more competition in the tendering process as well as a judicial review of the procurement decisions, impose legal constraints on government discretion during bidding processes, provide constitutional protection to private property, and limit preferential treatment to certain classes of suppliers (World Bank, 2011: online).

- Ethical standards

Fombad (2014: online) highlights that several measures should be taken to ensure that there is a common understanding among the public and private parties to deliver services with integrity. One way might be to conduct ethics seminars and workshops at which contracting officials are inculcated with a sense of moral obligation to use their skills, expertise, sound judgment, discretion, business best practices, and rules and codes of ethics to meet the goals of the partnership, because it is the right thing to do

rather than because they are being forced to comply with the laws to avoid legal sanctions. There should also be a general awareness among members of the partnership that non-compliance with the codes of PPPs will lead to sanctions.

- Risk transfer

Europe Investment Bank (2010: online) provides that with the growing incidents of public bailouts in PPPs, there are questions as to whether the transfer of risk actually occurs in such partnerships. There are also concerns as to whether the private sector risk is capable of managing the risk transferred to it given that private capital is at risk and financiers will perform due diligence with respect to the ultimate outcome. Furthermore, the technical, legal, political and economic complexity of the PPP infrastructure projects, and the many different stakeholders involved, make the management of risk difficult.

According to the Provisions of the National Treasury PPP Manual (2004: online) the allocation of risk between the public and private partners depends on an optimisation model of risk allocation. This implies that there is the tendency to budget for the best possible (often lowest cost) outcome, rather than the most likely, which has resulted in poor risk allocation and cost overruns. It is therefore important for these risks to be evaluated by the public and the private bidder throughout the whole project life, and particular attention must be placed during the procurement process to enable free allocation of risk. Crucial factors in enhancing risk transfer include clear specification of the requirements and proper allocation of responsibilities between the public and private partners, and better understanding of the risk and equitable risk allocation between the public and private partner. Furthermore, Europe Investment Bank (2010: online) suggests that the allocation of risk between the public and private partners should no longer depend upon an optimisation model of risk allocation, but rather on the efforts of the partners to negotiate and transfer or diffuse risks elsewhere, which would enhance the risk transfer process. PPP involves the sharing of risk and projects financed by the private sector.

## 4.7 The position of provincial LED in South Africa

This section provides a brief analysis on the state of the implementation of LED in South Africa's provinces, giving much focus to Mpumalanga and Free State

### 4.7.1 Mpumalanga

According to Mahlawe (2013: online) the key challenges facing Mpumalanga in Local Economic Development are:

- Lack of understanding of the economic space
- Non-strategic location of LED in the organogram of the municipality
- Misconception of LED as a KPA (Key Performance Area) within the municipalities
- Lack of stakeholder participation and
- Alignment of LED to the IDP process

Based on the LED insight and strategy and the ability to execute, Mahlawe (2013: online) further outlines that since 2000, the maturity of Mpumalanga municipalities in LED is evaluated as follows:

- Local municipalities lack the understanding of their economic space, which leads to the development of LED strategies that are not implementable. Lack of understanding in the comparative and competitive advantage of their economic space and the performance of different economic sectors within the municipality which would allow them to economic decline and also investment opportunities
- LED strategies provide information and statistics that are further analysed to assist decision-makers in formulation of appropriate strategies and interventions
- Non-availability of portfolio committees dealing specifically with LED limiting its significance in championing the development of local economies
- Non-existence of LED forums threatening the stakeholder participation

- Reviewable and alignment of LED strategies with IDP's leading to these strategies not being adopted by the Council, thus programs and projects not budgeted for.

#### 4.7.2 Free State

According to the Department of COGTA (2015: online), there is currently a range of LED initiatives in the Free State, such as pro-poor LED, the Urban Renewal Strategy, SMME development, and economic empowerment. Based on these strategies, some key issues identified about the state of LED in Free State are as follows:

- In many ventures, particularly in smaller centers, there is only limited private sector involvement
- What is being achieved is the provision of facilities of a global standard in certain localities versus constrained achievements in the poorer areas
- The politicisation of development is an issue, where individual interest overrides the greater common good
- Projects appear to move through a life-cycle which often sees the demise of once promising endeavours
- There is a clear problem of grant dependence and the limited sustainability of many projects and
- The economic aspects of projects, especially the marketing of products, are often neglected in the planning and often threaten project sustainability

While national government's role should be to provide overall guidance, direction, policy support and funding, it also needs to ensure that projects, which it supports, are viable and sustainable. Provincial government has a key role to ensure that weak municipalities are supported and encouraged to assist poor communities and to embark on viable projects. LED should, ideally, be driven from the office of the Municipal Manager, or a dedicated municipal department, but it should work through a multi-stakeholder form (COGTA, 2015: online).

#### 4.8. Conclusion

It is evident that LED in South Africa is viewed as a national priority by government. There is abundant legislation that provides the environment for LED to be a strategically planned process through all levels of government. Furthermore current support and practice in LED reflect a lot of implementation challenges, since LED is an ongoing process that requires an enabling environment, participation by all stakeholders, good governance and political commitment, capacitated stakeholders and facilitators, ongoing learning and funding.

Getting LED to work in South Africa is a critical success factor in addressing poverty and inequality. However, there are a number of key issues to be addressed and challenges to be overcome before this will be a reality. LED strategies vary in terms of quality. Very few have an implementation plan attached, and few have a dedicated budget attached. Many of the strategies suffer from a lack of prioritisation. Key choices between alternative approaches are avoided, which leads to lengthy strategies, which cannot be effectively implemented due to staff and resource constraints.

LED strategies need to speak to local conditions and challenges. These need to be broadly aligned with district strategies and need to speak to local conditions and challenges. These need to be broadly aligned with district strategies, but often vary in quality. For each municipality to produce a fully-fledged LED strategy is a costly and lengthy process, with municipalities relying heavily on consultants for data and analysis. There is a trend among consultants to cut and paste across municipalities when it comes to LED strategies, which undermines the localness of the strategy and brings into question the validity of a full blown strategy at the micro level.

Many of the high strategy decisions for these municipalities could become effectively taken at district level. Economies can be understood at regional level more effectively than at the local micro-level. However, there is still value in each local municipality producing an LED implementation plan, which elaborates on the high level strategic choices taken regarding growth. Furthermore, establishing accountable PPPs can bring about successful LED programs. PPPs are formal commercial contracts between

government institutions and private companies, where the private partner assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project in return for specified benefits. The legislation and regulations governing PPs at a national/ provincial and at a municipal government level differ. National and Provincial government are subject to the Public Finance Act and the Treasury Regulation to the Public Finance Management Act. Municipal government is subject to the Municipal Systems Act, and Municipal Finance Management Act.

## **CHAPTER 5: An analysis of LED in Emfuleni Local Municipality**

### **5.1. Introduction**

This Chapter analyses the implementation of LED in ELM, it collaborates the research gathered through literature review with the information gathered from the conduction of the interview held at ELM LED office with the ELM LED coordinator, Mr. Jerry Tefo Moledi on 16 September 2015, at Vanderbijlpark. In accordance with the interview conducted the first section of the chapter discusses the legacy of the 1913 Land Act, as this was the main factor of LED implementation challenge emphasised by Mr. Moledi. In this section, the description of the Land Act is provided: it provides that the Land Act was an Act of Parliament by the then Union Government which was aimed at regulating the acquisition of land by “natives”; the term then used to refer to Africans, (Parliamentary Exhibition, 2013: online).

The second section of the chapter gives focus to the role of the ELM in facilitating LED. It reflects back to Chapter three, which discusses the Legislative Frameworks that facilitates LED in South Africa, highlighting most importantly, the Constitution of South Africa which mandates Local Government to play a developmental role for economic transformation in local communities. This section notes that the ELM does not have an approved LED strategy as yet; it aligns its LED initiatives for economic development with the Sedibeng District Growth and Development Strategy, the reason being couching the ELM development initiatives within the broader regional perspective, (IDP, 2015/16: online). The section further highlights the importance of ELM to form service partnerships with external stakeholders. It describes these partnerships as cost effective majors, explaining that municipalities are able to save money or spend it adequately when they involve external stakeholders in their economic growth initiative projects.

The final section of the chapter looks at the financing and resources for the implementation of LED. It outlines that according to the Municipal Infrastructure Grant Program (2004: online) the municipality has three sources of revenue, firstly, they raise some of their revenue by charging tariffs for basic services; secondly, the National Government provides them with funding through equitable share allocation and the last

source of revenue is the Municipal Infrastructure Grant, which is the conditional grant from National Government. Based on this source of funding revenues, the section then emphasises the importance of municipal budgeting by giving specific reference to ELM, as the implementation of its LED is the center and focus of this chapter. The section highlights that when municipalities draft their annual budget they must align them with their Integrated Development Plans. This is to assist them to be able to identify and prioritise the most urgent service delivery needs and put them at the top of their to-do list in their annual budget draft of each financial year.

