TABLE OF CONTENTS

ACKNOWLEDGEMENTS 1
CONTACT DETAILS 1
INTRODUCTION 2
THE KEY DRIVERS FOR LED 4
POLICY CONTEXT FOR LED 6
LED AND GOVERNANCE IN SOUTH AFRICA TODAY 7
WHY IS LED SO IMPORTANT? 9
WHAT IS LED? 10
The Vision 10
WHAT LED IS NOT! 14
WHAT NEEDS TO BE DONE? 15
At National Level 15
At Provincial Level 18
At Municipal Level 19
WHO DOES WHAT? MAKING THE CONNECTIONS 22
At National Level 22
At Provincial Level 22
At Municipal Level 23
CONCLUSION 26
BIBLIOGRAPHY 29
SA Government & associated sources 29
International & national references 30

ACKNOWLEDGEMENTS

These guidelines were produced by the Governance, Policy and Research Branch of the **dplg** following a consultative process involving the provinces, SALGA, and key national sector departments through the Economic and Employment Cluster of Directors General.

A series of consultative workshops were held with independent experts and the international donor community. Discussions were also held with tertiary academic institutions and practitioners.

A number of studies also within South Africa and abroad underpin these guidelines

The **dplg** thanks all the individuals and institutions whose contributions have assisted in shaping these guidelines.

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INTRODUCTION

Aims

1. The aim of these guidelines is to influence the way government practitioners in all three spheres understand, approach and implement Local Economic Development (LED) in South Africa.

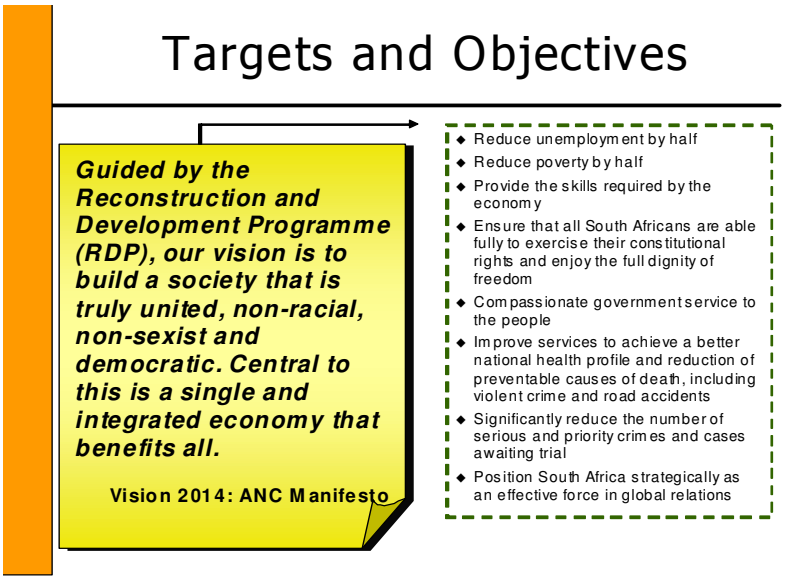
Context

2. These guidelines are prepared in the context of:

- *Towards a Ten Year Review* of government
- The 2004 electoral mandate
- The Medium Term Strategic Framework (MTSF)
- The January 2005 Cabinet Lekgotla
- The Micro-Economic Reform Strategy (MERS)
- The proposal to Cabinet (February 2005) for the harmonisation of municipal Integrated Development Plans (IDPs), Provincial Growth and Development Strategies (PGDSs), and the National Spatial Development Perspective (NSDP).

Targets & objectives

3. These guidelines are provided at an opportune time. Government has reviewed its performance in the first decade of democracy including LED implementation and has set clear targets and objectives for the second decade of democracy.



Growing the single economy

4. Effective implementation of LED in the second decade will be a critical contributor to government success in growing the national economy and building a "single and integrated economy that benefits all".

Closing the gaps

5. Effective implementation of LED can only occur through addressing the gaps that have emerged in practice thus far. These guidelines deal with these gaps directly and call for a bold and decisive shift if, as a country, we are to make inroads in eradicating poverty and creating sustainable work opportunities for the mass of South Africans trapped in the second economy.

Key role of districts & metros

6. In the second decade of democracy government has to focus on building robust and inclusive municipal economies at a district and metropolitan scale that contain a critical mass of production and consumption systems.

Moving from "project-based" approach

7. There should be a move away from an "isolated" project-based approach towards a focus on supporting productive networks of enterprises that are linked into broader support initiatives and markets for the sale of produce.

Developing real needs & potentials

8. Interventions will have to be based on the real needs of communities and the actual development potentials of district and metropolitan areas or of integrated economic regions that cut across administrative boundaries.

Aligning NSDP/PGDS/ IDPs

9. A government-wide approach to developing and supporting robust and inclusive municipal economies is required and should be facilitated through the active and dynamic alignment of the National Spatial Development Perspective (NSDP), Provincial Growth and Development Strategies (PGDSs), and District/Metro Integrated Development Plans (IDPs).

Promoting public & private investment

10. The central focus of government in implementing LED must be on creating an ideal environment for private sector investment through appropriate public sector investment and by supporting the retention, growth and development of enterprises be they private or co-operatives and whether they are small, medium or large.

Targeting public sector support

11. Enterprises that are job creating, promote environmental and ecological sustainability, promote social development, and broad-based black economic empowerment should be targeted for public sector support.

Actively-oriented procurement policies

12. The procurement regime of the public sector must be orientated towards supporting the above types of enterprises. Municipalities should utilise development facilitation instruments be they by-laws, management of development applications, land-use management systems and building plan

approvals to influence LED.

Public infrastructure & service investment

13. Government including municipalities must maximise job creation and local income creation opportunities through the enormous investments in public infrastructure and in the operation of services. In other words everything that government does must be deliberately aimed at impacting on patterns of ownership, production and supply within municipal economies.

THE KEY DRIVERS FOR LED

Supply & demand-sided interventions

14. There are two key drivers for LED in the context of a developmental state. The first is what national and provincial government do within district and metropolitan areas (supply-side measures). The second is what district and metropolitan municipalities together with local role players do to grow the local economy (self-driven measures).

Getting the balance right

15. These two drivers can work at odds with each other and lead to ineffective resource use and implementation. The more desirable approach and the ingredient for success is when these two drivers act in synergy.

MTSF & MERS

16. The first driver consists of macro-economic policy including the management of fiscal and monetary policy, the MTSF, as well as the micro-economic reform strategy (MERS).

MERS: key performance areas

17. The first driver creates the boundaries and limits within which public sector investment is set. It determines the levels of government spending, credit supply, and the stability and predictability required for domestic and international investor confidence. It is also aimed at creating effective and efficient conditions for employment creation. More focused implementation of the MERS will speed up investment and economic growth. The key performance areas of MERS are:

- economic growth;
- employment creation;
- competitiveness;
- broad-based economic empowerment; and
- appropriate geographic spread of economic activity.

18. MERS will focus on identified input sectors, growth sectors and cross cutting interventions.

"Input Sectors"

Targeting public investment

19. In relation to input sectors the focus will be on better macro planning to ensure more appropriate and targeted investment across geographic areas. This investment will relate mainly to infrastructure for water provision, energy, transport and telecommunications.

