

# The Significance of Local Economic Development; Challenges and solutions: the case of the Free State.

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# *Introduction & background to the study*

- The economic performance of most Free State municipalities has always been below 3.5% except for Fezile Dabi District (2005/14) despite the many opportunities
- Bigger municipalities are performing better than smaller municipalities
- Rapid urbanization coupled with liberal trade has fuelled high economic growth rates in many countries.
- However development practitioners have realised the importance of Local Economic development (LED) in order to grow local economies.
- Well executed LED strategies can assist municipalities to create jobs, alleviate poverty and improve the quality of life of majority of citizens.
- LED is defined as a process where the local actors share and shape the future of their locality



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# *Introduction & background to the study*

- LED is a participatory process where local communities, businesses, NGO'S and government come together to shape the future of their locality.
- The process encourages and facilitates partnerships between the local stakeholders, enabling joint design and implementation of strategies, based on competitive use of local resources.
- The strategies in designed in LED are aimed at, the promotion of competitiveness of the locality, enhancement of local economic growth, supporting job creation and supporting community development initiatives.
- The South African LED focuses on the development of local government with a touch of pro-poor strategies. Which means they lean towards job creation, reduction of poverty and safety nets.
- The other approach to LED is the pr-growth policy, which focuses on creating a conducive environment for economic development.



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# Methodology and the research question

- The paper examines the strategies and Units of LED in certain DM and their LM in the province and the challenges being experienced and solutions that can be developed.
- Not all municipal strategies were analyzed.
- The question is what are the challenges facing LED units and their strategies?: How can their efficiency be increased?: Do the strategies reflect the organisation and chart a way forward for economic growth and social development.
- The methodology will be primarily a desk top analysis with general discussions on the functioning of LED with some of the officials informally.



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# LED explained

- The purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for the communities.
- It is a collective process of working together to create a better conditions for economic growth and employment creation.
- It is an ongoing process that encompasses other processes within the municipality and is driven by local actors from different sectors of society.
- The decision of the collaboration forms an integral part of the broader strategic planning, for creating positive conditions for business development.



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# LED explained

- LED is an approach to development that encompasses a range of disciplines including physical planning, economics and marketing, all with the intention of building up the economy.
- The main aim is to develop a local strength and overcome weaknesses in order to allow the locality to successfully confront the opportunities and threats it faces from external and internal environment over a period of time.
- Traditionally the LED strategies were about sectoral approach to development, which had a top down approach and the central government playing a major role. However they were too remote to respond to local needs and challenges.
- Interests was on large infrastructural projects.



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# LED explained

- Recent LED Strategies ranges from market-led to pro-poor strategies.
- Market –led aims to enable local economies to adjust to macro-economic situations and give emphasis to entrepreneurship and expansion of the market.
- Whilst pro-poor strategies emphasizes community development and participation, local self reliance, empowerment, local cooperation and environmental sustainability approach.
- The strategy also seeks to empower disadvantaged and marginalized communities socio-economically and facilitate the redistribution of economic resources as a way of improving quality of life for all.