## 5.2. Overview of Emfuleni Local Municipality (ELM)

The Local Government Handbook (2015: online) highlights that the Emfuleni Local Municipality (ELM) previously known as Lekoa Local Municipality is one of the three municipalities that constitute the Sedibeng District. It is the western-most local municipality of the district, which covers the entire southern area of the Gauteng Province. The Vaal River forms the southern boundary of ELM and its strategic location affords it many opportunities for tourism and other forms of economic development. ELM shares boundaries with Metsimaholo Local Municipality in the Free State to the south, Midvaal Local Municipality to the east, the City of Johannesburg Metropolitan area to the north and Westonaria and Tlokwe Local Municipalities to the west.

The Land Use Management (2015: online) further highlights that the municipality is composed of two main city/town centers, namely, Vereeniging and Vanderbijlpark. It forms the “heartland” of what was formerly known as the Vaal Triangle, renowned for its contribution to the iron and steel industry in South Africa. It contains six large former peri-urban townships of Evaton, Sebokeng, Sharpeville, Boipatong, Bophelong and Tshepiso. The latter six areas lack facilities associated with towns of their size. The other small settlements tend to be suburban in nature and are within six kilometers radius of the above towns: they are Bonanne, Steel Park, Duncanville, Unitas Park, Arcon Park, Sonlandpark, Waldrift, Rust-ter-Vaal, Roshnee and Debonairpark.

### 5.3. The Land Act and economic development in Emfuleni Local Municipality

#### 5.3.1. Description of the Land Act

The Natives' Land Act, 1913, which was subsequently renamed the Bantu Land Act, 1913 and the Black Land Act, 1913 (Act No. 27 of 1913) was an Act of Parliament by the then Union Government which was aimed at regulating the acquisition of land by "natives"; the term then used to refer to Africans (Parliamentary exhibition, 2013: online). The Land Act was the first major piece of segregation legislation passed by the Union Parliament. It remained a cornerstone of apartheid until the 1990s when it was replaced by the current policy of land restitution and which by itself is not yielding the desired results (Parliamentary exhibition, 2013: online).

#### 5.3.2. The reflections on the effects and impact of the Land Act on Local Economic Development

According to Hall (2014: online) from the inception of the Union of South Africa, up to the end of the National Party rule, South Africa had a system of Local Government based on racial discrimination. The Land Act, together with subsequent legislation, effectively reserved 87% of the country for the minority. In the area of Local Government, the legislation acted as a forerunner to other policy and legislative measures which culminated in separate residential areas for the different racial groups during the apartheid era. Urban areas were declared the preserve of White people. Black people were required to have permits allowing them to reside in town only during a period prescribed in accordance with the purpose of which it was issued, for example, the employment contract period.

Hall (2014: online) further highlights that the land Act led to the passage of the Group Areas Act, 1950 which enabled the implementation of land use management practices and disposal arrangements that favoured the development needs of the White population group. This further led to the development of major affluent residential areas for the White population with good quality services, whilst little or no formal residential development was developed for Black population, resulting in the proliferation of

informal settlements and shack-dwellers without access to basic services such as clean running water, sanitation and refuse removal. If ever a residential area for African population had to be developed, the local government authorities made sure that it was a township situated some distance from White urban areas, so that the government at the time could perpetuate the notion that the urban areas were indeed exclusively or even predominantly White enclaves. Africans could only legally own land in the rural areas under a system, which required them to apply for permission to occupy land. This deprived them of the right to use it as security against loans needed for further development.

Furthermore, Africans were only allowed as temporary residents in the cities and towns, which were designated for Whites. Coloured persons and Indians had separate residential areas and even today, South Africa's population patterns and their geographic spread is race-based; a legacy of the Land Act and other racially discriminatory legislations. There are areas, which have now virtually become enclaves for Zulu, Xhosa, Tswana, Sotho, Venda, Ndebele, Shangaan, Tsonga and Pedi speaking groups. From the 1950s onwards, Whites, Coloureds and Indians had to live in their own race group areas, with Whites having the largest amount and generally the best located land (Parliamentary exhibition, 2013: online).

According to Land Use Management (2015: online), the fact that so little land was available for African occupation in general meant that large informal settlements, known as squatter settlements, developed in and around most towns and cities. To date, South Africa's major towns and cities, especially the main metropolitan cities are areas, which mostly attract informal settlements or shacks within their jurisdictional areas. The upgrading of these settlements, both in terms of services and titles, poses a major land information system challenge. The policy of apartheid and separate land development objectives for the different racial groups meant that the formal housing stock was not planned for the whole population, a situation that created severe housing shortages in the towns. This matter reflects that it was imprudent not to provide for the entire populace in an integrated manner. As a result, cities are still grappling with the legacy of the draconian land policies and subsequent apartheid legislative instruments that

sought to entrench the division of the country according to the racial groups while the Whites remained a dominant, well served section of the South Africa population.

Badat (2011: online) points out that during the apartheid era, there were separate local government institutions and bodies established for the different racial groups which were operated in a manner which discriminated against the Black majority (Africans, Coloureds and Indians) and in that decision making they were not allowed to participate. Africans in particular had little or no voice in their own development and any kind of development was mostly imposed development; the government's development thinking was mainly top-down. They were reduced to passive spectators. Local government delivery practices usually demand that bulk land be readily and abundantly available as opposed to piecemeal allocation and ceding of land for particular development. Such practices stifle pro-active planning approaches by encouraging and promoting a reactive approach to development. Whilst the Land Act had major implications for land delivery procedures known as Proclamation R293 of 1962 for proclaimed urban areas and R188 of 1969 for rural areas.

The homelands that opted for a nominally independent status had their own versions of Proclamation R293. Currently, there are various provincial planning ordinances that are applied differently in the different provinces in the same country, a situation which slows down development and instead promotes a pattern of development which reflects the former colonial and apartheid way of thinking, many years after the current Constitutional order was established in 1994 (Badat, 2015: online).

### 5.3.3. The impact of the Land Act on the Local Economic Development of ELM

According to (Moledi, interview: 2015 Sep 16) like many other municipalities in South Africa, the Emfuleni Local Municipality's development still suffers the consequences of the Land Act dating back 100 years ago. Moledi highlights that the majority of the people forming the communities under the ELM jurisdiction still remain landless and development continues to be concentrated in areas where there has always been appropriate infrastructure. The following are the challenges that the ELM is still faced with:

- Illegal development and construction are taking place in unauthorised areas, this includes people building house and shacks in areas such as wetlands without obtaining approval or submitting building plans
- Underdeveloped areas, communal land where nobody takes responsibility for the land, become degraded by means of littering and illegal dumping of domestic and hazardous material, and illegal occupancy of these areas.

However (Moledi, interview: 2015 Sep 16) emphasises that the main challenge is the issue of urbanisation (influx of people moving from the rural areas to cities). ELM is experiencing an influx of people moving to cities (Vanderbijlpark and Vereeniging) and the Municipality cannot plan effectively in order for these cities to cater for the needs of these people. Furthermore, when these people move to cities, they build shelters wherever possible thereby depreciating the standard and value of the cities, and the more uncontrollably populated the city gets; the more the municipality becomes unable to cater for the basic needs of that population.

Turok (2012: online) affirms that main reason for rural-urban migration in ELM is the same as in most parts of the country, more especially at Metropolitan Municipalities, namely differences in economic opportunity. Cities have consistently outpaced the rest of the country in terms of economic employment growth. This is because they tend to be more productive in terms of the value of the goods and services they generate and the efficiency with which they are produced. This partly reflects the 'agglomeration economies' that benefit large concentrations of economic activity, including: matching business requirements for labour, premises and other resources, sharing infrastructure, services and information, and mutual learning between firms and other institutions

According to Turok (2012: online) overall, urban economies are clearly stronger and more self-sufficient than rural economies, although employment levels have not kept pace with growth in the working-age population. In rural areas, employment levels are much lower and even if people have jobs their earnings tend to be very low. This leaves rural households heavily dependent on transfers from government or family members.

Such transfers help to alleviate poverty but do not compensate for the lack of self-sustaining economic activities.

Furthermore Land Use Management (2014: online) highlights that the Middle and high-income households in ELM live in suburbs that are costly to service with public transport and bulk infrastructure, and are heavily geared to car-based commuting. The poor majority of the households are confined to townships and informal settlements that tend to be overcrowded, with over-burdened schools, clinics and community facilities, and vulnerable to the spread of shack fires and communicable diseases. Land constraints within these areas complicate the installation of storm-water systems, sewers, electricity and other infrastructure, as well as municipal facilities, public spaces and formal economic activity. Because of the pressure on well-located land more generally within the city, many shack areas are poorly sited in relation to flood hazards, waste ground and unstable land.

(Moledi, interview: 2015 Sep 16) emphasises that the Colonial and apartheid policies of racial segregation have left a legacy of fragmented urban form with unequal access to jobs, amenities and public services in ELM and other parts of the country. The legacy has not disappeared in the aftermath of apartheid because of the durability of the built form, the power of vested interests, persistent income inequalities between races and lack of upward mobility. The dispersed built environment demands long journeys, raises carbon emissions, reduces city productivity, and undermines the financial viability of municipalities because of the high servicing costs.