"Growth Sectors "

Enhancing sectoral support (1)

20. In relation to growth sectors the focus will be on further enhancements in the well performing tourism and auto sectors and in sectors that need more attention such as clothing and textiles, the ICT industry, agriculture, and the services sector. The latter in particular will receive major attention as it currently accounts for approximately 60% of the economy.

"Cross-Cutting Sectors"

Enhancing sectoral support (2)

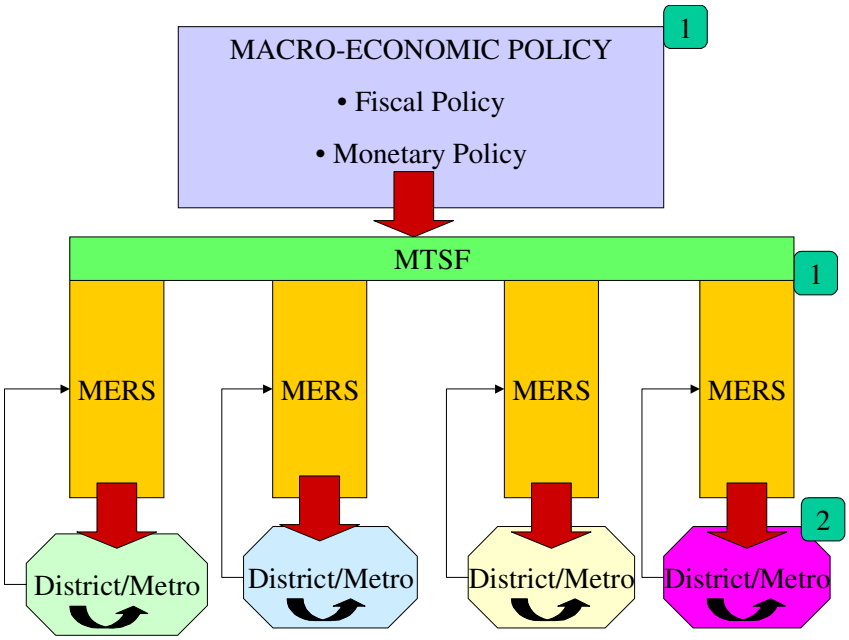
21. In relation to cross-cutting interventions the focus will be on areas that have already recorded some progress. These are Human Resource Development (HRD), Research and Development (R&D), Broad-Based Black Economic Empowerment (BBBEE), State-Owned Enterprise (SOE) restructuring and international marketing, amongst others.

Governance

22. In addition there are areas that still require major attention. These are related to support for micro-businesses, governance in SOEs and utilities, telecommunications, transport and logistics, and Local Government economic management.

Mobilising local communities

23. The second driver focuses on mobilising local communities in development action through effective district/Metro level LED. When this is combined with the supply-side measures (that themselves are geographically targeted and locally sensitive) under the framework of the relevant PGDS and the NSDP, it can be a potent method for addressing unemployment in a locally specific and appropriate manner.



POLICY CONTEXT FOR LED

The Constitutional imperative

24. Section 153 of the South African Constitution (1996) states that:

> *"A municipality must structure and manage its administration, 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."*

White Paper on Local Government 1998

25. *The White Paper on Local Government* (1998) reinforces this mandate. The White Paper introduces the concept of *"developmental local government",* which is defined as:

> *"Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives."*

26. *The White Paper goes on to state 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."*

The core functions of **dplg**

27. The responsibility for ensuring that local government has the resources and capacity to carry out its mandate lies with the Department of Provincial & Local Government, whose core functions, according to its Strategic Plan 2005-2010, are to:

- *"Facilitate and promote co-ordination among National Departments, Provincial Governments and Local Governments; and*
- *Provide support to provincial and Local Governments in fulfilling their constitutional mandates."*

Funded or unfunded mandate?

28. Whilst the Constitution (1996) places a great responsibility on municipalities to facilitate LED, the schedule in the Constitution that lists the functions of municipalities does not include LED. Many people therefore view LED as an un-funded mandate for municipalities and therefore funding for municipalities to play this role remains an open policy question.

Availability of governmental and non-governmental resources

29. However it is envisaged that municipalities play a connector role in respect of LED whereby they draw on resources locked in a range of different government support instruments into their localities. For example, municipalities can draw on the support of the Sector Education and Training Authorities (SETAs) to address skills development in their areas. They can draw on the support of the new Small Enterprise Development Agency at the Department of Trade and Industry to assist with the retention and growth

of enterprises in their area. Besides government support programmes there are a range of non-governmental support initiatives that municipalities can tap into for resources.

Municipalities to concentrate resources for LED support not run LED projects

30. The idea is not for municipalities to necessarily run programmes themselves but to focus on establishing forums to build partnerships and to network with a range of stakeholders. Whilst the question of formally recognising and funding the LED function of municipalities should be pursued this should not be used as an excuse for municipalities to remain passive in promoting LED. Municipalities should also combine local and district resources and focus on district-wide initiatives especially with regard to developing and implementing a district-wide LED strategy.

All municipal activity impacts on the local economy

31. Finally, LED should not be viewed only as a programme but everything the municipality does impacts on the local economy. For example, procurement policies can be structured to address the use of local labour, and all infrastructure development should reflect positively on the development of the local economy, whatever its primary purpose.

National & provincial government support for local economies

32. The other side of the coin is that government departments and other supporters should equally be more proactive in working with municipalities to promote LED. They should ensure that their support initiatives are relevant for local stakeholders and that their programmes are drawn up and presented in such a way as to be comprehensible and effective in the local context.

LED AND GOVERNANCE IN SOUTH AFRICA TODAY

National priority - job creation & poverty eradication

33. South Africa is a unitary state that consists of three distinct, interrelated and interdependent spheres of government. These three spheres of government - national, provincial (9 provinces), and local (284 municipalities) - are bound by the Constitution of the country to work together in the nation's interest. **The main nation-wide priority is employment creation and poverty eradication. Employment creation and poverty eradication are two sides of the same coin.**

Developmental role of the state

34. The State together with its organs and agencies has a key role to play in growing and developing the economy and fighting poverty. The State's duty is to create an enabling environment for people as individuals and as communities to organize themselves, take control of their destiny and work towards prosperity. The State has a developmental role and works together with the people in a "people's contract" to find solutions to their economic, social, and material needs.

The People's

35. Local Economic Development (LED) is an important instrument for

Contract

putting the "people's contract" into action:

- It is a territorial concept and an approach, which is based on the principles of synergy and partnership between local stakeholders, operating within localities;
- Through LED local people work together with the support and facilitation of the local state and with other external stakeholders to achieve sustainable economic growth and development that brings an improved quality of life for all in a defined area;
- LED has the potential to serve as a critical implementation component of a range of key recent government policies and programmes, including the Micro Economic Reform Strategy, the National Spatial Development Perspective and the Expanded Public Works Programme.