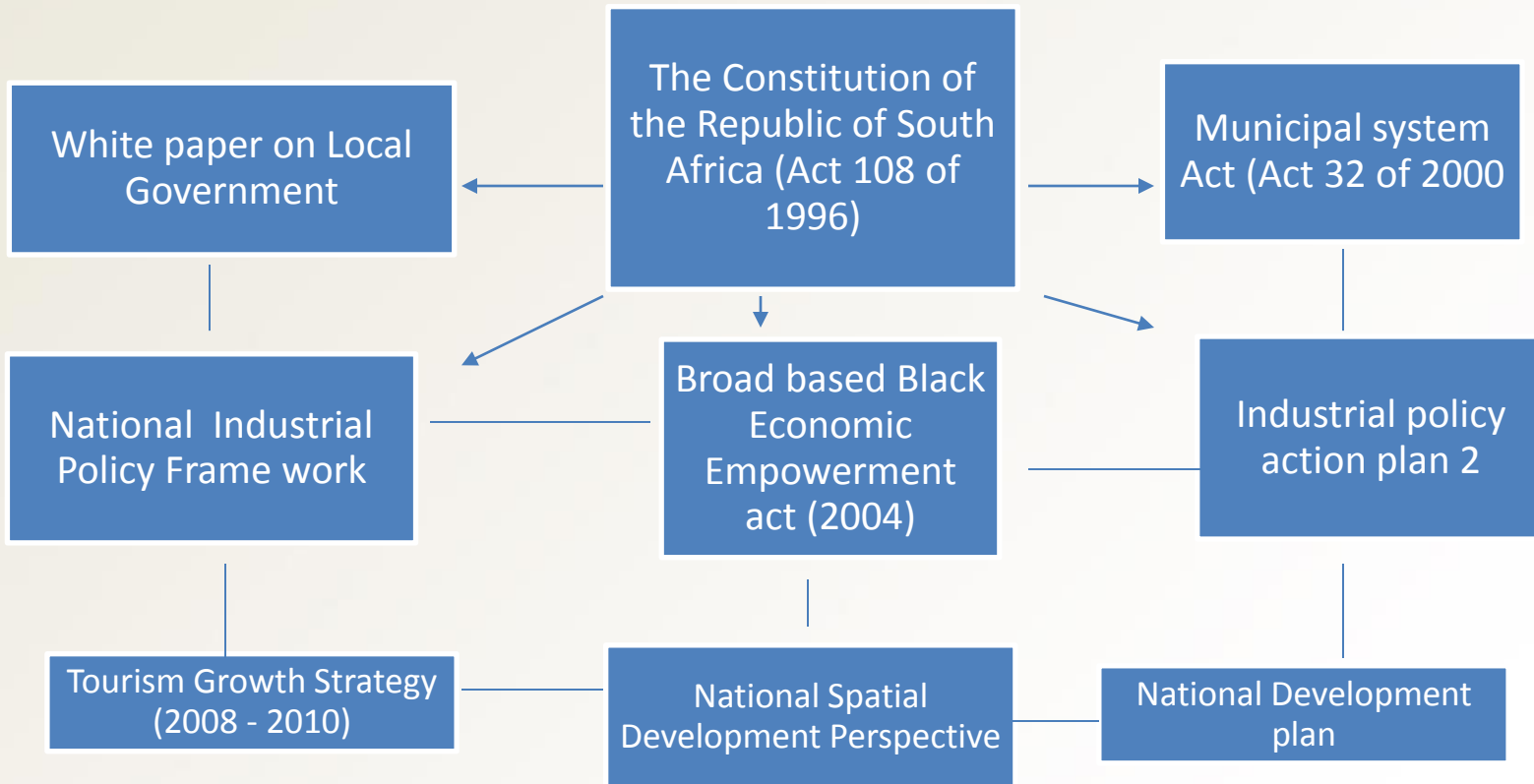


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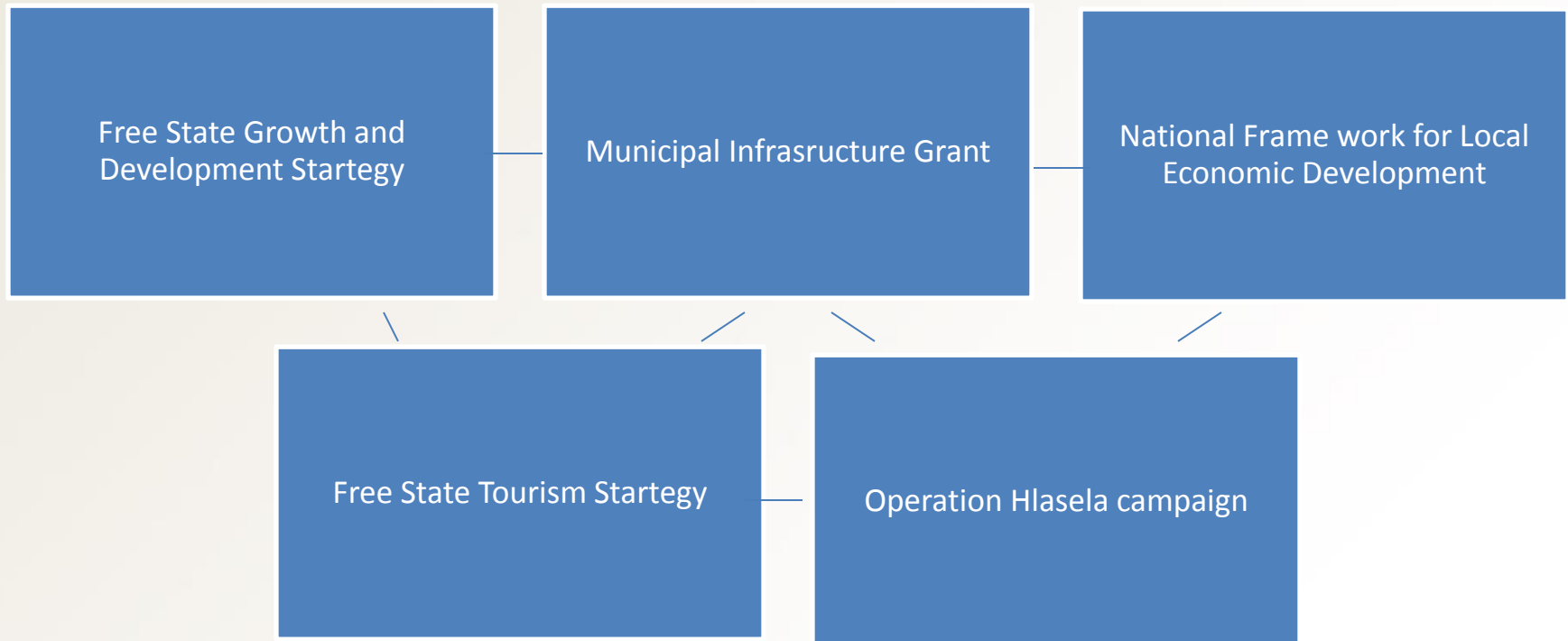
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# Legal and Policy Frame work



# Provincial Frame work: & District and Local



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# Legal and policy framework

- The constitution of the Republic of South Africa: it provides the foundation for a developmental model of local government. It describes the objectives of local government: a municipality must structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community and to promote social and economic development.
- The Municipal Systems Act: Local government is not directly responsible for creation of jobs. However they are responsible for overall economic and social environment and that they are more conducive to for the creation of employment opportunities and then lists the functions of municipal councils.



