

ROLE OF THE SOUTH AFRICAN LOCAL GOVERNMENT IN LOCAL ECONOMIC DEVELOPMENT

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ABSTRACT

Currently, local governments in South Africa are characterised by and faced with mammoth challenges of high poverty and unemployment levels, poor or lack services, stagnant local economies, shortage of skills required to propel local economic development, lack of administrative capacity and ineffective implementation of policies. Local governments, particularly local municipalities in South Africa have an constitutional obligation to play a critical role in promoting social and economic development in terms of section 152 of the Constitution of the Republic of South Africa of 1996 and the White Paper on Local Government of 1998, which clearly entrenches developmental duties of municipalities. Both documents encourage municipalities, through Local Economic Development (LED), to play a leading role in as far as creating job opportunities and poverty reduction are concerned. Thus, viable LED strategies are necessary to unfurl local economies with a view of addressing societal problems of high unemployment, high poverty levels and lack of access to basic services in many local communities across the country. The paper argues that in order for local municipalities to accelerate the creation of jobs, reduction of poverty, effective service delivery and improve the quality of life

among the local people, the LED strategy should be well formulated and effectively implemented, and local government should assume an active role in this process. It is in this regard that the paper seeks to examine the role that the sphere of local government plays in the planning and promotion of the LED in South Africa's local municipalities.

Key words: *local economic development, developmental local government, service delivery, local government, planning*

JEL Classifications: **JEL: H7- State and Local Government;**
Intergovernmental Relations
JEL: O21- Planning Models; Planning Policy

1. INTRODUCTION

Local Economic Development (LED) as a development strategy has in the recent past gained widespread popularity and acceptance as a grass root-based approach especially in the developing world (Kahika & Karyeija, 2017: 159). Rogerson and Nel (2016) see LED more as a localised 'place-based' approach to local development. The LED as a development strategy has since evolved over the past few decades and widely considered by various governments, development policy makers and organisations or agencies over the world. According to Koma (2014), LED serves as an important strategy to boost local economies to address high levels of poverty, unemployment and inequalities facing most communities. In Mexico, LED has become a widespread practice with almost half of the country's municipalities integrating LED in their planning in order to promote local development (Rogerson, 2013). In Uganda, LED policy was implemented after the adoption of the decentralisation system in the mid-1980s with the intention to further deepen the decentralisation process, eradicate poverty and ensure inclusive, sustainable and equitable economic growth and development at the local government level (Kahika & Karyeija, 2017). Houghton, Dlamini and Mthembu (2013: 14) state that LED as a development strategy is supported and accepted as an important responsibility of local municipalities. Local governments through LED, in particular local municipalities, are entrusted with developmental duties to provide local communities within their areas of jurisdiction with basic services in order to

alleviate poverty, enhance economic growth and create employment opportunities thereby improving the quality of life for all.

Local municipalities in South Africa are characterised by and faced with mammoth challenges of high poverty and unemployment levels, poor or lack of services, stagnant local economies, shortage of skills required to propel local economic development, lack of administrative capacity and ineffective implementation of policies. Local governments, particularly local municipalities in South Africa have a constitutional obligation to play a critical role in promoting social and economic development in terms of section 152 of the Constitution of the Republic of South Africa of 1996 and the White Paper on Local Government of 1998, which clearly entrenches the developmental duties of municipalities. The Constitution and the White Paper encourage municipalities, through Local Economic Development (LED), to play a leading role in as far as creating job opportunities and poverty reduction are concerned. Despite these clear legal mandates, local governments in South Africa are still failing to successfully promote and implement LED to address the challenges of poverty, unemployment and stagnant local economic growth and development of local communities. The failure to promote LED and to provide basic services as expected has since put local government under severe public scrutiny. Hence, the purpose of this paper is to examine the role that local governments are expected to play in planning and promoting LED in South Africa in order to address societal challenges facing local communities. The paper focuses on a desktop and literature analysis on, firstly, the conceptual and definitional issues associated with LED; secondly, the overarching local government mandates in South Africa; thirdly, the role of local government in LED and lastly, the challenges that may affect effective and successful LED planning and implementation in South Africa.