All citizens live within democratic local government areas with IDPs

36. For the first time in the history of our country, following the December 2000 local government elections, every piece of land falls within the jurisdiction of a municipality. There are 231 Local Municipalities (LMs), grouped into 47 District Municipalities (DMs) and there are 6 metropolitan districts, known as Metros, making a total of 284 municipalities. This means that all our people live in one or another municipality and are part of local level democratic structures. For the first time local people are participating through integrated development planning (IDP) in local level decision-making processes that impact on their lives. Local economic development strategies are key components of the IDPs that focus on the holistic development of municipal territories.

Need for integrated outcomes through the three spheres of government

37. All state action and economic activity converges in one or another municipal area. State success in supporting economic development will depend on the extent to which the three spheres of government align their development strategies, co-ordinate their actions and achieve integrated development outcomes in these municipal areas. Integrated outcomes are achieved when the development impact in a municipal area is bigger than the sum of the inputs and when social, economic, environmental, financial and institutional sustainability is enhanced.

The IGR vision

38. As part of our IGR (Intergovernmental Relations) vision, the State with all its organs and agencies must act in a coherent way to achieve integrated outcomes in different municipal areas:

District & Metro optimal platform for LED planning & co-ordination

- The DM and Metro areas provide a suitable platform for the coordination of state activity and a framework from which to ensure that locality-based development is being pursued to the benefit of local areas and all of their residents, in a fair and responsible manner, by municipalities and local partnerships;
- In economic terms, the DMs and Metro provide an area which is not too small (LMs) or too large (Provinces) to provide an optimal territorial area for the development of viable economies with a sufficient variety of social and human capital, goods and services, including public and private economic, business and labour market support and marketing services, as well as active stakeholder

networks, within a democratically recognised environment which all spheres of government can recognise.

WHY IS LED SO IMPORTANT?

The success of macro-economic policies

39. Since 1994, national macro economic policies and strategies have been successful in addressing many of the ills of the South African economy and promoting a degree of macro economic stability not seen in the country for four decades. These advances create opportunities for real increases in expenditure on social services, they reduce the costs and risks for all investors, and therefore lay the foundation for increased investment and growth.

The problem of the two economies

40. However, the steady rate of economic growth, in real terms, is still far from what is required to effect large scale transformation and the economy has yet to attain its full competitive potential in the global economy. The skills of South Africans are generally inadequate to meet the demands of the new economy that is service and knowledge-driven. Poverty levels and unemployment remain high as indicated by the 2001 census results. The income and skills gap between white and black South Africans remains extremely high and is accentuated by the fact that South Africa is still characterised by two parallel economies.

The Second Economy

41. The First Economy is modern, produces the bulk of our country's wealth and is well integrated within the global economy. The Second Economy is characterised by underdevelopment, it contributes little to the GDP, contains the majority of our population, incorporates our rural and urban poor, is to a high degree structurally disconnected from both the first and the global economy, and is incapable of self-generated growth and development.

Facilitating the development & integration of the Second Economy into the First

42. The two economies are interdependent and both require the support, facilitation and intervention of a developmental state aimed at further enhancing the competitiveness and global connectedness of the First Economy and facilitating the development and integration of the Second Economy into the first. The Second Economy cannot achieve growth and development without large and sustained human, financial, and technological resource transfers from the First Economy. The First Economy cannot realize its full potential, nor guarantee the social stability it needs, in the medium term, unless it achieves growth, and ensures the integration within its sphere of operation, of the majority of South Africans imprisoned within the Second Economy.

Strengthening the dialogue

43. Policies and actions are and have been developed by Government to hasten this process along. Among these were the Growth and Development

between macro economic and "robust & inclusive" municipal economies

Summit (June 2003), whose outcomes Government is committed to implementing in line with the precepts of GEAR, MERS (Micro Economic Reform Strategy) and the RDP. The aim is to establish a common understanding and approach to LED so that all partners (government, business, labour and community) are able to mutually reinforce each other's efforts in establishing and/or growing "robust and inclusive" local economies. All partners have agreed that, in moving forward, local level action and implementation remains a key challenge. These Guidelines seek to enable continuing dialogue between all partners in the local arena and to focus the dialogue on improving local economies, based on the context and needs of different municipal areas.

Supporting local stakeholders: breaking the cycle of poverty

44. The focus of this approach is on what the State with all its organs and agencies can do to support ordinary South Africans operating in local level partnerships to engage in economic activity. These ordinary South Africans live in different municipal areas and it is their own active involvement in shaping their own destiny that will ultimately break the cycle of poverty. The State's role is to assist and to create the conditions for local action to emerge and grow. This strategy is not intended to dictate what should happen in different municipalities but focuses on what the State can do to support local leaders, communities, businesses, NGOs, organised labour, and other stakeholders to realize their own objectives. It emphasizes the need for local people to work together with each other and with external role players to improve their lives.

Towards a more equitable environment

45. Notwithstanding this, there are numerous opportunities that go unrecognised. Many opportunities are not pursued. Many opportunities cannot be pursued because the circumstances do not allow this, either due to lack of state investment or unavailability of skills and resources. Many opportunities are only pursued by a minority of people and economic power is concentrated in the hands of a few. There are many needs that people have. Enterprises are not always able to design products and services to fulfil these needs. These factors collectively make up what is commonly referred to as market failure. Supply and demand are not in the ideal equilibrium, and distribution of income and resources is inequitable. There is an enormous and unacceptable gap between the incomes and resources of a small minority compared to those of the great majority of citizens. As long as this situation persists, the majority of citizens will not benefit from the real growth achieved in the First Economy, which in the medium-term will impact negatively on the rate of growth itself. **Local Economic Development is the principal tool to tackle this situation and bring all South African citizens into a modern, robust, and inclusive economic framework**.

WHAT IS LED?

The Vision

Robust and inclusive municipal economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives.

The vision of

46. The vision for LED in South Africa is that of robust and inclusive local economies that exploit local opportunities, address local needs and

robust & inclusive municipal economies

contribute to national development objectives such as economic growth and poverty eradication. These robust and inclusive local economies will show strength, inclusiveness and sustainability. They will support the growth and development of local employment, income and assets whether in the face of harsh constraints and external competition and capitalise on opportunities. They will generate:

- Intensive trade;
- The mixing and movement of people; and
- Captivating social, cultural, recreational, sports and tourism experiences.