#### 5.4. The role of the Emfuleni Local Municipality in facilitating LED

As highlighted in Chapter 3, the Constitution of South Africa 108 of 1996 has provided the Local Government with a Constitutional mandate of playing a developmental role in local communities. The White Paper on Local Government further gives municipalities responsibilities to work with communities and groups within communities to find sustainable ways to their social, economic and material needs and improve the quality of their lives.

In line with the above, (Moledi, interview: 2015 Sep 16) provided assurance and confidence that the ELM's role is not only limited to the provision of basic services, but it goes further to economic development. Its role is to develop the communities within its jurisdiction, by creating a developmental environment and that allows for economic growth through infrastructure development, inward investment, public-private-partnerships, and SMMEs development

#### 5.4.1. Vision and mission of the ELM

According to the ELM IDP Final (2014/15: online) Emfuleni is a Municipality that sees itself as a “developmental city that continuously improves the quality of life of its community”, with a mission of “providing responsive, effective, efficient, and sustainable municipal services in an accountable manner”. The Municipality conducts itself based on the values of being:

- Responsive
- Disciplined
- Accountable
- Transparent
- Respectful and
- Honest

The strategic objectives of ELM are as follows:

- United, non-racial and integrated communities
- Sustainable livelihoods through decent employment
- Informed and participatory communities
- Effective and efficient municipal government

- Professional and responsive municipal administration
- Quality rendered, accessible, sustainable and reliable municipal services
- Healthy and safe environment and communities and
- Create an environment that is conducive to the formation of a metro

According to ELM Local Economic Development and Planning (2014: online), although the municipality is still facing economic development challenges, the above vision and mission of the ELM so far shows to have good progress; during the tabling of the 2013/14 IDP and Budget, the Executive Mayor of the ELM on the State of the Municipality Address announced that the municipality “continues to raise awareness regarding the need for a collective consciousness of good governance, and understanding of the importance of clean administration in ensuring responsive service and understanding the importance of ethical leadership”. According to ELM Local Economic Development and Planning (2014: online), in the commitment of municipalities’ developmental role, the Executive Mayor further outlined the following progress points:

- For the 2013/14 financial year the ELM managed to spend all Municipal Infrastructure Grant (MIG) to the tune of R221 million to fund much needed delivery projects that included the construction of roads, sewer networks, water networks, building of community amenities and facilities
- The ELM created 484 job opportunities through the above mentioned infrastructure projects
- The ELM also created an additional 1386 job opportunities through the Expanded Public Works Program (EPWP) with communities
- The ELM received approval for the construction of the Regional Sewer Scheme, with current allocation of approximately R200 million

- The ELM established 8 sectoral forums and registered 160 cooperatives
- The ELM trained 100 people as an initiative to support SMMEs
- The ELM allocated 445 informal trading stores to various informal traders in the CBD's of Vereeniging and Vanderbijlpark
- The ELM provided 100% access to water and sanitation to all households in the municipal area
- 1027 km of gravel road within the Municipal jurisdiction is graded and
- The ELM built 2 309 houses in partnership with the Gauteng Department of Local Government and Housing

#### 5.4.2. ELM LED Unit

According to the Integrated Development Plan (2015/16: online) the organisational structure and division of the ELM is composed of the Local Economic Development and Tourism department. This is its special Unit that specialises only in matters of LED initiatives and innovations for economic development. The purpose of this department is to lead and direct the department in the creation of maximum synergy between role players at the local level by facilitating and coordinating the role of other stakeholders in promoting economic development within the municipality in order to address the diverse needs of all Emfuleni residents, in line with the municipality's IDP and strategic objectives. This cluster focuses on strengthening economic, tourism and business opportunities within the ELM.

As highlighted in Chapter one, Local Economic Development is one of the core functions of Local Government in South Africa. Traditionally LED in South Africa has been focused around increasing production in localities, such as expansion of production of industry, agriculture, mining etc. and one alternative driver for local economic development is tourism. Rogerson (2013: online) outlines that tourism and more specifically rural tourism (the multifaceted activity that takes place in an

environment outside urban areas), is a vehicle that has the potential to influence socio-economic changes through the use of socio-cultural economic resources.

Based on the ELM Integrated Development Plan Final (2014/15) in order to create an environment that is conducive for tourism as an alternative for local economic growth. The Emfuleni Local Municipality has developed a concept called Vaal 21 and it derived its mandate from Sedibeng District Municipality (SDM) which puts emphasis on projects that entails development of tourism related precinct and water front projects; it also entails urban renewal of centers such as Evaton, Vanderbijlpark and Vereeniging.

The concept of Vaal 21 is based on the fact that ELM prides itself on the surrounding of the Vaal River. Apart from its water supply function, the Vaal River is almost unique in the Gauteng area for the opportunity it provides for tourists and up-market residential development. The Executive Mayor of the ELM has highlighted that through their tourism attraction developments on the Vaal River banks, the Municipality will ensure that the water supply capacity and conservation value of the Vaal River (existing and potential) will not be threatened by the development. The Municipality further emphasised that the development along the Vaal River will be an asset to the benefit of all residents and that the activities will be promoted to become a value-chain as opposed to an ad hoc development vision (ELM Integrated Development Plan Final, 2014/15).

#### 5.4.3. Emfuleni Local Municipality's LED strategy and economic development plan

Mensah and Domfeh (2013: online) points out that since 1994, there has been an increasing emphasis on LED in South Africa. LED is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements to all in the community. LED brings into focus the role of towns in fostering new opportunities for people. This is important for promoting broad based economic growth, improving social welfare and promoting a more varied and vibrant local economy.

Based on the ELM IDP (2015/16: online) and confirmation from (Moledi, interview: 2015 Sep 16), currently Emfuleni Municipality does not have an LED strategy; it uses the Sedibeng District Growth and Development Strategy as the basis for economic planning. (Moledi, interview: 2015 Sep 16) points out that this is because the Municipality formulated and implemented an LED strategy in 2002 that didn't foster any significant change and eventually failed and was never reviewed again. For this reason, the development of economic initiatives within the ELM will have to be couched within the broader regional perspective of Sedibeng.

However, (Moledi, interview: 2015 Sep 16) further affirms that despite the absence of the LED strategy. LED is still a priority and the ELM LED approach for economic transformation aims to outline the LED programs on diversification of the local economy. This is because the economic sector contribution to GDP shows that the concentration of the Emfuleni Local economy is in the metal sector; with the existence of two steel companies viz. Arcelor Mittal (the biggest steel producing company in South Africa) situated in Vereeniging and Vanderbijlpark. It is important for the region that Emfuleni as an anchor economy breaks away from economic concentration and develops other sectors in the economy. The Municipality indicates that in line with reinventing the economy of the region they will move towards diversification of sectors. However, it is not yet clear how the diversification process will take place or which economic sectors does the Municipality plan to prioritise according to its richness during the diversification (Moledi, interview: 2015 Sep 16).

The Sedibeng Regional Spatial Development Framework (2013: online) states that in 2006 the Sedibeng District Municipality led a long term planning process to develop the first generation Sedibeng Growth and Development Strategy. This strategy outlined a long-term perspective based on a long-term vision for the development of the region. The five-year IDP was regarded as the implementation strategy of the Sedibeng Growth and Development Strategy 2006-2011 term of office and it was centered on the following pillars:

- Renewing the economy from an old to a new by consolidating existing sectors and exploring new sectors of growth and in this was built local economies to create more employment and sustainable livelihoods
- Renewing communities from low to high quality through the provision of basic services, improving of provision of basic services, improving local public services and broadening access to them, and regenerating property development to improve the quality of living
- Reviving a sustainable environment from waste dumps to green region, by increasing the focus on air, water, and soil quality and moving from being a producer and receiver of waste to a green city
- Reintegrating the region with the rest of Gauteng and South Africa to move from an edge to a frontier region, through improving connectivity and transport links
- Releasing human potential from low to high skills and build social capital through building united, non-racial, integrated and safer communities
- Promoting the principles of good governance and
- Deepening democracy through enabling all South Africans to progressively exercise their Constitutional rights and full dignity of freedom.

In 2011, the District drafted its second 2012/17 IDP plan, which was approved by the newly elected council in 2012 according to the Municipal Systems Act, No. 32 of 2000 (2000: Chap 7). The seven pillars of the first Growth Development Strategy did not change and Sedibeng District Municipality 2012/17 is still informed by the same principles. According to (Moledi, interview: 2015 Sep 16), since the ELM does not have an approved LED strategy, it uses the above pillars as a guide to its LED plans. Attached to these pillars, the ELM has established a Logistical Hub to enhance its local economy. The aim of this Hub is to attract new investment, economic development and job creation opportunities for the communities within its jurisdiction, based on international best practice and principles as discussed in Chapter Two. The Hub will

afford local people who have been disadvantaged from entering the economy through business establishment, training and skills development, access to finance and marketing opportunities.

Based on the IDP Final (2014/15: online) through this Hub, the intention of the Municipality is to target specific groups of people, especially women, youth, physically challenged people, SMME'S and Broad Based Black Economic Empowerment (a form of Economic Empowerment initiated by the South African government in response to criticism against Narrow Based Empowerment instituted in the country during 2003/4) for procurement of goods and services from the full spectrum of a world class project. It will also create new demand for the basic iron and steel manufacturing plant from the world class producer, Arcelor Mittal, in order to increase its economic impact in the Vaal with higher demand and supply of products and services from the local community.