2. LED: CONCEPTUAL AND DEFINITIONAL ISSUES

To date, the issues of LED policy and practice remain central to debates among authors and organisations who advocate for LED. LED has been defined in various ways by numerous authors and institutions such as the Varol (2010), International Labour Organisation (ILO) (2007), World Bank (2003), Blakely

(1994), etc. and yet many people continually struggle to agree on a common definition. Thus, there is no universal agreement on what the concept of LED means. Globally, no universally accepted definition of the concept of LED exists. LED has come to encompass a variety of meanings across disciplines (Houghton *et al.*, 2013), which raises definitional difficulties in understanding the concept. According to Mensah, Domfeh, Ahenkan and Bawole (2013), the definitional difficulties surrounding the concept of LED dates back to some decades ago. As such, many attempts have been made to try define what the concept involves.

The World Bank (2003: 1) defines LED as the process by which partners from the public, business and non-governmental sectors work collectively to create better conditions for economic growth and employment generation. Blakely (1994: 49) also described LED as a process by which local governments along with local corporate firms join forces and resources to enter into new partnership arrangements in order to create new jobs and stimulate economic activities in a well-defined economic zone. The International Labour Organization (ILO) (2006) defined LED as a participatory development process that encourages partnerships between the public and private stakeholders of a defined territory to stimulate economic activity and create jobs by making use of the local resources and competitive advantage. Similarly, Fray (2010: 148) defines LED as an approach by which local people continuously work together, and with other stakeholders, to achieve sustainable local economic growth and development that brings improved quality of life for all citizens. Rogerson and Nel (2016) see LED more as a localised ‘place-based’ approach to local development. LED as a development strategy or approach has since evolved over the past few decades and widely considered by various governments, development policy makers and organisations or agencies over the world. According Koma (2014), LED serves as an important strategy to boost local economies to address high levels of poverty, unemployment and inequalities facing most local communities.

Oduro-Ofori (2016: 16) asserts that LED seeks to build the economic capacity within the local area to improve the economic future and quality of life for all. The principal goal of LED is to develop local employment opportunities by utilising the existing human, natural and institutional resources available locally

(Oduro-Ofori, 2016: 16; Varol, 2010: 98). Similarly, LED aims to boost local economies, promote job creation and income generation and improve governance and municipal performance. These conceptualisations of LED highlights the importance of local communities and the necessity of good inter-relationships between all key stakeholders in generating and sustaining economic development (Houghton *et al.*,2013). Additionally, the concept of 'local' took prominence in the LED strategies beginning with the elaboration of strategies that have a territorial and spatial impact. The assumption is that LED focuses on improving a territory's competitiveness and economic performance. Therefore, LED refers to development strategies that are territory-based, locally-owned, outcome-based, based on partnerships and mainly aimed at increasing the number of employment and broader economic growth.

These conceptualisations suggest that LED is a multi-faceted concept with various connotations which seeks to address local challenges in order to achieve sustained development and poverty alleviation. As a result, there are continuous competing strands of thoughts and debates on what LED really constitute or means, thereby inciting definitional difficulties. Ultimately, LED boosts local economies to address the high levels of poverty, unemployment and inequalities facing the poor majority of people in the developing countries such as South Africa. Most importantly, LED strategies differ fundamentally from the traditional development strategies in that they approach development as a local rather than sectoral problem. As such, local governments in South Africa have a mandate to promote social and economic development of local communities. Therefore, the following section deals with the local government mandate in the context of South Africa.