The characteristics of robust & inclusive local economies

47. They will be ever-changing and easily adapt to new circumstances, consumer preferences and styles and product innovations. The active involvement and participation of residents in municipal affairs will be a hallmark of robust and inclusive local economies, characterised as follows:

Skilled & innovative human resources

- **The people** in these local economies, the citizens/communities of these local areas, are the biggest resource for local economic development. They are resourceful, skilled and able to take full advantage of economic opportunities. They are innovative and able to participate in and/or establish, run and grow thriving enterprises. They produce locally made and branded products for the domestic and international market that are of high quality and appeal to the needs of different consumers. They develop solutions and products that are affordable and meet the needs of poorer communities;

Local leadership

- **Their leaders** inspire confidence in the local economy and are able to mobilize resources for the advantage of local communities. They also make, manage and implement economic development strategies that are participatory, realistic, feasible and viable, yet creative, innovative and visionary in order to unleash potentials and grasp development opportunities. They work together with national and provincial government and development agencies to best position their local economies in the global context on an on-going basis;

Skilled & competitive workforce

- **The workforce** of these economies are well capacitated, appropriately skilled and appropriately remunerated. They provide a competitive edge for the businesses and industries functioning in the local area and serve as an attraction for new businesses and industries. They provide a constant and reliable flow of skills in pleasant and enjoyable working environments;

Natural, human, social & financial capital of area developed & available

- **The assets** (natural, physical, financial, human and social capital) of these local economies, including the local people, leadership and workforce is harnessed for the benefit of local economic development. The harnessing of these assets and their proper use and management serves as a lever for attracting and securing greater private sector investment and finances for the development of the local area. The unique natural and other features of these local areas are used to maximize locational advantage and importance;

High quality of

- These robust and inclusive local economies are part of local areas that provide **a high quality of life experience** for local residents, visitors and investors. The physical infrastructure, public amenities and facilities and public services are reliable, easily accessible,

life experience

efficient, and enable effective social and economic transactions. Local residents are part of reliable social safety nets that enable them to develop their skills and potentials so that they participate fully in the local economy;

Natural environment & sustainable human settlements

- **The natural environment, public spaces, settlements and buildings are attractive, appealing and desirable.** They inspire confidence in the local economy and the creation and maintenance thereof is in itself a constant source of work for local people;

Robust & inclusive municipal economies part of global networks

- **Robust and inclusive local economies are networked into local, provincial, national, continental and global economic dynamics and opportunities.** These local economies are linked up with external support initiatives, projects and programmes. They have reliable, fast and easy access to information and their people and enterprises take full advantage of the business development incentives, finances and support offered by government and other development agencies in different economic sectors. They also make full use of government policy on a range of issues and implement nation-wide priorities in a locally specific manner;

Functioning partnerships

- These economies have a range of **functioning partnerships** at different levels and between different parties that enhance the ability of local role players to take full advantage of economic opportunities. They also contain economic institutions and systems that provide constant and sustainable support and advocacy networks for local enterprises;

Retention of income in local areas

- **The income** earned by local residents is spent in **the local area**. This generates revenue for municipalities that enables the appropriate and sustained provision of infrastructure and services. The financial viability of municipalities is thus enhanced;

Local competitive advantage realised

- Each local economy has its own unique strengths – **its own competitive adv**antage - and contributes to national growth and development in a special way. The level, nature and form of the resilience and vibrancy of each local economy depend on the specific conditions, circumstances and potential of that area. Each area has its own vision, strategies and implementation methods that is borne out of local experience. This broad national vision is localized and put in context to give meaning and expression to the specific strengths, hopes and tenacity of local communities. This vision is proposed to inform the attitude of the State and the South African public towards Local Economic Development.

World Bank guideline

48. According to a very useful guideline prepared by the World Bank - "Local Economic Development (LED) is the process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all.

Practicing LED

49. Practicing local economic development means working directly to build up the economic capacity of a local area to improve its economic future. Prioritizing the local economy and increasing the productive capacity of local firms, entrepreneurs and workers is crucial if communities are to succeed in the fast changing world. The ability of communities to improve the lives of

their members today depends upon them being able to adapt to the fast changing and increasingly competitive market environment.

How to build a strong local economy

50. Each community has unique local conditions that can help or hinder its economic development. These local attributes will form the basis for designing and implementing a local economic development strategy. To build a strong local economy, each community can undertake a collaborative process to understand and act on its own strengths, weaknesses, opportunities and threats. It will then make its local area more attractive to business, workers, and supporting institutions.

Who does LED?

51. According to the World Bank's definition, successful private enterprises (and productive public-private partnerships) create wealth in local communities. Private enterprise, however, depends upon favourable local business conditions to achieve prosperity. **Local governments have an essential role in creating favourable environments for business success. LED is thus a partnership between local government, business and community interests.**"

The role of local government

52. *The White Paper on Local Government* (1998) introduces the concept of "*developmental local government*" which is defined as: *"Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives."* However the same document makes it clear that:

"Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities"

LED includes Community Economic Development & SMMEs without distinction

53. Artificial or semantic differentiations between SMMEs and "Community Economic Development" (CED) should be abandoned. The table below is drawn from Ntsika definitions, which are widely followed in South Africa. CED initiatives should be evaluated and supported or not according to SMME criteria. There cannot be one "economically viable" set of initiatives and one "soft" option for "communities." It doesn't make economic or social sense, and it is no "kindness" to communities.

SMALL MICRO AND MEDIUM ENTERPRISES (SMMEs) – including CO-OPERATIVES and SECTION 21 COMPANIES, NGOs and PRODUCER GROUPS supplying Goods and/or Services

MICRO:	Less than 5 employees
VERY SMALL:	5 to less than 20 employees
SMALL:	20 to less than 50 employees
MEDIUM:	50 to less than 200 employees

All enterprises run in a business-like like way by the stakeholders themselves

54. Whenever possible all projects should be run by the direct stakeholders as real businesses, and be registered companies - for or not for profit - or co-operatives. Where they are co-operatives, they should be properly registered under the required legislation (which is now being updated by Parliament) and operate in as business-like way as any small or medium-sized company. The difference lies in the social aims of the enterprise and perhaps its tax regime: not the efficient and business-like way it should be carrying out its activities according to its Articles of Association or Statute.

WHAT LED IS NOT!

Municipal programmes should focus

55. Local Economic Development is not about municipalities or other public bodies financing small local projects from the public purse. Nor it is about Mayors, Councillors or municipal officials trying to run or manage these or even larger projects. All too frequently these have been initiated without real business plans or any serious notion of sustainability, and they only last and provide temporary employment for as long as the public grant which created them lasts.

Real stakeholders must run LED

56. However, even when this is not so, and the projects are actually or potentially viable and sustainable, they should be run by the direct stakeholders as real businesses, as outlined above.

The LED Fund is closed

57. The LED Fund (LEDF) experience, which consisted of the allocation of poverty alleviation resources to local municipalities on a project basis over a five-year period from 1999, was concluded at the end of the 2003/4 financial year.

- Some projects started up under the LEDF were sustainable, did

Transfer assets of sustainable LEDF projects to legal entities

provide jobs and can be continued, provided they register as normal legal entities under the company's or co-operative's legislation, and that any assets which have been acquired are regularly transferred to the legal body in a way that satisfies public finance legislation.

Wind up unsustainable LEDF projects in legally correct manner

- Many, perhaps most, of the projects, however, could only survive with continued infusions of public money, therefore they are not sustainable and have been or must be wound up. Once again, even when running down or winding up these projects, care should be taken to ensure that any assets which have been acquired are regularly disposed of in a way that satisfies public finance legislation to the letter.

A new mindset is needed: LED is about developing robust & inclusive municipal economies, not small unsustainable projects

58. Despite successful projects, the way the LEDF was utilised, created a common perception that Local Economic Development consists of small "community" projects, usually of an unsustainable nature, needing constant injections of public funds and resources. The previous chapter tries to correct that misconception, but it is important that all municipalities adjust their mindsets, where necessary - as many have already done - and adapt to the need to support and encourage a wider and more vibrant concept of what the local economy is, should be, and can be.