As highlighted earlier, ELM has taken tourism as one of the priority alternatives for economic development. In this regard, the Municipality through this Hub will use tourism to complement initiatives of the growth and development strategy of its region. For this reason, the ELM Local Economic Development Planning (2014: online) highlights that the ELM LED and tourism department has come up with events that aim to expose the ELM and Sedibeng region as a vibrant, 'must go to' tourist destination. According to ELM Local Economic Development Planning (2014: online) the events include wine tasting, annual jazz festival, life style events, river fashion show and vintage car show. This aims to unlock a huge value for thriving entrepreneurs and bring vibrancy into townships' socio-economic environment. In an area such as Emfuleni, with relatively high levels of unemployment and poverty, the SMME's and co-operative sectors will play an important role in job creation and poverty alleviation. It is essential to strengthen the support systems available for SMME's and co-operatives in the region in order to create the SMME and co-operative sectors that will increase the sustainability of the local economy, increase the competitiveness of local businesses, generate jobs and broaden the tax base of the ELM (ELM Local Economic Development Planning, 2014: online).

According to the Sedibeng District LED projects (2013: online) the ELM has also taken forward the Comprehensive Maize Triangle Rural Development Project. This project is initiated by the Sedibeng District and it aims to provide technical and infrastructure as well as logistical support to small and emerging farmers and co-operatives in agriculture. The impact of the project aims to:

- Directly address the problems of start up by small scale and emerging farmers
- Provide food security and address rural poverty and create jobs
- Reduce the outflow of the rural poor into urban areas to seek alternative livelihoods
- Avoid congestion into urban centers and creation of economic migrants thereby causing problems for urban development
- To create sustainability in agriculture and food security for all and
- To create and improve infrastructure in rural communities to attract investments and economic development and job creation.

The Sedibeng District LED projects (2013: online) further highlights that the key milestone of implementing this project is to create a sustainable agricultural development that improves production processes in the agricultural sector by improving fresh produce market and other small markets, private sector investment, physical infrastructure, human capital, demand driven research and extension services within the Sedibeng region and the ELM jurisdiction.

According to the Sedibeng Infrastructure News and Service Delivery (SINSD) (2015: online) the Sedibeng Regional Sanitation Scheme is another project that has been initiated by Sedibeng and Emfuleni has put forward as its LED initiative. The scheme is aimed at addressing the following problems:

- Spillage of raw sewage into the Vaal River

- Discharge of non-compliant effluent into the Vaal River
- Negative environmental and health impact
- Restricting the potential of socio-economic growth and its impediment to investment potential of the province
- The sanitation infrastructure within the ELM Municipality is old, resulting in high maintenance costs and frequent availability and performance failures

The objectives of the project are as follows:

- Deliver an effective solution that will eradicate the pollution into the Vaal River and its tributaries
- Create bulk sanitation infrastructure for the Southern Gauteng Region
- Institute interim measures to address immediate/emergency problems
- Facilitate LED and job creation
- Eradicate water and sanitation service delivery challenges, inhibiting both social and economic development in the region
- Create institutional capacity to provide water services sustainable in the region to create project management capacity to deliver the project successfully (Governance, Procurement, Intergovernmental Relations, Funding, expertise and system).

SINSD (2015: online) further highlights that the project will not only benefit ELM and Sedibeng jurisdiction region, but the Provincial and National government as well. This project will have an impact on the National Gross Domestic product (GDP) estimated at R3 billion and it is expected that it will create employment opportunities of 12 757 people, the other impacts extend to an increase in household, education opportunities

etc. It will further have an impact on the Provincial GDP estimated at R2 billion. It is expected that it will create employment opportunities for 8 900 people.

#### 5.4.4. Local Economic Development Service Partnerships at ELM

Municipal Service Partnerships (MSP) is a means available to Councils to address the Municipal infrastructure and service backlog. Too often, the debate around MSPs is presented as an attempt by Government to actively promote the private sector, at the expense of the public sector, as the mechanism for Municipal service delivery. MSPs are not intended to be a substitute for traditional methods of direct service delivery. Nor should they be viewed as an alternative to ongoing efforts to improve the efficiency and accountability of service delivery by the council itself. Instead, MSPs are intended to provide Municipal Councils with greater flexibility in addressing service delivery and economic development needs (White Paper of Municipal Service Partnerships, 2000: online).

The Intergovernmental Relations Framework Act, No. 13 of 2005 (2005: Section 6) extends the principles of participation and co-ordination between organs of state in the different spheres of government to also include integration, participation and co-ordination of joint programs within a particular sphere of government. The framework defines joint programs as “those programs that transcend the conventional organisational boundaries in planning, budgeting and implementation resulting in a number of departments/agencies, ministries responsible for one aspect of the program, although none is responsible for it in its entirety”. The Municipal Finance Management Act, No. 56 of 2003 (2003: Section 4) “a Municipality may enter into a Public-Private Partnership agreement, but only if the Municipality can demonstrate that the agreement will (a) provide value for money to the Municipality; (b) be affordable for the Municipality; and (c) transfer appropriate technical, operational and financial risk to the private party”.

In this context, the ELM IDP Final (2014/15) outlines that the ELM has the following existing LED partnerships with various sector departments, private and parastatals:

- Gauteng Department of Human Settlement

- Gauteng Department of Local Government and housing
- Vaal University of Technology (VUT)
- North West University (Vaal campus) and
- Department of Agriculture.

Based on the ELM IDP Final (2014/15) Economic development in ELM cannot happen in isolation; the Municipality therefore recognises the critical need to form partnerships with other stakeholders when implementing LED. The ELM's LED initiatives build on the existing IDP and place particular emphasis on the need for partnerships with other governments and local businesses to rebuild the local economy in a sustainable and equitable way. Partnerships also provide an excellent way of developing ELM's internal capacity; they engender skills transfers into the Municipality and assist them where there is a lack of expertise within the Municipality.

#### 5.4.5. ELM financing and resources for LED

##### 5.4.5.1. The source of Municipal Revenue

LED initiatives are vital for economic growth; however a municipality cannot implement its LED strategy and initiative without adequate funding and resources. According to MFMA Budget Format Guide (2012: online) municipalities get their revenue from three sources. First, they raise some of their revenue by charging tariffs for basic services such as water, electricity, refuse removal and the use of municipal facilities such as sports grounds.

The National Government provides funding to municipalities in two ways. The first is through what is called an "equitable share allocation", which is a transfer from National Treasury. The amount of equitable share a municipality receives depends on a number of factors such as the size of its low-income population, the cost of basic services and its capacity to raise its own revenue. This allocation is meant to be used for basic services and operational costs. One problem with the equitable share allocation is that it

is an unconditional grant, which means that local government can spend money on other rather than basic services, even if it should be using the money to improve basic services (Municipal Infrastructure Grant program, 2004: online).

The third revenue of municipal funding is from the National Government in the form of conditional grants. The Municipal Infrastructure Grant (MIG) is the most important conditional grant from National government. MIG must be used to extend or maintain the infrastructure for the provision of basic services such as water, electricity and sanitation (Municipal Infrastructure Grant program, 2004: online).

In the past, municipalities could not spend all the money allocated to them through this grant due to a lack of capacity and the mismanagement of funds. For example, during the 2012/11 financial year, 272 municipalities in South Africa did not spend a quarter of what was available to them and some of this money had to be returned to Treasury. Municipal Financial Management Act, No. 56 of 2003 (2003: Section 7), states that underspending of allocated funds can be seen as mismanagement. This is because when the funds are underspent; in most cases the Municipality did not meet all its strategic objectives and did not deliver effective services.

Regardless of where the money comes from or what it is used for, it must be managed and accounted for in the same way each year. Municipal Financial Management Act, No. 56 of 2003 (2003: Section 7) further states that the municipal finance has an annual cycle that includes four broad activities: planning and budgeting, implementation and spending, monitoring of services and spending, and evaluation of services and spending. Each of these activities provides community members with opportunities for participation, monitoring and ensuring that the municipality is using the money available to it in the best interest of the community.

#### 5.4.5.2. Municipal Infrastructure Grant (MIG)

Based on the MIG Final Policy (2004: online) the MIG is a Municipal Funding arrangement that was established by the South African Cabinet and approved on 5 March 2003. The MIG was established in order to address the fragmentation and

management of the past infrastructure grants. In the past different departments managed the municipal funding; for this reason municipalities were not in control of infrastructure projects within their jurisdiction. Projects were also handed over to municipalities without resources for the maintenance and operation of the resulting infrastructure. In this case, the aim of the MIG was to integrate all infrastructure grants into one, coordinate their program through one structure, the MIG unit, link their funding allocations to the IDPs, promote public participation in identifying the MIG projects, and allow municipalities to do their own infrastructure planning. The MIG incorporates the following infrastructure programs:

- Consolidated Municipal Infrastructure Programme (CMIP)
- Water Services Projects (WSP)
- Community Based Public Works Programs (CBPWP)
- LED Fund (LEDF)
- Building for Sports and Recreation Program (BSRP)
- Integrated National Electrification Program to Local Government (INEP) and the Integrated National Electrification Program implemented by Eskom and
- Urban Transport Fund (UTF).