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# Legal and policy framework

- White paper on Local government: It urges Local government to provide household infrastructure and services, to create liveable integrated cities, towns and rural areas, and the promotion local economic development and community empowerment and redistribution.
- RDP: coordinated frame work for broadly based LED forum in municipalities to facilitate job creation and development.
- GEAR: It attempted to combine social policy objectives with economic priorities through the development of a competitive economy.
- New Growth Path: massive investment in infrastructure as a critical driver of jobs across the economy.
- National Frame work for Local Government: Build a shared understanding of LED & put into context the role of local economies in the national context.



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# Case Studies

## Xhariep

- 1 Manager and two Officers reporting to Planning and Social development.
- 2013 strategy, too vague as it included everything including cutting of diamonds which they do not have comparative advantage, difficult to implement.(a new strategy in the process)
- No service and electricity master plans mentioned.
- No mention of bulk services that can be coordinated from the district
- No marketing is mentioned in the strategy
- No joint projects

## Kopanong LM

- 1 Manager, 1 official and a data capturer for both LED and IDP.
- 2013 Strategy and is operational with implementable projects both pro-poor and pro-growth.
- Service master plans to be developed.
- Further development mentioned in the Gariep dam area (comparative advantage)
- Lack of funding for the projects mentioned
- Aging infrastructure
- Loss of skilled personnel in the municipality mentioned but no strategy to develop new skills.



# Case Studies

## Fezile Dabi

- 7 members including a director, a managers and 5 officers (mobile)
- 2013 strategy (to be reviewed in 2016) , strategy not aligned to municipalities.
- Lack of coordination because one of the municipality does not even have functioning LED unit.
- The strategy is implementable with target dates and responsibilities assigned to projects.
- Implementation dates with municipalities are not congruent with different priorities.
- Lack of funding mentioned in the strategy.
- Balanced between pro-growth and pro-poor.
- Aging infrastructure and lack of funding

## Mafube

- 1 Manager and 2 Officers
- 2015 strategy (no business chamber)
- Lack of economic and business information mentioned.
- Comparative advantage of the municipality taken care of in the strategy in terms of projects to be undertaken.
- Tourism strategy in place (an extension of LED strategy).
- Poor and aging infrastructure
- Lack of funding for LED projects.



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# Case Studies

## Thabo Mofutsanyane

- 1 Manager and 2 officers ( reporting to MM)
- 2013 strategy that looks like a report detailing the functions of the unit.
- No direction for the strategy
- The strategy does not fit the district it even mentions towns not found in the districts when it looks at agricultural output of the district.
- No SWOT analysis undertaken in the strategy.
- A desktop strategy with no stakeholder participation.
- No mention of service delivery plans.

## Dihlabeng

- 1 Director and 2 managers and 2 officers (reporting to MM)
- Starts with a SWOT analysis
- Implementable plans and projects but too broad
- Some marketing plans included in the strategy
- No service delivery plans of the level of infrastructure maintenance
- It mentions stake holders but does not say if they exist or consulted.
- Lack of funding with the mentioning of where the assistance for funding can come from.



# Challenges in LED

- How to harmonize the functions of LED beyond projects and programmes and trying to create jobs. The main role according to the constitution is to create conducive environment for investment through the provision of infrastructure.
- In most cases projects are scattered throughout municipalities and there is a lack of coordination for maximum economic activities.
- LED is more of an unfunded mandate because there is no clear formula for funding LED except for projects, which also needs project plans.
- There is lack of information on the environment in which they operate, an example will be assisting small businesses to source funds from the different sources of funding available nationwide.
- Unemployment is rising and municipalities are unable to fund their own programmes, and they are forced to ask for funding elsewhere with conditions attached.



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# Policy Implications

- LED should be clearly identified within the legislative frame work as a government function not implied. The roles and responsibilities should be clearly defined.
- National policy guidelines that spell out the local strategies and specific activities that adds up to the macro-economic policy at national level.
- LED structures should be strengthened to play a leading role in identifying business opportunities and creating an enabling environment for businesses to thrive.
- The role of the district LED needs to be clear and supported and also its coordination ability be spelled out.



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# Conclusion

- The challenges facing LED is a balancing act between economic Strategies to achieve both economic competitiveness and poverty eradication.
- The success of LED depends on the existence of partnerships between the different role players and the skills necessary to coordinate those partnerships.
- Most LED Strategies are pro-poor and seeks to create employment and poverty reduction rather than enhancing economic growth.
- Led is an ongoing process which has to create enabling environment and be sufficiently funded to carry out its pro-poor obligations.



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# Thanks!



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