WHAT NEEDS TO BE DONE?

At National Level

The need for IGR

59. The development of robust and inclusive local economies necessitates a high level of intergovernmental co-ordination, both horizontally (between national government departments) and vertically (through all three spheres of government).

Co-ordinate all government economic policies & communicate them well at local level

60. National government macro and micro economic policies and strategies such as the outcomes of the Growth and Development Summit, GEAR, MERS and the RDP form a solid policy foundation, which is enhanced by the MTSF and MTEF framework documents. The Broad-Based Black Economic Empowerment Policy and its accompanying legislation is another pillar on which the overall framework must be developed. The relevance and content of these policy formulations must however be understood and their inter-relationship explained so that all working in the field can understand, appreciate and diffuse their thinking.

MIG & EPWP:

Good physical & social infrastructure strengthens the

61. The same applies to the tools and instruments provided by National Government and the Provinces which can support the growth and development of local economies if used in an optimal way. **These include, for instance, the EPWP (Expanded Public Works Programme) and MIG**

local economy

(Municipal Infrastructure Grant). MIG is relevant to LED in two ways in particular:

Good planning & IDPs allow creation of successful small enterprises to provide permanent skilled jobs

- Good infrastructure - physical and social - serves the local economy and its development. It does not guarantee a successful local economy, but it can make an important contribution to it;
- The construction of good infrastructure needs labour and skilled resources. If there is proper planning then not only can short-term jobs be created, but more permanent local enterprises can be awarded much needed contracts, through correct procurement procedures, so allowing the resources to remain in the area now and in the future.

Good planning & IDPs allow external public resources to remain in the local economy

- A similar approach should where possible be adopted for the EPWP, transforming short-term, unskilled labouring jobs into small enterprise and co-operative creation, resulting in a more skilled workforce and permanent jobs in a local community.

Government-backed resources for human & social capital

62. Vitally-needed skills development resources are available through the Department of Labour and the SETAs, and entrepreneurial support will now be available from the newly created SEDA (Small Enterprise Development Agency), which is taking up the baton in this respect from the LBSCs and the NAMACs.

Sustainable alternative energy means lower costs for small producers and contributes to attaining Millenium Goals

63. The provision and affordability of energy is a vital component of any local development strategy. For the public authority simply to take charge of the burden – as is frequently proposed as an incentive to inward investment – is only a partial solution and not a very satisfactory one at that, since the energy concerned still has to be paid for (it is never free!) by the public, in this case, purse, rather than the private one. How much better if viable and sustainable alternative or mixed (grid, solar, wind, liquefied petroleum gas etc) sources could be developed such as those being experimented by the Department of Mineral Affairs and Energy's IeC (Integrated Energy Centre) Programme. These aim of making a "bundle" of energy sources, appliances and services available to even the remotest communities at affordable prices. The information aspect of each IeC aims to educate businesses and households about energy alternatives, energy efficiency and reducing both the direct and indirect costs of energy, including the health and safety issues. All of this activity is directed to lowering costs significantly for small producers and even poor households, while at the same time taking pressure off the grid, as well as contributing to the achievement of the United Nations Millennium Goals.

Vital role for tertiary education sector in LED

64. Universities should be providing relevant, updated courses and modules on local economic development-related issues. All over the world, LED is taught in a variety of post graduate courses, mainly linked to public administration, planning, social development and geography departments, and rather rarely in economic departments, underlining its strong relationship to the local territory and population and its holistic development. However these courses and modules need modernising if they are to produce graduates capable of playing a really useful role in LED, and at the same time, these same faculties and university departments should attune

and equip themselves far better to be able to assist and give vital input to the LED processes, choices and needs of the local and provincial government bodies where they are situated.

Crowding in government resources. Potential role of MPCCs

65. Many government departments, including DTI, Social Development, Agriculture, Arts and Culture, Environment and Tourism, and so forth, have strategies and resources for schemes to enhance employment creation and retention measures at local level and to stimulate local economies. However, the MTSF is the first to recognise that there is an urgent need to invest in infrastructure and systems to address communications failures reflected in the fact that most of those targeted by these programmes are not aware of the opportunities that exist – including one-stop government services in MPCCs (Multi-Purpose Community Centres).

Access to finance

66. Every effort must be made at National level to see that there is access to finance, in the form of loans or loans mixed with grants, to enable small producers from the previously disadvantaged communities to commence their activities, or to expand and grow them. The provisions of the recently agreed "Banking Charter" must be utilised to the maximum in this respect, with continual pressure on the banks to fulfil their side of the bargain. At the same time, the preparation and passage of new legislation being prepared to permit local savings and credit banks, including those of a co-operative nature, should be accelerated as much as possible.

A shared vision of LED as an integral part of government economic policy

67. It is extremely important, however, that government departments not only diffuse the relevant information and communicate the opportunities and resources at local level, but that this is done in a co-ordinated and prepared way, so that a single message goes out emanating from the shared vision of LED as an integral part of government economic policy.

68. This whole process needs to be continually stimulated, governed and facilitated. The National LED Forum established to create a focal point for LED in South Africa should work towards:

The National LED Forum

- Improving integrated economic **planning;**
- Co-ordinating **access to funding and finance** for LED initiatives and the creation of multi-sourced funding streams;
- Improving the **performance** of local government with respect to all aspects of local economic development;
- Assisting local government in identifying and capitalising on local competitive advantage for **territorial economic and social development;**
- Improving sustainable **access to investment finance** necessary to capitalise on **local competitive advantage** for economic development;
- Ensuring the **participation of previously disadvantaged communities** and individuals in the realisation of the opportunities offered by local economic development.

At Provincial Level

The role of the PGDS in the Provinces

69. The PGDS (Provincial Growth and Development Strategy) is the key instrument of provincial governments for understanding the needs of the provincial economies and developing the necessary sectoral strategies and interventions. In some provinces efforts are being made to develop the PGDS (S=Strategy) into a planning tool, PGDP (P=Plan).

The PGDS & the NSDP

70. In developing their PGDS the provinces need to have constant reference to all the national policies, resources and opportunities as outlined above, within the general framework of the NSDP (National Spatial Development Perspective).

The PGDS & the IDPs: the question of alignment

71. Furthermore, PGDSs need to be drawn up with constant reference also to the IDPs prepared by the District and Local Municipalities and Metros. Where the economic component of these is weak and/or superficial, the province must play its part in seeing that this aspect is strengthened, so as to ensure the enhanced harmony between the NSDP, the PGDSs and the IDPs.

PGDS sectoral policies and clusters. Marketing the region.

72. The sectoral policies identified in the PGDSs should highlight the concept of economic clustering: the crowding-in of many different enterprises within a particular value chain (agro-industry, mining, tourism, hides and tanning) in a wide local area. These clusters contain enterprises, co-operatives and producer groups of all types and sizes, each one fulfilling a role in the value chain itself. Competition between different enterprises in a cluster is desirable and healthy, since it leads to increased efficiency and higher quality, making a territorial area known for the excellence of its product, and supporting a high level of developed skills, know-how and innovative practices within the cluster.