According to Government Gazette (2015: online) the MIG was established in order for the municipalities and local communities from various areas in South Africa to achieve the following:

- Access services
- Consolidation of funding arrangement
- Decentralized service delivery

- Job creation through Extended Public Works Program
- LED
- Empowerment of Municipalities and
- Poverty alleviation.

The amount of MIG funding due to a Municipality each year is published in the Division of Revenue Act (DORA) (Act of government meant to “provide for the equitable division of revenue raised nationally among the National, Provincial and Local spheres of government”); the municipality does not need to apply for the MIG allocation, the amount is paid out automatically into the account of the municipality (or the District Municipality acting for other municipalities) provided that certain conditions are met (Medium Term Revenue and Expenditure Framework, 2013/14: online).

#### 5.4.6. The ELM 2014/15 budget draft

In order for the municipalities to transform their local economies and provide effective service delivery with sufficient resources, sound financial planning is vital. Municipalities must evaluate their areas and through public consultation and participation, identify what they categorise as a need or priority and list those needs accordingly on their IDP plan of that particular financial year. The municipal budgetary process must be in line with the IDP prioritised plans. Municipal Financial Management Act, No. 56 of 2003 (2003: Section 7), states, “the Council of the Municipality must for each financial year approve an annual budget for the municipality before the start of the financial year”. In order for the municipality to comply with this mandate, the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year.

In terms of the ELM Budget Draft (2014/15: online), the ELM Council approved an IDP and Budget Process Plan (BPP) in August 2013. The plan outlined key deadlines for the review of the IDP and adoption of the budget. (Moledi, interview: 2015 Sep 16) state that the consultation processes were held with stakeholders in terms of the process

plan, and engagements were held internally through the IDP and Budget Steering Committees to discuss the IDP priorities and budget formulation and implementation.

#### 5.4.6.1. ELM critical issues in the budget

The ELM participated in the Expanded Public Works Program in the previous years and a resolution was taken by Council in 2012 to subsidize the program from Council funds. R8 400 000.00 was therefore budgeted for the programs in the 2014/15 financial year. An amount of R4 191 000.00 was received, while an amount of R4 209 000.00 was for Council funds. Amounts of R10 080 000.00 and R11 760 000.00 were provided for in the 2015/16 and the 2016/17 financial years to be funded wholly from Council funds. The program had 465 EPWP personnel in the 2013/14 financial year (ELM Budget Draft, 2014/15: online).

According to the ELM Budget Draft (2014/15: online) the ELM Council has entered into a full maintenance lease for provision of council vehicles. The estimated amount required to accommodate all the fleet in 2014/15 was R102 462 731.00. Budget provision for critical vacant posts in this budget was R20 million and the amount was prioritised based on the criticality of the vacant posts. The vacancy rate reported in the 2012/13 ELM annual report was the importance of skills development and training budget for the then current personnel. As highlighted earlier, the budget process must be aligned with the IDP. In this case, the ELM Regional Strategic Objectives of the IDP prioritised on the budget are as follows:

- Re-inventing the economy
- Renewing communities
- Reviving a sustainable environment
- Re-integrating the region
- Releasing human potential.

#### 5.4.6.2. ELM funding of the budget

The ELM proposed budget for the 2014/15 financial year stood at R 4 970 742.00 which is the operational budget of R4 573 334 570.00 and the capital budget of R397 407 780.00. In terms of section 18 of the MFMA (2003: online) (1) a Municipal annual budget may only be funded from:

- “Realistically anticipated revenues to be collected”
- Cash-backed accumulated funds from previous years’ surpluses not committed for other purposes and
- Borrowed funds
- Also, revenue projections in the budget must be realistic, taking the following into account:
  - Projected revenues collected in previous financial years and
  - Actual revenue collected in previous financial years.

The ELM’s ability to fund its operations is largely based on its generating own revenue. In 2012/13 the ELM embarked on an exercise to restructure its tariffs. Household sanitation tariffs were equalised, waste tariffs were adjusted by 18% to be cost reflective and the Inclining Block Tariff (IBT) structure for water was restructured.

As part of the 2014/15 budget process, municipalities were strongly advised to ensure that the necessary policies and processes are institutionalised to proactively curb prohibited expenditure, poor policy implementation and planning. In this case the ELM 2014/15 budget was drafted with proposed amendments to some policies that were approved by Council in the previous periods. The Property Rates Policy was reviewed and the areas of amendments were as follows:

- Refining the category description and clarifications Actual revenue collected in previous financial years.

- Add the rate ratio's per category to policy Actual revenue collected in previous financial years.
- Policy of the provision of free basic services was amended to include an affordability assessment of account holders

No amendments were made to the following budget related policies that were approved in previous periods:

1. Credit Control and Debt Collective Policy
2. Principles and Policy on Recoverable Debt and Writing Off of Irrecoverable Debt  
Tariff Policy and
3. Policy on Access to Free Basic Services.

## 5.5. Conclusion

Post 1994, South Africa is celebrating its system of democracy, but some of the apartheid public policy legacies are still alive. The challenge of the Land 1913 Land Act is an issue to many different municipalities in South Africa. The ELM in particular now faces the challenge of urbanisation as a barrier to its LED to be fully successful. The legacy of the Land Act means that the municipalities must work even harder to transform their economies. It has been highlighted earlier in the Chapter that the municipalities have three sources of revenues that they can receive funding from, but it is also a reality that the money allocated to municipalities is not always equal to the service delivery challenges that they face, For this reason, this Chapter is left with the conclusion that the Land Act Legacy continues to contribute to slow local economic transformation in South Africa.

The above does not mean to overlook the role of ELM in the implementation of LED. As a municipality, it is important to emphasise that it has been given a mandate to play a developmental role within its local community. With this role in hand, this Chapter recognises that ELM does not as yet have an LED strategy. It has been highlighted earlier on in the Chapter that its LED strategy is still under review since the municipality

is in a process of becoming a Metropolitan Municipality. For this reason the municipality aligns its LED initiatives with the Sedibeng District Growth and Development Strategy. With its potential advantages; this alignment may cause too much dependency of the Municipality on its district, giving recognition that it aligns its LED plans with the

Sedibeng strategy but it still has to draft its own annual budget plan. The Municipality might end up overspending on some of its LED projects or under-spending because too much dependency means what affects Sedibeng's plans might most definitely affect ELM's plans as well.

This chapter explored the importance of the role of budgeting. It recognises that there is no good plan, program or strategy that will ever be successful without a sound budget draft in place. In this context, the outcome of successful LED programs depends entirely on proper planning, and such a plan requires a sound budget that will be able to provide LED programs with sufficient resources and funding for their success.

## **CHAPTER 6: Findings, Conclusions, and Recommendations on the implementation of local economic development strategy in ELM**

### 6.1. Introduction

The end of apartheid in South Africa brought amongst many economic reforms, the implementation of LED strategies so as to improve the economic conditions in local government jurisdiction. In consideration of the economic challenges that the local government is still faced with to date, this study was set out to explore the implementation of LED strategy in South Africa's local government, giving specific reference to Emfuleni Local Municipality, and has determined the historic nature of the emergence of LED, its role in steering the economy of a country and the reasons it was identified as important to be implemented in South Africa. Based on the observation of the study that even after 21 years of democracy, sustainable local economic development is still a challenge in South Africa despite all the policy reforms implemented, and standing on the definition stated in Chapter One that " LED is a strategy to create a sustainable local economy in order to eliminate poverty". The study sought to know whether the implementation of LED strategies has had a developmental success in South Africa's local government, particularly in ELM, in terms of the following:

- Efforts in eliminating poverty and reducing income inequality through creating better job opportunities and reducing race and gender discrimination
- Strengthening the competitive position of regions and localities by developing underutilised human and natural resource potential
- Realising opportunities for indigenous economic growth by recognising the opportunities available for locally produced products and services
- Increasing the participation of disadvantaged and minority groups in the local economy and
- Improving the physical environment as a necessary component of improving the climate for business development and enhancing the quality of life of residents.

The study above outlines that the fundamentals of LED developmental strategies that should clearly outline and/or incorporate specific achievable goals, manner of LED

implementation and how best to monitor progress achieved. This will then aid in the proper assessment of the feasibility of the currently implemented LED strategy. The current South African developmental policy, of which, its main focus is on enabling developmental local government initiatives. Local government has been proactively encouraged through the Constitution to intervene and play a leading role in job creation and reduction of poverty through its LED strategies. This study emphasised that, in order to achieve dynamic local development, all aspects of local communities such as the economy, social, welfare, environmental and political issues need to be addressed in an integrated and holistic manner, hence the need for a compilation and implementation of a comprehensive LED strategy.

In order to provide a thorough analysis on the above LED fundamentals to achieve a developmental success, the study sought to answer the following questions:

- What has brought the emergence of LED in the global arena?
- What is the role of local government in promoting economic development?
- What are the legislative frameworks that facilitate LED in South Africa?
- What are the challenges that confront the progress of LED in the South African local government towards achieving the goals set out in the National Framework for LED?
- Does LED contribute to sustainable economic transformation in South Africa?
- Has the ELM LED been progressive since its implementation in 2002, and has it been reviewed since then?