3. OVERARCHING LOCAL GOVERNMENT MANDATE IN SOUTH AFRICA

The local government sphere in South Africa is assigned a crucial role of rebuilding local communities and environments as a basis for a democratic, integrated, prosperous and truly non-racial society (South African Local Government Association (SALGA), 2015: 11). The local government system of governance during the apartheid period was subservient, racist,

illegitimate and in a state of continuing crisis (Koma, 2012; De Visser, 2009). Hence, the transformation of local government into a fully-fledged and non-racial institution of governance was impelled by a legacy of an urban economic logic that systematically favoured white urban areas at the cost of black urban and peri-urban areas with tragic and absurd results (Visser, 2009: 9). Nonetheless, the transition to a new local government system saw the local government being given a distinct status and role to build democracy and promote socio-economic development of the local communities as a sphere of government closest to the people. Today, local government has a constitutional mandate and developmental obligation to create integrated, economically and socially resilient communities. Thus, local government is now institutionalised within the premise of an integrated development approach (Koma, 2012).

The *Constitution of the Republic of South Africa (1996)*, Section 152, mandates local government to provide democratic and accountable government for local communities, ensure the provision of services to communities in a sustainable manner, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government. Furthermore, Section 153 (1) stipulates one of the developmental duties of all municipalities that a municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of communities, and to promote social and economic development of such communities. Furthermore, local government is mandated to promote the Bill of Rights which reflects the nation's values of human dignity, equality and freedom, and uphold the principles enshrined in the Constitution (South African Local Government Association (SALGA), 2015). The *White Paper on Local Government (1998)* further translated the constitutional objects and duties into the concept of developmental local government. It defines the new mandate as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and to improve the quality of their lives. The *White Paper on Local Government (1998)* establishes the basis for a new developmental local government as a framework for transforming and addressing the inherited system of local governance (SALGA, 2015: 11).

The *White Paper on Local Government* further identifies three key developmental outcomes that local government must focus on, which include the provision of sustainable household infrastructure and services, creation of liveable and integrated local areas, and promotion of LED and community empowerment and redistribution. In essence, the *White Paper on Local Government* suggests that local government must be developmental in nature. To become more developmental, the instrument provides three approaches which can assist municipalities, namely integrated development planning and budgeting, performance management, and working with local citizens and partners. The local government mandate is further expressed in the *Local Government: Municipal Systems Act (32 of 2000)* which builds on the *White Paper on Local Government* to establish a new planning framework for developmental local government.

The *Local Government: Municipal Systems Act (32 of 2000)* assigns municipalities to promote social and economic development, ensure access to affordable services and promote involvement of local communities in municipal affairs. The *Act* provides principles, mechanisms and processes that are necessary to enable municipalities to achieve their developmental mandate. The *Act* requires municipalities to undertake an integrated development planning process to develop an Integrated Development Plan (IDP) which will assist local governments to achieve their objectives and give effect to their developmental duties as enshrined in the Constitution of the Republic of South Africa. According to section 25(1) of the *Local Government: Municipal Systems Act (32 of 2000)*, each municipal council must, within a prescribed period after the beginning of its elected term, adopt a single, inclusive and strategic plan which links, integrates and coordinates plans and take into account proposals for the development of the municipality. The IDP specifies the development priorities and objectives of the municipal council including LED. All municipalities in South Africa must develop a LED strategy and integrate such strategy into the IDP. LED is one of the most strategic tools through which local municipalities adhere to their developmental duties, as prescribed by the *Local Government: Municipal Structures Act (117 of 1998)*. According to Hofisi, Mbeba, Maredza and Choga (2013: 539), as cited in Kamara (2017: 100), the LED agenda in the context of South Africa, unlike in other countries, is neither voluntary nor just a local government initiative, but a constitutional requirement. Local governments are therefore mandated to promote and uphold the values and principles

enshrined in the *Constitution of the Republic of South Africa*. The next section focuses on the role that local governments are expected to play in LED planning and promotion.