Access to finance. Roles for Provincial development agencies & associated bodies.

73. Access to finance in the form of loans and/or grants is a major problem for small producers. Through their development agencies and bodies, the provinces must play a role in seeking to facilitate loan finance for small producers, either directly or through agreements with the finance institutions. Furthermore new legislation is currently in preparation to enable the formation of local savings and credit banks (including village banks), which should provide greater opportunities than exist now.

Making the “Big Three” work for LED

74. On average, 85% of provincial budgets goes on the “Big Three” of Health, Social Development and Education. And the poorer the province, the more true this is. Much of these resources are spent on salaries and grants, but there is also a considerable amount spent on providing services, for instance in hospital cleaning, home-based care for chronically and even terminally ill patients, school meals and transport for learners etc.

75. Important resources must always be targeted at the very poor and

Understanding the social sector as an integral part of LED over the long-term

needy, whose welfare and well-being are the duty of government. However, many of these services are now of a permanent nature and every effort should be made to ensure that they are carried out efficiently from all points of view, including financially, by legally constituted local companies, co-operatives or Non-Governmental Organisations (NGOs), who have gained the contract in question by correct procurement processes. Even in poor communities, therefore, where there is little external investment, the public sector can directly contribute to the creation of local entrepreneurship and proper permanent jobs, thus retaining the financial sources coming from government in the local economy. The opportunities presented by this approach should be reflected in the PGDS/IDP nexus and budgeted and planned for accordingly.

The vital role of the planning process. Short cuts can produce negative results

76. Planning and coherence are also important factors in the way in which provinces allocate resources to municipalities. End-of-financial-year dumping, especially in areas not prioritised either by the PGDSs or the IDPs can even be as unhelpful as not allocating resources at all, and is the result of poor planning and co-ordination between government spheres.

At Municipal Level

Always remember the Constitutional imperative

77. Elected government officials and managers in all provinces, District Municipalities and Metros must appreciate their primary duty to carrying their mandate under Section 153 of the South African Constitution (1996):

> *"A municipality must structure and manage its administration, 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."*

The duties of government officials at all levels

78. Elected government officials and managers in all provinces, District Municipalities and Metros must become completely cognisant of the IDPs and PGDSs and be prepared to reciprocally align and adjust them to ensure harmony and that goals are shared and that resources are used effectively.

The development of the local economy as a central, cross-cutting issue, not merely a "component" of the IDPs

79. Every effort must be made through all spheres of government, therefore, to ensure that the DMs and Metros have adequately trained and motivated staff, and that the totality of the public and private resources which are available are communicated to them in a comprehensible and holistic way. This should be a key thrust of Project Consolidate. The needs of the local economy and its development in the inclusive interests of all citizens must permeate every aspect of the IDP's, and not be regarded just as a "component." It is indeed a cross-cutting factor which must inform their general orientation, and at the same time it is the most realistic and dynamic way of uniting the Second Economy with the First.

80. The assistance and good use of the policies and instruments provided by National Government and by the provinces themselves is therefore a vital factor. However, if all these policies and resources are to be put to the

The relevance of the policies and instruments of national & provincial policies to the opportunities and competitive advantages of local economies

use they are intended: to provide long-term sustainable employment through economic and enterprise creation, retention and development, the municipalities themselves, especially the metros and districts, must be capacitated to understand these opportunities fully. They must see that they are available to the population in useful and accessible forms, and that what is on supply from government is relevant to the opportunities and competitive advantages of their areas:

- Where this is so, they must take the lead in bringing these opportunities and resources to the attention of the people in a digestible and accessible way;

- Where they are not, then once again, the DMs and Metros must be capable of interacting with the national and provincial bodies so that the necessary adjustments can be made.

Local government have prime role in promoting & implementing the" people's contract"

81. The municipalities are the sphere of government most directly in contact with the population. If the "People's Contract" is to have any meaning, the municipalities have the prime role in promoting and implementing it. This means that they must directly and actively work to stimulate the local economy and involve the population in understanding and taking up the opportunities present:

- The economic stakeholders forums to identify and exploit the local competitive advantages must be formed and/or serviced professionally and adequately;

- The networking and information exchanges discussed above must flow through them, and the DMs and Metros must be in the forefront of providing these services with qualified expertise.

LEDAs may provide needed services with guidance from local government

82. While a DM or Metro may form an agency or similar service body to carry out the technical aspects of these tasks, the policy responsibility for seeing that it is done, and that the IDPs and planning processes are fully informed regarding the economic potential and development of the area lies squarely and solely with the democratically elected municipality. Technical and policy skills for managing the local economy are both required in equal measure.

The "inclusive" imperative

83. Dynamic and inclusive systems for stimulating the participation of previously disadvantaged communities and individuals, particularly women, in the identification and implementation of economic activities must be developed. Particularly vulnerable groups such as the disabled and unemployed young people and orphans must be given special consideration and encouragement in order that they can enter into the "mainstream" of productive economic activity, through their participation in small but viable entrepreneurial activities and producer groups.

"Look for the Champions! Viva the

84. Networks of Champions and practitioners with a solid and up-to-date knowledge of the do's and don'ts of LED must be formed throughout the country, and recruited into the drive for the adoption and proliferation of

champions!"

good LED practices in all areas.

An ant-heap of LED activities at all levels

85. LED support offices must be set up in all provincial governments, district municipalities and metros, staffed by qualified personnel. This should be expanded where possible to local municipalities, where in any case councillors and officials should be trained in LED-related issues. These offices and the officials concerned should report directly to the municipal managers, and should carry out their duties in a close working relationship with the local stakeholder groups, partnerships and fora, whose establishment and servicing is one of their key tasks.

The urgent need to develop human capital & artisan skills, without which LED has no future

86. The human resources and capital of an area, the skilled workers and artisans, must be formed if the local economy is to be developed. The building of houses and physical infrastructure, setting up and running production facilities in the agro-industrial sector, for instance, restaurants or guesthouses, all require skilled working people, more than they need "generic" managers. All over the world, small enterprises are created and run by skilled artisans who have added entrepreneurial skills to their "vocational" and professional ones. LGWSETA LED programmes must be consolidated and expanded as widely as possible, and Labour Centres established, offering the skills training required in the given area as a result of the identification of the principal economic and/or cluster development foreseen for the area.

Challenge to the tertiary education sector to come to the party

87. The universities and tertiary education sector, though their institutes of government, development, planning and administration, and other faculties dealing with local developmental issues such as planning, social development, geography and economics, should provide courses and modules on LED, linking themselves to national and global networks to become part of centres of excellence, information and strategic formation.

The universities must participate in the planning & policy-formation, through their and curricula

88. National and provincial governments must play a role in stimulating the creation of these courses and ensuring the relevance of their content, and that the supply is sufficient in quantity and quality to meet the demand, supplementing it with workshops and seminars particularly in the current start-up phase. Opportunities to introduce informed and relevant LED content on the agenda of conferences, workshops and other meetings should be taken up as part of the campaign to expand and improve understanding of the importance of the issue and what actions need to be taken at all levels.