#### 6.1.1 The identified LED challenges in ELM

In order to provide findings of this study, in this concluding chapter the research problem is outlined, and based on the findings, a set of recommendations is put forward. This chapter is divided into three sections:

- Section one outlines the findings of the study in two phases: the findings on the implementation of LED in South Africa as this was the broader perspective of the

study and the second phase of this section focuses on the findings based on the implementation of LED in Emfuleni Local Municipality.

- While section two provides the conclusion of the study, and
- Section three provides the recommendations respectively.

Section one: The emphasis will be on the following topics of the study:

- i. Findings
- ii. The emergence of LED in the global arena
- iii. Findings on the implementation of LED in South Africa

#### 6.1.2 Findings

In this study the emergence of LED in the global arena and its identified need to be implemented in South Africa is linked with the influence that globalisation has had on South Africa's economy post 1994. The accepted definition of globalisation in this study is the one quoted in Chapter Two, defining it as the "widening, deepening, and speeding up of worldwide interconnectedness".

Post 1994, South Africa rejoined the international economy scene and this was a time when globalisation had started to gain prominence. In adjusting to the demands of the globalisation forces, South Africa had to cope with its position of being an emerging market. For this reason, the country had to implement policies that enhanced economic globalisation at both national and international levels, and the national LED strategy was one of such policies so as to allow for liberalisation of investment, finance and trade (Chapter 2: pg32).

Based on the above, this study stands on the view that the legacy of the apartheid system (Chapter 1: pg 11), and the demands of economic globalisation (Chapter 2: pg 33) are the two main reasons why South Africa embarked on developmental policies to implement LED strategies. This study identified that the implementation of the LED strategies in South Africa was meant to overcome the economic challenges it previously faced, and these challenges were to be addressed through the following:

- Rebuilding the manufacturing sector so that manufacturers can gain access to a wider market base across the world
- Promoting entrepreneurship so as to grow small and medium enterprises
- Creating municipalities that are financially sustainable
- Improving infrastructure and public services
- Assisting municipalities with an understanding of their economic environment to ensure that appropriate services and infrastructure planning and provision can be complementary to new investment
- Addressing skills matchmaking in terms of supply and demand
- Familiarising municipalities with investment marketing actions
- Unlocking local tourism development and
- Promoting Public-Private-Partnerships for economic development initiatives.

Based on the slow pace of economic development since the age of democracy, Section 2.3 (Chapter 2: pg 37), this study has the view that South Africa has not yet reached its economic development success. In this notion, it is given that the implementation of LED in South Africa has not yet reformed the economic legacy of the apartheid system of governance. In this regard this study has further identified the BRIC countries and reviewed their LED strategies so as to identify the lessons that South Africa can learn from them. This study recognised these countries as ideal to be compared with South Africa, as they are acknowledged as the emerging economic super powers in the global arena, and South Africa being the economic giant of Africa, has joined them to form the BRICS.

6.2 Lessons that South Africa can learn from the BRIC countries on the implementation of LED strategies

### 6.2.1 Brazil

Based on Section 2.4.1.1 (Chapter 2: pg 39), this study acknowledges the difference between Brazil and South Africa, and notes that this difference makes policy transfer between these countries complex for implementation. Nevertheless, the study also acknowledges that both countries have a bridge of similarities that the study cannot disregard, (1) both countries are middle income democratic countries; (2) they are both confronting the challenges of inequality and poverty. Despite the challenges that both countries face, this study has acknowledged that Brazil is performing well on economic development and the reasons are identified as follows:

- The Brazilian government focuses more on utilising its strength, by focusing on the resources at its disposal and this has helped the country to expand employment and make productive use of the land
- The government has focused more on funding education in order to decrease the scarcity of skills and then invested in research and development, and
- The social welfare grants are aligned with expansion of economic opportunities so as to constitute a small part of the national budget.

This study also acknowledges that there isn't such a concept as a perfect economic development policy. It accepts that all policies need to survive in the most competitive environment of the modern world order; however with the slow pace of economic transformation that this study has identified in South Africa, the above reasons for a well performing economic development in Brazil affirm that there are lessons that South Africa can take from it, and the study outlines them as follows:

- In a broader perspective, South Africa focuses more on its mineral sector's weaknesses than its strengths by creating barriers where there is potential and developing sectors with little capacity
- South Africa has too often invested in research and development without having the necessary skills to take advantage of the technology generated by such

activities. If the country wants to grow its economy skills, the productivity levels cannot go up without addressing the skills constraints

- South Africa's social welfare grants constitute more than four per cent of the GDP; this percentage of expenditure on the poor is discovered to be higher as compared to that of all the developing countries. With over 16 million South Africans on social grants and a high public sector wage bill, this study is of the notion that the country economically spends more than it earns and it therefore cannot sustain itself.

### 6.2.2 Russia

In accordance with Section 2.4.2.2 (Chapter 2: pg 45) political and economic policy reformation is not a phenomenon that was experienced by South Africa, only post 1994. Although the cause and effect were different, Russia also went through the same national policies reformation post the fall of the Soviet Union in 1991. Under its socio-economic development strategy, the study identified the priorities of the Russian government as follows:

Alleviation of poverty;

- Maintaining the higher level of education
- Creating more inclusive growth
- Social policies to promote equity
- Financing the Small and Medium-sized Enterprises sector and
- Improving the business climate.

By giving focus to the above outlined factors as the government's priorities under its socio-economic development strategy, the study has identified in Section 2.4.2.2 (Chapter 2: pg. 46) that post the fall of the Soviet Union, Russia made progress in transforming its state of poverty to better and therefore growing its economy. However the rate of this transformation was very slow at first because regrouping its economy, more especially in its poorest cities, was a complex process.

In order to create strategic development plans, the Russian government went into partnership with ICMA to diversify the LED of the Russian Far East (RFE) cities, as according to the findings they were categorised under the poorest cities of the country. On its mandate to turn the economic situation of RFE around, ICMA provided the following:

- Hands-on technical assistance
- Training and
- Social inclusion techniques.

Based on these provisions, ICMA provided the municipal officials of RFE with the following skills:

- Community action planning
- Business development and
- Creative city marketing.

ICMA realised that in order to make progress on the priorities of the national socio-economic development of Russia mentioned earlier in the section, much focus for transformation had to be given to the local level, more especially to the local government officials, as they are the ones who are expected to implement national policies on the ground levels. Based on the work of ICMA, this study stands on the ideology that speeding up of economic transformation can be achieved when productivity is matched with a skill; government officials don't only require the physical 'resources' to implement and execute the national government's policies but they essentially need skills as the means to the know-how of how to use these resources.

The study acknowledges that same as in South Africa, the recovery from economic challenges in Russia has been quiet a struggle, but the pace of recovering has shown to be much faster than in South Africa. Based on the review of the work of ICMA, the study notes as important for South Africa to learn that the creation of economic policies can

only make a difference when balanced with efficient resources and skilled personnel, to implement and execute these policies.

### 6.2.3 India

The local economic strategy for development in India is divided into two phases: rural and urban phases of development. This is because poverty prevails more in rural India than urban hence the government strategy has different approaches per location. Rural economic development has grown to gain importance in India since more than half Province's 5YLGSA (2011: online) of the Indian population live in the rural area. Agriculture is primarily one of the sectors that contribute to economic development in rural India since it promotes a high rate of employment, improving the income level as well as people's standard of living per house hold, and with its promotion as a strategy for LED, the Indian government has achieved the following in rural India:

- Poverty alleviation
- Better livelihood opportunities and
- Improved provision of basic amenities and infrastructure facilities through innovative programs of wage and self-employment.

The second phase of India's LED strategy is based on urban India, giving specific focus to skills development so as to improve the economy. With the emerging industries in India, high productivity levels have been in demand, however the level of available skills to match this demand has been extremely low (only 2% of the total workforce in India have undergone skills training) hence the high need of skills development in order to speed up economic development. The need for skills development initiated the formulation of National Skills Policy in 2002; the policy set a target of offering skills training to 500 million Indians, by 2022.

So far the National Skills Development Coordination Board of India through the following schemes is executing the policy:

- Promotion of secondary education

- Creating institutions for diplomas in pharmacy, hotel management and architecture
- Community polytechnic scheme
- National program on technology
- Apprenticeship training for students of a vocational stream and
- National program on earthquake engineering education.

This study realises that matching the skills with jobs requirement has been the utmost economic development approach in urban India and it emphasises that this should be a lesson for South Africa because the skills versus jobs mismatch often leads to an economically inactive working class. Furthermore, the Indian government ensured that the skill development runs past three key elements, (1) quantity: in order for the strategy to have a significant improvement, the target of people who were given training had to be in large numbers, (2) quality: this ensures that the qualifications or certificates with which students graduate will complement the needs of the industry; this is what is generally causing the high rate of unemployed graduates in South Africa, only few South African students of higher learning graduate with qualifications that are in demand on the job market, (3) access: easy and inexpensive access allows for large numbers of people from any geographical territory within the country to participate in economic initiatives making them a possible success.