4. ROLE OF LOCAL GOVERNMENT IN LOCAL ECONOMIC DEVELOPMENT PLANNING AND PROMOTION

Globally, government policy shifts and the devolution of authority has clearly assigned local governments with a developmental mandate (Nel, 2005). The development of a local area has shifted from being the policy enclave reserved for the national government to become the concern of local government, all sectors and the community itself (Maleka, 2002: 14). Additionally, factors such as growing levels of poverty, inequalities, unemployment, limited provision of basic services, urbanisation, globalisation, technological advancements as well as the increasing competitive environment constitute the new external framework within which municipalities around the world must address their economic status (Koma, 2013: 129). As such, local governments, especially in developing countries, have taken a proactive role for the development of localities as well as the responsibility for promoting Local Economic Development (LED) within their area of jurisdiction (Maleka, 2002).

LED is associated and defined by various authors such as Rogerson & Rogerson (2010); Qongo (2013) as the process whereby local governments partner with NGOs, community based groups, the private sector and the community in creating jobs and stimulating economic activity in their community. This suggests that local governments are seen as one of the key role players in the LED process and are encouraged to play a more proactive role in the area of economic development. Partnerships with the business community provide the vehicle through which local governments can have an effective influence on LED (South Australian Centre for Economic Studies, 2013). As such, local governments have now recognised the potential role they have to play in enhancing the economic viability of their communities (Rogerson & Rogerson, 2010: 467).

In the developing countries such as South Africa, economies are characterised by

market failures, market imperfection, inefficiency, risk and a lack of an entrepreneurial culture which has placed a major responsibility on governments in as far as job creation, poverty alleviation and economic growth are concerned (Koma, 2013: 129). Local governments in South Africa are required to promote socio-economic development in terms of section 152 of the *Constitution of the Republic of South Africa of 1996* and the *White Paper on Local Government of 1998*, which clearly entrenches the developmental duties of municipalities. The Constitution and the White Paper clearly encourage municipalities, through LED, to play a leading role in creating job opportunities and reducing poverty. Thus, viable LED strategies are necessary to unfurl local economies to address societal problems of unemployment, poverty and lack of access to basic amenities in local communities (Koma, 2012). As such, through LED, local governments have assumed a central role to job creation, poverty alleviation and boosting the local economies.

Meyer (2014); Triegaardt (2007) caution that local government is not responsible for creating jobs, but instead is responsible for creating an enabling environment for economic development. According to Meyer (2014), the overarching role of the local government in development is to provide an enabling environment for all its residents and businesses to prosper through LED strategic plan which has a balanced approach between “pro-poor” and “pro-growth”. In other words, local governments should create an environment that is conducive for businesses to thrive and survive which ultimately can create job opportunities, alleviate poverty and improve the living standards of local communities. This means that the local government should identify and create new opportunities that can enhance business prospects within the local communities. Accordingly, local governments should implement policies and strategies which foster LED within their jurisdiction. Local governments should also play the role of regulator, which has increased in importance with the establishment of more private enterprises and a highly important function in terms of economic development, most appropriate to the local authority (VNG International, 2007). As such, local governments generally have realised that they are but one of many players involved in LED. However, local governments face a myriad of challenges during planning and promoting LED within most local communities. Hence, the next section highlights the factors that influence effective and successful LED planning and promotion which local government are facing.

5. CHALLENGES FACING LOCAL GOVERNMENT IN LOCAL ECONOMIC DEVELOPMENT PLANNING AND IMPLEMENTATION

Undoubtedly, local government in South Africa has significantly contributed to the achievement of a number of social and economic development advances since the new democratic local government system of governance in 2000. Today, a majority of local communities has access to a wide range of services and economic opportunities through LED. Notwithstanding the advances achieved this far, local government continues to face a wide range of challenges when planning and promoting LED. Houghton *et al.* (2013) highlighted a couple of inherent challenges that face LED in South Africa which LED policy needs to be recognise including lack of technical and financial resources, economic collapse, absence of sufficient services, and poverty. Generally, the South African local government is faced with significant challenges affecting the achievement of growth and development of the local communities. These challenges are a manifestation of the current myriad of challenges facing the local government system in the country. Koma (2012: 125) stated that the sphere of local government is currently faced with numerous challenges and bottle necks that stem from high poverty and unemployment rates, shortage of skills required to propel local economic development, lack of administrative capacity and ineffective implementation of policies.