Local government must support and strengthen the social capital potential of its area, in all its forms

89. The social capital of each area must be enhanced and increased. This means that the municipalities themselves must encourage and support the creation of effective chambers of commerce and other business oriented bodies, including business development services. Efficient, functioning and representative NGOs should also be encouraged, not discouraged, to organise, stimulate and represent the interests of different sections of the population, especially those most at risk of marginalisation and exclusion, so that the council is always at the centre of a real dialogue in which all relevant stakeholders are actively present to stimulate and grow the local

economy.

WHO DOES WHAT? MAKING THE CONNECTIONS

At National Level

DMs & Metros at the cutting edge

90. A common understanding and shared vision of the aspirations, needs and potential of each of South Africa's District Municipalities (47) and Metros (6) must be developed across all spheres of government. These 53 democratically accountable administrative areas are at the cutting edge of the economic and social development of the territory as a whole. It is here that robust and inclusive local economies must be developed.

Making the most of opportunities provided by government & non-government bodies

91. All the opportunities to encourage, facilitate and stimulate local economies must be brought together to be analysed, quantified, packaged and communicated in comprehensible and digestible form among all spheres of government, and among all stakeholders of economic development. These opportunities are provided by and through:

- The policy, budgetary and planning instruments of national government;
- Programmes of national governments departments;
- State-owned enterprises and parastatal bodies;
- Private sector firms and bodies, including trade unions and NGOs; and
- The international donor community

Central role of the National LED Forum

92. The National LED Forum must kick-start this process, as an integral part of the intergovernmental planning process, overseeing the process and providing itself with the technical instruments to make this possible. These technical instruments should focus on partnership-based LED facilitation and energising innovation and excellence in local economic development, supported by a multi-sourced funding mechanism, combining government and off-budget resources,

At Provincial Level

Importance of Provincial LED Forums backed by OTP

93. Provinces should consider forming an LED Forum, or utilise existing forums, along similar lines and with similar aims to that at national level. All key stakeholders in the province must have a role to play in this co-ordination, in which government needs to play a leading role. Adequate co-ordination among provincial government departments is a must, with a key role to be played by the OTP (Office of the Premier), as the custodian of the PGDS.

Provincial LED Forums harmonising PGDSs and IDPs.

94. Provincial Forums should seek to co-ordinate the work of the National Forum in the context of each province, using it as a major opportunity to examine and strengthen the PGDS in the light of all the opportunities provided by national government, and also its knowledge and role with regard to the municipal IDPs, and the various provincially-based empowerment and investment bodies. The policies, content operations of the PGDSs and the provincially-based empowerment and investment bodies should be constantly strengthened and kept under review, to ensure a real and lasting positive effect on the development of the local economy in the province.

Empowered & qualified provincial government departments for developing & stimulating local economies.

95. Relevant provincial departments (usually of local government or economic affairs) should ensure a seriously qualified and empowered office to promote and co-ordinate dynamic practices for developing and stimulating the local economy. In any event, provincial departments of local government should always see this as a major delivery area which municipalities must provide for the communities and citizens.

LED & governance at local level

96. Local government departments in the provinces should support municipalities to address LED as a key governance capability. The role of economic affairs departments in the provinces together with provincial development agencies is to support municipalities with amongst others, technical economic development resources, funding, investor and business information.

Communicate & network opportunities

97. The results of this approach must be translated into action as well as analysis. The multiplicity of opportunities offered by national government departments and parastatal bodies, need to be communicated, networked and distributed throughout the province in an effective way. Where clusters have been identified, the province, operating in close liaison with the DMs and Metros directly concerned, must work to ensure that all technical and material support mechanisms are available to encourage and assure their success.

At Municipal Level

The leading role of the DMs & Metros

98. In the preceding chapter the potential leading role of District Municipalities and Metros was spelled-out, based on the contention that their size and concentration of potential resources and opportunities made them an optimal vehicle for promoting viable and sustainable LED.

DMs & Metros at the heart of LED planning & networking environment

99. Obviously in this context, Mayors, Councillors, Municipal Managers and officials have a vital and multiple role to play, at the heart of which is the stimulation and facilitation of the development of the local economy. The DMs and Metros should be at the centre of a planning and networking web, ensuring that municipal policies and practices are conducive of a good environment in which businesses, co-operatives and NGOs can thrive and

grow.

The IDPs at the centre of the process. Project Consolidate & the IDP "Hearings".

100. IDPs are sometimes criticised as being woefully inadequate to provide a serious planning and implementation tool for government at local level. Provinces should have been the first to understand this and flag it, but often the provinces themselves, or their relevant departments, have been inadequately capacitated to understand these weaknesses, and to intervene with corrective measures. Where such criticisms are well-founded, greater efforts and resources must be concentrated on the municipalities concerned, through Project Consolidate. The **dplg** has currently set in motion a series of "*IDP Hearings"* throughout the country for all DMs and Metros in order to check on the health of the IDPs. This will assist in correcting current inadequacies, but if they are not to recur, monitoring and evaluation mechanisms in all spheres of government must be established and become effective.

Control consultants, not be driven by them. The importance of good TORs

101. Every effort must be made to avoid IDPs or other key policy areas of municipal government, being "consultant-driven." Municipalities must learn to drive and control consultants, increasing their own capacity so that they are less reliant on them, and using them to carry out precise technical tasks, defined and governed by well drafted Terms of Reference with precise deliverables in exact time frames.

The importance of cluster development

102. Where the PGDS and IDP processes have identified potential cluster development, the DM or Metro must actively encourage and facilitate this choice:

- providing land or assisting in its acquisition, assuring that the necessary skills training facilities are present, relevant and accessible in the territory;

PPPs

- stimulating and facilitating PPPs (public-private partnerships) and the growth of co-operatives;

Co-operative support

- assisting in access to loans and grants for small producers to participate in the value chain of the clusters;
- facilitating the presence of BDS (business development services) and mentoring capacity to enable the small businesses and co-operatives to survive and grow; and

BDS promotion

Marketing

- promoting and marketing the area and its products.

PGDS support to cluster development

103. It is for the PGDS and the institutional bodies which carry it out to co-ordinate this cluster approach, supporting the DM or Metro area where the actual activities take place, and ensuring that the support mechanisms are in place.

