



## Local Economic Development:

Unpacking potentials for accelerated  
transformation of Tanzania

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## DRIVERS OF CHANGE WITHIN THE LOCAL ECONOMIC DEVELOPMENT AGENDA

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## ABSTRACT

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The United Nations unpacks Local Economic Development as a participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalised. In the Sub-Saharan region, as simple and as fitting as it sounds, it has many connotations that are situational and must be tackled as such. Each and every country within the Sub-Saharan region has had its own past regimes that perpetuated embedded injustices to certain societies. Poverty, spatial segregation and access to resources, rights to land ownership, educational differences and widening inequality, are amongst some of the ills each and every society has faced as a result of past regimes. These were meant to oppress certain races for economic gains and servitude. Though the definition of Local Economic Development is fitting to deal with these injustices, the road towards the realisation of a participatory process by local people seems to be widening. This can be clearly seen in countries like South Africa, where the legacy of the previous regime has left an enormous and growing trust deficit. Where there is no trust, there cannot be a smooth participatory process. This is evidenced by the inability of municipalities to succeed in implementing the strategies of Local Economic Development in the local communities. Good strategies have been written, the question is, are they yielding the results? The glaring answer is embedded within the widening inequality, where SA has been declared as the most unequal nation amongst others, Liebbrandt, Finn and Woolard (2012) went as far as saying this inequality in the post-apartheid continues to grow. Clearly the Local Economic Development agenda seems not to be yielding the results as anticipated. A participatory process requires the meeting of the minds by all those involved, where the mindset of all the stakeholders must be in unison. Therefore, the paper seeks to interrogate more specifically, the hurdles within the value chain of the participatory process with an aim of strengthening the current strategies of LED in South Africa.

**Keywords:** Local Economic development, Strategy, Structural mindset, Stakeholders, Participatory process.



**Findings:** The LED agenda and definitions of LED put emphasis on social and economic environment solutions specific trajectory. In the case of South Africa, there is a clear picture of this exercise, where the constitution is clear on uplifting the previously excluded citizens livelihoods through LED. The greatest challenge seems to be the inability of stakeholders to collaborate and unanimously work towards an efficient implementation of LED. Historically, trust in the South African proposed initiatives has been lost because of the legacy that the government has inherited from the past. Therefore, in some cases there are no clear rules on engagement between the stakeholders, which subsequently affect any possible implementation of LED strategies.

**Methodology:** The study has followed a qualitative reflective research paradigm. The main guiding principle was to recognise that the study involves human experience, where predominantly personal and social process were employed as it is acceptable that it improves human relations (Allender, 1978). For LED to succeed in Africa, human relation is important in the whole of Africa. For this research, all the three researchers do not exercise unilateral control over their research, rather everyone who would participate in the articulation of this information will be viewed as a collaborator. The reflective comments from the audience will be viewed as a contribution (Jasper, 2005), to this tacit knowledge creation in Africa. To avoid biasness, the study conducted an analysis of the LED agenda documents of the South African context as a point of reference.

## 1.0 DRIVERS OF CHANGE WITHIN THE LOCAL ECONOMIC DEVELOPMENT OF SOUTH AFRICA

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### 1.1 INTRODUCTION

The literature around economic development in Sub-Saharan Africa highlights the uniqueness in approach when dealing with various country specific solutions. Practitioners have to take into account the dynamics of the colonial era, the product of its systems. Democratic dispensations were realised at different times across the region and the pre-democratic legacies came with different experiences. There is a general view that economic retrogression is predominant in the Sub-Saharan African region. However, Africa has been steadfast in claiming economic independence, starting from its respective niche socioeconomic environments. South Africa attained democracy later than many African countries and is often cited as the picture of a promising economy although the underlying dynamics project heavy disparities. One would ask, whether this is a normal trajectory, or it's the disposition of Africa to be viewed as incapable. In addition to the challenges of Africa, Yatta (2006a) stated that even the macro-economic policies were found to be no longer sufficient to attain inclusive economic growth. Africa realized these impediments and established a United Cities and Local Government (UCLGA) in the city of Tshwane in 2005. The mission of this establishment was to build African unity and drive development through the grass roots.

It is thus permissible to agree with authors like Rodrigues-Pose and Tijmastra (2012), when they advise that Sub-Saharan Africa is different, which call for exceptional solutions to its different developmental problems. Local Economic Development (LED) is likely to succeed only if the solutions are specifically tailor made and constantly adapted to changing “rules of the game”, the environment. Taking a closer look at the definition of LED may seem like an easy exercise, but it is not a one-size fit all kind of a solution. The aim of a LED agenda is to enable all previously disadvantaged communities to participate in their local economies, with encouragement and support, to reduce poverty and create

employment. In essence LED agenda is about creating sustainable local economies. The main argument about countries in Africa could be “Africa has always been pro-local economies, where villages were self-sustaining, by food production and livestock handling as a sign of wealth. Therefore, it is historically evident that self-sustaining activities in Africa were always the order of the day.