#### 6.2.4 China (Only refer to these as far as they are relevant to the study)

Section 2.4.4.2 (Chapter 2: 52) highlights that the Chinese government does not have a sole standing LED policy; however the government has outlined its economic development plan and strategy in a policy brief named the Chinese Five Year Program. This program entails two strategies for regional economic development, namely (1) the Western Development Strategy, (2) Central Development Strategy. The main objective of the formation of these two strategies was to modernise the Chinese economy. The government identified that the Western region of China was economically running

backward as compared to the other regions of the country; hence there was a need for a strategy. The Western Development Strategy is based on the following targets:

- Promoting significant economic development in Western China
- Raising the living standards of urban and rural residents in Western China to the national average and
- Aiding in the creation of a well-off society in Western China.

To achieve the above targets outlined in the strategy, the Chinese government is in progress of the following development projects:

- Increasing infrastructure construction
- Industrial restructuring
- Environmental protection and
- The promotion of development through science and education.

Since its implementation, the Chinese Western Development Strategy has so far achieved the following:

- Construction projects have taken place in Western China
- Local revenue has improved
- The rate of education investments has increased
- The education literacy has reached 98 percent of the total population of the Western China
- The market scope of the region has expanded and this has increased the availability of job opportunities.

This study notes in Section 2.4.4.3 (Chapter 2: 55) that development in all corners of the country must be balanced in order to strengthen the country's Gross Domestic Products and ultimately raise the economy. The Chinese government observed that in all regions of the country, the West was running behind and it needed to come up with measures to approach the situation, hence the formation and implementation of the Western Development Strategy.

The second strategy is the Chinese Central Development Strategy; the formation of the strategy was based on the following views by the Chinese government:

- A more balanced regional development is essential to social stability in the central region
- A more balanced regional development is essential to stimulating domestic consumption, which is also consistent with China's efforts to transform its economy from trade dependent to domestic demand driven.

In order to speed up development of Central China, the following policy initiatives were implemented:

- Policy support for grain production
- Assisting the development of large metropolitan areas
- Encouraging industrial restructuring of the central's main old industrial bases
- Increasing the extent of economic opening and
- Promoting the development of basic education.

Based on Section 2.4.4.3 (Chapter 2: 59), it was unclear as to whether the Chinese government has excelled on the above policy initiatives, as the study realised there were no identified measures to translate the outlined policy initiatives into reality. Therefore, the study stands on the perception that Central Development Strategy has a possibility of taking longer to show any significant change.

Considering that same scenario with South Africa, the BRIC are all developing countries with a rising rate of participation in the international economic activities; this study has identified that South Africa's position of development is not very far from that of the BRIC. The difference between South Africa and the BRIC surfaced when the study observed their strategic approaches for economic development. Brazil's approach is more on utilising its strongest mineral resources and sectors, so as to produce and export more and create employment. Looking at the work of ICMA to diversify LED at Russian Far East cities and the Chinese Western and Central Development Strategies, the study realises that the economic development approaches of Russia and China are more focused on regional balance for economic growth, where as India is more focused on skills development.

All four of the outlined approaches are significant for economic growth. In general a country will apply a development approach that is well aligned with its economic structure in terms of the identified gap and the need to complement it. However when observing the South African LED strategy, the study accepts that the country is not far from the BRIC, but it is of the perception that it is still behind. With the emergence of LED in the global arena and the need to implement it in South Africa due to reforming the apartheid economic legacy, through the Constitution, Act 108 of 1996, the national government of South Africa provided the local government with the Constitutional mandate to play a developmental role. Through interrelating with the provincial and national government, the local government abides by this mandate by taking the responsibility of playing a proactive role in the LED initiatives and programs in order to improve the living conditions of the local communities. The study has identified that for the local government it is more appropriate to play a developmental role based on the following:

- The local government is a sphere of government that is closer to the local communities; it is much easier for it to learn of the challenges and needs of the ordinary community members

- To simplify governance and leadership processes, the local communities within different municipal jurisdictions are divided into ward sections and each one has a ward council who is an ordinary member of the community who is easy to talk to and is able to take any community requests or needs to the local government principals
- Communication is faster and more effective between the community and local government and
- The community members open up more comfortably with their community leaders or ward councils since they see them as one of their own, than with senior personnel of government;

Having highlighted the essential importance of local government in promoting economic development, the study has learnt that LED is one of the strategies that the local government has to implement in order to transform the economy; each and every municipality has a responsibility of developing its own LED strategy and this strategy must be in accordance with but not limited to the following:

- Municipal organisational design in terms of the size
- Municipal's ability to raise revenue and its budget allocation per financial year
- Municipal's location, whether a municipality is situated in a rural or urban location
- The environment's richness (available mineral resources, industrial market, employment opportunities, and investment opportunities) of the municipal's jurisdiction
- The population under the Municipal jurisdiction and
- The nature of that particular population (age group, employment, gender).

Based on Section 3.2 (Chapter 3: pg 61) amongst the above mentioned, the LED strategy needs to be in line with the legislative frameworks in order to achieve the

national objectives. As highlighted in Chapter 3, policy frameworks that facilitate the implementation of LED in South Africa are as follows:

- White Paper on Local government (1998)
- Local Government Municipal Systems Act (2000) and
- National Framework for Local Economic Development in South Africa (2006-2011).

According to Section 3.2 ( Chapter 3: 63), amongst all three outlined policy frameworks, the National Framework for LED in South Africa is identified as the main framework that specifically gives local municipalities guidelines as to how they should formulate and implement their LED strategies. The study has identified in Section 3.2 (Chapter 3: 76), that the aim of the national government in formulating the National Framework for LED, was to give the local municipalities a clear definition of what LED is and the direction on how they should implement it in order to achieve the national government development goals. The National Framework for LED aims to:

- Provide guidelines on the approach that the local government should take in order to modernise the local economy
- Provide municipalities with guidelines on how to take advantage of the opportunities for economic development within their jurisdictions and
- Ensure that the economic programs or initiatives entailed in the municipal's LED strategy are fruitful for return on expenditure;

Having identified the above and observing the local economic conditions in South Africa, the study has discovered that despite the efforts of the framework for LED, the South African local government is still faced with development challenges, and the identified ones are as follows:

- Too often municipalities do not distinguish their LED strategies from their Integrated Development Plans. An IDP is an overall strategic document that

entails municipal plans for basic service delivery; whereas, LED strategy is a municipal strategic framework entailing programs and initiatives for local economic growth. Although LED is entailed within the municipal IDP document, the roles of the two documents must be implemented independently within their roles:

- The municipalities are clear about their responsibilities of initiating LED programs for economic development, but the programs that they initiate are often not sustainable, especially for employment
- Availability of skills is a big challenge; not only for the communities within the municipal jurisdiction at large, but also for the municipal personnel. (1) The modern South Africa is slowly coming with an influx of industries, but the retention of skilled labour is very low, hence the rate of unemployment is still high. (2) Most of the LED projects do not reach the implementation stage, and the possible reason for this does not only stand on the misuse of funds, but also on the skills of municipal personnel; too often the municipal personnel do not have the necessary skills to match the job requirement that they hold;
- South Africa is a multi-party state with obvious competition between the ruling party and the opposition parties; pertaining to this competition municipalities become politically governed and with such a case, the governance priorities shift from community based to party based
- With limited funding especially at rural municipalities plus the constraints to generate revenue, LED strategies become ineffective
- The implementation of LED strategies lack the process of monitoring and evaluation
- There is poor community involvement for LED initiatives
- There is poor involvement of policy experts to provide advice for adequate LED strategies. The study attests that the above outlined challenges do not however

imply that LED in South Africa has failed. Post 1994, South Africa realised that it needed an economy that could meet the needs of all economic citizens in a sustainable manner, and with this realisation the implementation of LED in South Africa has indeed shown progress and the following improvements attests to the progress made:

- The majority of South Africans are no longer restricted from meaningful participation in the economy
- Access to skills and self-employment is no longer racially restricted
- Macroeconomic stabilisation has largely been achieved
- The economy has become increasingly integrated into global markets and
- The constitution allows the local government to play a developmental role in both urban and rural communities for economic transformation.

### 6.3 Findings on the implementation of LED in Emfuleni Local Municipality

In Section 5.3.3 (Chapter: 111) the ELM describes LED as a process that involves all stakeholders in the locality such as big business, government and civil society. Each stakeholder has their own role to play, which may be related but distinct from others. For instance, the Municipal's role is the creation of a conducive environment through provision of basic services to attract investments, which by their very nature are able to create employment opportunities. In this regard, the ELM by its mandate to play a developmental role for economic transformation within its jurisdiction, formulated an LED strategy in the year 2002. The focus of the strategy was based on the following elements:

- Local place marketing: the ELM aimed to market Vaal through its two towns, Vereeniging and Vanderbijlpark, together with their respective locations as a clean and safe business location with low-income housing, entertainment and tourism along the Vaal River to increase attractiveness

- SMME promotion and support: the ELM strategy entailed initiatives to provide support to small, medium and micro enterprises, so as to create employment opportunities
- Community economic development: in order to develop the self-reliance of the community through human resource development and skills enhancement. The ELM in its 2000 LED strategy identified tourism and entertainment as a potential high growth sector that could provide employment to low and medium income people

Bearing in mind what LED is and what it aims to achieve, the presented approach of ELM LED strategy appeared to have the possibility of transforming the Vaal economy and improving the livelihoods of its community through sustainable development. However the study discovered that since its formulation, the LED strategy of ELM was only implemented partially and this was due to the following unfortunates:

- The ELM LED personnel appeared to be unaware of the nature of LED
- Lack of prioritising performance targets
- Lack of integration of initiatives
- Lack of resourcing implications with a clear delegation of responsibility
- ELM could not financially maintain LED initiatives; from 1984 to 1994, the ELM community stopped paying for the municipal rates because of service delivery protests, this led the municipality into an unsustainable financial position; the municipal expenditure exceeded revenue.

