



Making local economic development work

SOME REFLECTIONS FROM THE FIELD

Photo: Rodger Bosch/MediaClubSouthAfrica.com

Local economic development (LED) in South Africa has received considerable attention in recent months. This has ranged from LED-related conferences to the finalisation of a number of strategic national reports on the state of LED in South Africa. Progress certainly has been made with LED over the past decade, but these initiatives highlight the fact that the national LED landscape is still weighed down by many challenges.

This article sets out some reflections on LED in South Africa, especially regarding the capacity of local government to facilitate and drive LED. It argues that we cannot progress towards achieving 'vibrant local economies' if we do not get the basics right, which include having the appropriate institutions in place to drive the LED agenda, good-quality, productive partnerships with the private sector and the right leadership to make LED actually work.

Where do we start?

Differently resourced municipalities place different degrees of emphasis on the importance of LED. Cities and well-established towns generally put considerable effort and resources into improving the locational factors of their areas. These factors include

- efficient and effective infrastructure;
- good supporting institutions;



Photo: Graeme Williams/MediaClubSouthAfrica.com

- an efficient business environment; and
- appropriate housing and recreational facilities.

Such municipalities allocate appropriate resources and expertise to facilitate LED functions and advance their LED agenda. They also create linkages across related municipal functions to ensure optimum advantage in areas of business retention and expansion, land use management, zoning, business linkages and strategic economic investment. All this is done in good faith, on the assumption that the business sector will continue to operate effectively in these localities, create local employment opportunities and continue to contribute to the vibrancy and energy of the city or town.

While this is a strongly entrenched culture in many established centres, the picture in smaller towns and rural municipalities is starkly different. Unlike their city counterparts, rural areas and smaller towns, in many cases, operate in a context of scarcity. Limited expertise, fewer economic opportunities and, by default, lower rates bases imply that there is a widespread and visible divide between urban centres and rural locations.

Designing and managing an LED process in this context requires a different and more innovative approach to unlocking local potential. Experts working in these under-resourced areas often face more complex challenges and require a more integrated understanding of governance, locality development and the operation of business markets in peri-urban contexts in order to fully exploit the economic opportunities that exist there. The unfortunate reality is that this sophisticated LED skill is not readily available in our smaller towns and emerging regions.

If you asked any official or expert working in the field of LED what their most critical need is at the moment, the most common response would probably be 'capacity challenges'. In this sense 'capacity' is defined as an individual's capability to understand, define and manage an LED portfolio. Capacity should not, however, be limited to the skills of individuals, but should incorporate the organisational and environmental context as well.

At the level of individual LED training, the past two years have seen an increase in the number of training offers for officials wanting to learn more about LED. The partnership of the Development Bank of Southern Africa (DBSA), the German Agency for Technical Cooperation (GTZ), Capacity Building International (INWENT) and the Department of Cooperative Governance and Traditional Affairs (CGTA) alone trained more than 200 officials in a range of topics such as an introduction to LED, understanding the local business environment, governance and institutional arrangements in LED and stimulating competitiveness in local economies. Many of these courses are accredited, and a considerable effort has been made to ensure that officials and councillors have access to them in convenient locations. Furthermore, training is provided by a group of competent experts who, in most cases, are LED practitioners closely associated with the national South African LED Network.

These training offers are innovative, but they only address one aspect of the capacity challenge in LED. Much more is still needed at the organisational and institutional level to give life to the mandate of 'vibrant local economies'. Besides reinforcing a clear understanding of what a local economy is and how it functions, this support must include a bridge to link individual training provision to a more complex process of *effecting* institutional change. Part of this is creating an enabling space where learning can be applied and innovations tested, and where the real business of making local economies work can be operationalised.

This can only happen if there is high-level buy-in from senior managers and decision-makers in municipalities, and if this strong leadership role in LED is also reinforced by national and provincial departments. LED should therefore be seen as a unifying and cross-cutting theme in local government, based on a shared vision for each municipal area. This should be complemented by a thorough understanding of the roles and responsibilities required, from both public and private sector, to unlock local potential. For some practitioners, this may seem a daunting, even unrealistic, task, especially given the well-documented service delivery and capacity challenges in smaller towns and rural areas. The reality is, however, that we need to think differently about LED, and perhaps a change in perspective will bring us practical opportunities to do so.

Public and private stakeholders

Since LED is a participatory development process that is locally owned and takes place in a given territory, the contribution of both public and private stakeholders, as partners, is crucial. Local economic activity is stimulated by both state and non-state actors. Local employment, in the context of this partnership, is therefore created in a participatory, qualitative and collaborative way. This gives the public and private sector the opportunity to share responsibility. Each partner has a specific interest in LED, with defined roles. On the one hand local government is the catalyst, connector and facilitator, and on the other the private sector is an important innovator, opportunity seeker and business generator.