The potential importance of Local Economic Development Agencies

104. In recent years many local government structures have established municipal-wide economic development bodies to give technical support to their LED strategies. Such bodies are not obligatory but those municipalities which have created or which support them in other ways, have learned their value and potential. In order that these bodies are most effective in their support to municipalities, clear policy guidelines should be prepared by the national LED Forum and/or its eventual technical support bodies. In brief, therefore, the main guiding principles of LEDAs are:

Public & private stakeholders take joint decisions about sustainable LED

- LEDAs are structures, organized at local level, where all the principal local stakeholders – public and private – objectively agree to take decisions about proposals and initiatives regarding sustainable economic development for a given local area, usually corresponding to a DM or Metro for the reasons already outlined;

Established by DM &/or Metro & including public & private stakeholders in local economy

- LEDAs should not be thought of as obligatory. They are optional solutions which a District or Metro may wish to pursue to stimulate and provide technical assistance to LED in the areas of their territorial competence. It is very likely that the local authority itself will play a key role in their establishment, but to be effective implementing bodies, they should be driven by the needs of local economic development, and their governing bodies should consist of representatives from all public and private stakeholders in the local economy, although in the initial stages, the District or Metro Council may play the largest role, especially in the poorer communities;

LEDAs should provide technical support

- LEDAs assure the technical conditions for the implementation of the initiatives, and they raise funds from private, public and donor sources, for financing them, with the main aim of providing opportunities for jobs through the promotion of the local economy and particularly through the establishment and/or consolidation of viable small and medium businesses and producer groups (such as co-operatives), with particular reference to the most vulnerable sections of the local population and through criteria of targeted support.

National LED Forum support to LEDAs

105. The National Forum and its technical support bodies, should support and monitor the LEDAs throughout the country, preparing guidelines, manuals, and giving technical assistance to assist in their establishment and sound functioning, and their correct integration into the network of LED-support bodies. However, it is very important that they are viewed as belonging to the local communities, and not as local structures of a national body.

Other agencies supported provided they promote inclusive & pro-poor LED policies

106. Many municipalities are also establishing area-based development agencies that function to provide a platform for public-private partnerships focused on demarcated areas within a municipality. These agencies must promote the public interest and their governance arrangements usually reflect majority public ownership. Whatever the type of agency, inclusiveness and pro-poor policies should be actively pursued by all types of development agencies.

LED often rolls over municipal boundaries

107. Often economic activities, clusters and markets extend across municipal boundaries. In these cases municipalities should follow the same economic dynamic and are encouraged to form partnerships and agencies that promote regional development to include the whole area concerned.

The real duties of municipalities

108. In summary, municipalities must:

- Earn the hallmark of a capable municipality;
- Emerge with innovative solutions to local challenges;

- Improve their financial viability;
- Learn to market their local area effectively;
- Deal effectively with local-level crises and/or structural economic changes;
- Address localised socio-economic challenges (and promote local development) whilst contributing to broader national (socio-economic) objectives;
- Mobilise local resources effectively;
- Encourage local initiative;
- Build local social capital;
- Create the conditions for local action to emerge;
- Seize development opportunities;
- Tap into networks, programmes and funds;
- Insert into an increasingly inter-connected global economy as a key centre of production, investment and innovation;
- Plug the leaks in the local economy (i.e. retain income); and
- Develop local skills.

CONCLUSION

Socio-economic development of the territory is a national priority

109. It is a national priority to achieve broad-based sustainable economic growth and development through job creation, poverty eradication, reduction of inequality and the overall increase of the wealth of the country. Furthermore, socio-economic development should be seen as an integral feature of the overall micro economic environment.

Urgent need to develop endogenous potential of innovative local employment creation

110. South Africa is integrating its different economies and communities. Multiple policy tools are accompanying the national integration effort. One analytical and planning tool for integration is the space economy. Within a spatial perspective the current picture indicates that 92% of the GDP of the country is concentrated in and around the main urban/peri-urban centres (magisterial districts) in the country. These areas also house 81% of the country's population and 75% of the poor. This means that public sector investment in economic infrastructure should be aimed at strengthening economic development in these areas.

- The focus of the public sector in areas outside of those where the majority of people are concentrated, should be on community empowerment, training and information provision, within an emphasis on developing endogenous potential.

- Public sector investment should be based on a dynamic engagement with the NSDP and provincial and local economic strategies. Ultimately all investment should be based on objective and justifiable analyses.

Appropriate urban & rural socio-economic development strategies needed: the global context

111. Local governments are concerned about the divide into "dual cities" and "dual local economies". The challenge in South Africa is thus to bridge the two economies and build on their relative strengths in a short amount of time. South Africa has to catch up with a whole range of challenges within a dynamic environment driven by both globalisation and urbanization that generally underpin economic development. In essence local government's access to capital markets and enhanced socio-economic development depends to a large extent on appropriate and inter-connected urban and rural development strategies.

Harnessing local skills & assets

Develop vibrant local economies within an integrated local economy

112. Against this background, the pressure is on the local economies to be instrumental in harnessing local skills, assets, leadership and their unique strengths to ensure attractive investment and business environments to the benefit of the local economies. To this end local economic development strategies should seek to promote self-sustaining economic growth and the development of vibrant municipalities within an integrated economy. Furthermore, South Africa has experienced the lack of coherent efforts as well as implementation assistance and poor design of national programmes. All of this is happening in the face of high expectations for employment opportunities and poverty reduction as well as income generation efforts.

The People's Contract and LED

113. South Africa has a unitary state that has to fulfil a developmental role. As such government works together with the people in a "peoples contract" to find solutions to development problems and challenges. The state aids and supports people to realize their own potentials and objectives. People are energized into self-action. LED is an important instrument for putting the "peoples contract" into action. State action converges in a municipal area and the district and metropolitan municipalities are suitable arenas for inter-sphere and cross-sector debate, discussion and economic development action.

LED Guidelines & local competitiveness: the territorial & sectoral dimension

114. These guidelines for LED seek to mobilise local people and local resources, within the framework of the PGDSs and NSDP, to become competitive in both the domestic and international markets. It augments the range of current sectoral initiatives to deal with the challenge of employment creation and brings into focus a territorial and localization dimension to these initiatives.

Building a shared understanding of LED

115. These guidelines are intended to build a shared understanding of LED in South Africa and put into context the role of local economies in the national economy. They place the emphasis on waging the battle against poverty "on the ground" at the local level by marshalling state action in a locally specific manner in support of local communities. The guidelines lay the basis for deepening community access to economic initiatives, support programmes and information and for the co-ordination of economic development planning and implementation across government and between key role players.

Poverty & unemployment halved by 2014 and a single economy achieved by 2030

116. By 2014 poverty and unemployment can be halved and by 2030 South Africa can have a single integrated economy and be amongst the leading economies in the world. This can happen through realising the vision of "robust and inclusive" local economies where people are seen and involved as one of the most important resources for economic development, where local leadership and assets are harnessed and where local economies are networked into intergovernmental partnerships and national and international resources, opportunities and programmes.

The principles of the *"White Paper on Local Government"*

117. The establishment and development of "robust and inclusive" local economies will occur if an appropriate understanding and attitude is adopted by all South Africans informed by the principles and objectives of *The White Paper on Local Government* (1998) and if there is a dedicated focus on the following actions:

- *"Marketing localities and creating the environment for investment;*
- *Support services for small business including access to finance;*
- *Assistance to targeted growth sectors;*
- *Tailoring of training and labour placement to local labour market condition;*
- *Capacitating and Transformation of government machinery; and*
- *Integrating and Co-ordinating across government."*

The LED Forum & the "Excellence Network."

118. The National LED Forum, operating through **dplg** in a broad intergovernmental partnership, supported by an LED excellence network, will play a key role in integrating state action, combining government and off-budget resources, and energising innovation and excellence in local economic development. ❒

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