Based on the above, Section 5.4.3 (Chapter 5: 119) highlights that to this end the ELM 2002 LED strategy was never reviewed and eventually the implementation of its outlined initiatives faded away. Following the failure of the 2002 ELM LED strategy and the challenges it brought therewith, in 2010 the municipality developed a turnaround strategy to address its economic challenges and they were as follows:

- Poverty: due to lack of economic development initiatives since the fall of the municipality's LED strategy, the ELM region suffered extreme waves of poverty; the ELM residents had no access to neither economic nor social opportunities. Small business owners within the municipal's jurisdiction and aspiring entrepreneurs felt that they were being systematically excluded from business opportunities within the municipality. They felt that the utilisation of the municipal's resources could be used to improve their businesses
- The absence of LED: the absence of the municipal LED strategy was a challenge on its own as it perpetuated the poverty cycle because opportunities for economic transformation were not created

However, in Section 5.4.3 (Chapter 5: 121) this study discovered that although the municipality no longer has the LED strategy, it still realises the importance of local economic transformation and therefore uses the Sedibeng District Growth and Development Strategy as the basis for economic planning. In responding to the above challenges so as to reinvent its economy after the fall of its previous strategy, the current focus of the ELM economic growth is on developing an economic hub to achieve the following:

- Diversifying the local economy; the municipality aims to shift from the metal sector concentration to other sectors of the economy such as agriculture
- Attraction of new investment through industrialisation
- Training and skills development
- Prioritising tourism for business attraction
- Improving infrastructure especially in the Vaal rural communities
- Access to finance and marketing opportunities and
- The development of SMME forums.

Based on the background of what LED is and the importance of its strategy Section 5.4.3 (Chapter 5: pg 115), the study is not convinced that the outlined turnaround strategy initiatives and the Vaal economic re-invention initiatives will reach a successful implementation stage and transform the ELM economy without a well-defined LED strategy. With this being said, the study does not disregard the efforts of the Sedibeng Growth and Development Strategy, however it emphasises that the ELM as a local municipality and Sedibeng as a district municipality, have different roles and responsibilities. Districts have limited functions, therefore limited impact on LED. Their role is to support and coordinate; however, local municipalities can localise the strategies and have a wide understanding of social and community economic issues other than the district.

These different roles between these two municipalities therefore imply that the use of the Sedibeng Growth and Development Strategy by ELM, will create limitations for ELM on achieving its economic growth objectives as follows:

- Since Sedibeng is a District, it is too broad, it oversees the development of three local municipalities including ELM and based on its Growth and Development Strategy, it will be difficult for ELM to define its own scope for development and to focus on a specific sector for economic revitalisation, and the direction of economic growth that the ELM wants to take will always be unclear
- The strategic methods that the ELM would prefer to take will always be compromised, for instance, if ELM needs direct assistance from a private company, such as financial assistance, the conditions might be different since it is aligned under a wing of a District municipality
- The time frame for ELM economic development will always depend on that of Sedibeng since their work is aligned under the same strategy and this will affect the ELM's short and long term economic objectives.

## Section two

## 6.4 Conclusion

The end of the apartheid system of governance left South Africa with an economy that called for immediate restructuring. With the prominence of globalisation and the legacy of apartheid, South Africa had the international economic competition of being an emerging market, and at the same time it had to focus on reforming the economic imbalances brought about by the apartheid government. The need to regroup the economy led to the national formulation and implementation of the LED policy in South Africa.

The accepted definition of LED in this study is the one by DBSA highlighted in Chapter 1, which defines LED as a strategy to create a sustainable local economy in order to eliminate poverty. Based on this study, poverty can be eliminated through many LED initiatives and projects. In order for those LED initiatives and projects to be successful in eliminating poverty, they must attract investment through the creation of meaningful infrastructure, they must have the ability to create jobs, capacitate SMMEs and Cooperatives, and empower women and girls.

The need for LED brought in the significance of local government and the importance of intergovernmental relations by the three spheres of government. The South African national government realised that in order to restructure the economy at the lower level of the country, the role of local government had to be highlighted and emphasised. In this regard, the government, through the Constitution, Act 108 of 1996, provided the local government with a mandate to play a developmental role in order to transform the local economy.

Based on the economic disintegration especially in the local level of the country, where there was an imbalanced gap between urban and rural locals in terms of economic development, the South African government mandated the local government with the responsibility to play a proactive role to balance this gap. This Constitutional mandate gave provision to the following frameworks as a way to provide guidance and regulations on how the local government must conform to play a developmental role:

- White Paper on Local government (1998)
- Local Government Municipal Systems Act (2000) and
- National Framework for Local Economic Development in South Africa (2006-2011).

With the arisen need to restructure the economy through the implementation of LED, it was important for the national government to clearly define LED to local government and the nation at large, hence it formulated the National Framework for Local Economic Development in South Africa (2006-2011). Through this framework, the national government realised that in order for LED to be successfully implemented, it was important for the local government to understand what it was and what it aimed to achieve so as to achieve the government objectives of local transformation.

Taking Emfuleni Local Municipality as reference, the study discovered that despite the formulation of National Framework for Local Economic Development, the local government still faces challenges on the successful implementation of LED. The ELM formulated and implemented an LED strategy in 2001; although the objectives entailed in that strategy showed good potential, the implementation of this strategy failed to show any significance. Through the National Framework for LED, the ELM was enlightened of what was expected from it as a local municipality to facilitate the implementation of LED for local economic transformation; however its strategy failed because of the following reasons:

- The ELM formulated a strategy that was not compatible to its available revenue; because of low revenue, the municipality could not afford the LED programs that it stipulated in its strategy. This study summarises this reason as poor operational budgetary planning.
- Disintegration of municipal structure and lack of cooperation among the municipal departments
- Skills mismatch of municipal personnel and

- Lack of objectives' commitment by the municipal principals.

Since the failure of the 2001 ELM LED strategy, the municipality never made efforts to re-evaluate the failed strategy or formulate a new one. The municipality has been basing its economic initiatives on the Sedibeng District Growth and Development Strategy. This study believes that economic initiatives cannot be effective without a compiled strategy. A strategy ensures that the municipal LED initiatives are properly and legally aligned with the government policy frameworks and it further provides the municipality with a direction to distinguish the technicalities of the initiatives' build ups, such as goals, objectives, stakeholders, timeframe, budget, scope, etc.

In a broader note, this study stands to the conclusion that South Africa has created sensible policies to transform the economy after 1994; however the study has discovered that the implementation of these policies does still remain a challenge, more so in local government. Narrowing it down to the ELM, this study came to the conclusion that ELM has initiatives that can bring about possible local economic transformation; however the significant start will be the formulation and implementation of a feasible LED strategy.

### Section three

#### **6.5 Recommendations**

Based on the findings about the implementation of LED in Russia Section 2.4.2.2 (Chapter: pg 46) the South African government must involve LED external expertise to assist in the improvement of the LED implementation in different provinces and local municipalities. As highlighted earlier on the study, the same strategy was initiated by Russia by getting into partnership with the International City Management Association (ICMA) in order to create excellence in local governance by developing and advocating professional management to improve LED in Russia.

Based on Section 5.4.3 (Chapter 5: pg 115) on the findings on the implementation of LED in ELM, the ELM must prioritise its efforts on formulating its own unique LED

strategy; this will be the best approach to systematically and directionally transform its local economy. An LED strategy will provide a general framework for action by giving the municipality a way to determine its economic priorities, identify possible constraints, make wise choices and allocate scarce resources to achieve stipulated objectives.

The ELM must further prioritise municipal personnel skills development. Skills play an important role in executing a project. Every project requires different skills and when all these skills are put together, a project can be successfully implemented without unnecessary challenges. When all the necessary resources are put together, the success of the LED initiatives depend on the competence of the people working on them. The ELM therefore needs to take necessary initiatives to take its LED employees for project management trainings, workshops, etc.

The importance of a strong research department is another aspect that the ELM must give priority to. LED strategic planning requires an in-depth research; each and every municipality in South Africa is unique within its specified jurisdiction, and its uniqueness is based on the class of the local people it serves, its organisational size, its local market and its ability to generate revenue. All these aspects play an important role in identifying the necessary resources that the municipality will be in need of to initiate and implement feasible LED strategies. In addition, applying research techniques on LED strategies will assist the municipality to source for private partnerships and potential investors.

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