Even in rural areas with limited forms of economic activity, the collective knowledge of existing businesses and local producers contributes to market activity. We need to encourage more such market activity and ensure that more people can participate in this dynamism. Local government should therefore work with key market players to find ways to capitalise on and harness economic opportunities in their localities. This can only be achieved if there is a shared ownership of LED, both within the local authority and across the local private sector. It requires a different mindset in the management of economic development at municipal level and, by implication, a more strategic leadership that is genuinely focused on stimulating economic activity.

Is this possible?

It has been said that small changes can go a long way in creating the big shifts that are needed. Here are some catalytic steps that might contribute to these envisaged changes.

Give prominence to LED in municipal performance management systems

Ensuring that LED indicators are clearly outlined in the organisational scorecard and that achieving them is a shared responsibility of councillors and senior officials alike is an important starting point in prioritising LED in a municipality. This process ensures that all section 57 managers who have an impact on LED activities are fully aware of their responsibility for and expected contribution to LED.

Establish working relationships with the private sector

Since LED is a shared responsibility of the private and public sector, municipalities are meant to be connectors, enablers and facilitators, while the private sector makes its contribution by establishing and growing businesses and ensuring that economic activity remains vibrant. Both stakeholders are key, and it is important that public-private dialogue on locality development, good governance and the local business environment be encouraged.

Raise the profile and expectations of LED units

LED units need to be given the prominence they deserve for their cross-cutting, high-level and strategic function in municipalities. It is said that local government is the engine for economic growth, and yet the drivers and facilitators of the engine – in this case the LED team – are not always given the leverage they need to make the engine functional. Profiling LED and properly resourcing the right team to get on with the job is another important starting point.

Acknowledge the interconnectedness of LED functions

It is critical that the interconnectedness of LED with other key functions of municipal development be acknowledged. From basic service delivery, planning, zoning and land allocation to infrastructure maintenance and investment, economic development has a cross-functional purpose, and there is a strong need for joint ownership of economic outcomes.

IT'S HAPPENING IN ALEX !

COMMUNITY PARK

funded by the Alexandra Renewal Project

www.alexandra.co.za



Joburg

Promote a shared vision for economic development in the area

Having an LED strategy merely as a compliance document, whether realistic or 'pie in the sky', is not enough. Both council and officials need to engage with the private sector in refining, prioritising and designing appropriate strategies that unlock local potential. They should also work in partnership with the private sector on specific projects and programmes. This may seem unrealistic, but it is necessary if we truly believe in the developmental benefits that result from vibrant local economies.

See to the funding of LED initiatives

Funding can come from various sources, such as the European Union (EU), the DBSA, the Industrial Development Corporation of South Africa, the National Treasury's Neighbourhood Development Partnership Grant fund and the municipal infrastructure grant. It is therefore critical that LED officials be fully aware of these funding sources and how to apply. Furthermore, managing the portfolio of LED projects, once approval has been granted, requires another set of reporting, monitoring and management skills. It is critical that officials be in a position to competently navigate through this administrative function.

Finally, it should be stressed that many officials and councillors put a lot of effort into making sense of their local realities. As a result, they have become more realistic about the actual potential of their areas and possible institutional shortcomings. For this reason, many consider the establishment of LED agencies a vehicle for driving the economic agenda of their localities. Agencies have been

known to serve as important catalysts for unlocking, packaging and promoting viable economic opportunities in specific areas. This is only suitable, however, if certain preconditions have been met. (See IDC guidelines, 2008.)

Conclusion

Since LED is a cross-cutting theme, it requires a more creative approach to its management,

both within local government and

across the private sector. This multi-pronged, multi-stakeholder approach requires a sophisticated set of skills, because it involves managing, connecting, engaging and facilitating sometimes complex LED interventions. This becomes even more challenging in smaller towns and rural communities, where economic vibrancy is not always so evident.

With the huge LED capacity gaps that exist in South Africa, a good starting point could be to look at a more layered approach to the management of LED in differently capacitated and resourced areas. This suggests that we need to identify preconditions for good LED practice, match it with a differentiated and tailor-made approach accommodating local resources and conditions, and then gradually support the unlocking of economic potential through the promotion of strategic partnerships and unique solutions.

Establishing strategic and functional partnerships with the private sector is therefore imperative for LED. But so is making senior municipal management take shared ownership of LED outcomes. Getting this balance of a shared ownership and strategic leadership right, no matter how challenging the process, may be just the kind of institutional impetus that is needed in LED.



Faith Lawrence is an adviser in local economic development for the Strengthening Local Governance Programme of CGTA and GTZ.