Kamara (2017); Rogerson (2010) argue that poor performance as far as LED is concerned in South Africa is mainly associated with shortage of resources, lack of capacity and limited experience by local government to promote LED. These challenges are aggravated by international trends and events such as rapid globalisation, urbanisation, technological advances and the increasing global competitive environment (Koma, 2014). These deficiencies and limited successes of LED have undermined the credibility and significance attached to LED by local government in South Africa (Kamara, 2017). Rogerson (2010), as cited in Kamara (2017: 102), identifies some of the strategic challenges be-devilling LED implementation in South Africa as: lack of capacity at the local government level; lack of funding for LED; ineffective LED methodologies for planning and poor coordination of networks. Khambule

(2018) asserts that this developmental mandate is further undermined by lack of coordination of LED within local government.

Currently, local government, particularly local municipalities in the country, is in a state of crisis as a result of the challenges such as lack of skills and capacity which undermine the ability to fulfil its constitutional obligations (Kamara, 2017). Khambule (2018: 2) states that local government has been unable to meet citizens' demands because of inherent incapacities to plan for development, with major inabilities attributed to the lack of capacity within local municipalities; insufficient skilled LED practitioners; a lack of understanding of local economies; a lack of funding for LED; and a lack of integration between local authorities, communities and the business community. Furthermore, local governance challenges such as political interference, poor political leadership, lack of efficient bureaucracy and gross corruption negatively impact local municipalities by weakening their institutional ability and arrangements (Khambule, 2018; Van der Byl, 2014). This suggests that local governments in South Africa are riddled with various challenges that impede effective and successful LED planning and implementation. Hence, for successful LED, it is important to acknowledge and address these inherent challenges. In addition, LED initiatives should prioritise poverty alleviation and employment creation in order to grow the local economy and improve the living standards of local communities.

6. CONCLUSION AND RECOMMENDATIONS

Local government plays a critical role in coordinating LED planning and promotion, and the provision of most of the basic services which are important to the local economy and improvement of the standards of living for all local communities. In South Africa, LED is a mandatory function of local government which is entrenched in the constitution and other accompanying legislations. These frameworks are developed to guide LED planning and implementation at the national level and further mandate local government to play its facilitation and coordination role in LED. Local government should engage communities and other key stakeholders in participatory development processes which are all critical in the prioritisation of LED projects and programmes. The paper further highlights that there is an inadequate consensus on the roles played by the

different stakeholders as well as lack of common or universal meaning and understanding of LED and its different approaches. Effective LED should be based on partnerships between local government, local communities and the private sector as well as civil society organisations. The paper also identifies key challenges that impede effective and successful LED as shortage of resources, lack of skills and capacity, limited experience by local government, political interference, poor political leadership, lack of efficient bureaucracy, gross corruption, lack of funding for LED; ineffective LED methodologies for planning; poor coordination of partnerships and lack of coordination of LED. The paper notes that these challenges create a very difficult environment for LED planning and promotion.

In view of the above arguments, LED should be embraced as an approach which allows local government to play its critical role in local growth and the development of communities by engaging with various key stakeholders. To achieve this mandate and to address some of these challenges, local government should be meritocratic in its approach to governance on LED planning and implementation. The meritocratic system rejects the notion of patronage, nepotism, corruption, incompetence or incapacity and encourages the principles of equality and competence in the local government system. Additionally, since partnerships are central to LED, this system of governance will however require patriotism or patriotic citizenry. Patriotism will enforce active participation and a sense of belonging from ordinary citizens, accountability and transparency within local government. Meritocracy and patriotism in the society will allow the local government to effectively play its constitutional and developmental role of promoting LED and improving standards of living among local communities.

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