## 2.0 LITERATURE REVIEW

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### 2.1 Local Economic Development Agenda and the Evolution in South Africa

In general, the UN-Habitat (2009) defines LED as a “participatory process in which local people from all sectors work together to stimulate local commercial activity, resilient in a resilient and sustainable economy. It is thus a way to help create decent jobs and create quality of life for everyone, including the poor and the marginalized”.

Leigh and Blakely (2016:75) define LED as involving (i) creating a minimum standard of living; (ii), reducing inequality and (iii) promoting sustainable use of means of production and resources. These are all consistent with Local Economic Development being a niche branch of economic development which would simply be referred to simply as wealth creation (Nel & Rogerson, 2007; Leigh & Blakely, 2016:73). The introduction does indicate that, this agenda must be country specific from Rodrigues-Pose and Tijmastra (2007) depending on the space and time of a particular dispensation of a particular country. In some countries in Africa, it will be a matter of reinforcing what the regime tabled to achieve, in so far as the previously marginalised, whilst in countries like South Africa, it will be a matter of implementation of the policy.

In an ideal world, this should be an easy exercise, however, in South Africa, like the rest of Africa, it has always been pro-local economies (entrepreneurial). The main drive has

always been to survive, with an exception of a few like Richard Maponya, who pierced the ceiling and became a renowned master of local economic success. Regardless of the constraints by the apartheid regime, South Africans engaged in entrepreneurial activities. A good example would be that of shebeens, in addition to selling branded alcohol, this is where African beer was brewed by mainly BaSotho, Zulu and Xhosa women. This was creating a revenue stream for households to be self-sustaining. The apartheid government barred this mushrooming business in the townships and replaced it with municipal beer halls. Their hope was that no households should engage in this business, except the government. These women protested against this act by the government, but they did not win. These militant township women therefore came up with a new strategy. They brewed the beer and only got clients once the operating times of the beer hall have lapsed. Regardless of being subjected to arrest and the spilling of the beer that takes days to brew. Shebeen owners never lost the zeal to continue with business of selling homebrewed beer. This is one but of the many typical examples that the entrepreneurial mindset has always been part and parcel of Africa. At the same time, others grew cannabis and they also faced arrest and the burning of the fields they planted. After being released, they would start all over again and plant more and face the risk of going to jail again. Surprisingly today, cannabis is a commercial product including the beer which was once restricted, despite these changes the local economies - townships have yet to benefit from such mainstream developments across the African spectrum. There is no question that an Africans are entrepreneurial therefore, the LED agenda should have been easy to implement.

## **2.2 How did Local Economic Development gain traction in South Africa?**

Koma (2012) reminds us that apartheid in South Africa left a perilous imprint in human settlement and municipal institutions. The municipalities as state organs were not empowered to emancipate communities in so far as sustaining local economies. In the South African context, transformation required understanding that the local government was designed to perpetuate separation and inequity. The Group Areas Act of 1966 was



a key piece of legislation to further the aims of segregation within communities and races. Blacks were compulsorily removed from urban areas and apartheid in group areas as per their ethnic groups. This was aimed at avoiding collusion amongst the different ethnic groups. According to Elephant and Maphela (2018) apartheid laws segregated a majority of black people resulting in a systematic exclusion from the mainstream economy. Hofisi et al (2013: 592) asserts that there are various conceptual theories on what LED is and what it is supposed to achieve. This misunderstanding is worsened by approaches that embody the concept of LED. Hence the efficacy of LED in South Africa has been criticized for the failure to address inequality and poverty, this is attributed to various reasons including but not limited to resource and capacity constraints, exclusion of the private sector and other factors.

Referring to the LED definition, it can be deduced that in the South African environment, the agenda of LED had to be part of the corrective policies to overcome decades of exclusion. This factor is often overlooked in analyzing the challenges and the cause of failure in implementing LED policies by government. While it is true that a thorough conceptualization of LED is necessary, historical background which culminate in different developmental challenges should also be considered.

### **2.3 The Role of Local Government within the LED Agenda**

The South African Local Government Association (2000-2015) set out to play a crucial role of rebuilding local communities and environment as the basis for democratic, integrated, prosperous and truly non-racial society. The Constitution of South Africa (1996) mandates the local government to:

- Promote democratic and accountable government for local communities.
- Ensure the provision of services to communities in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment and encourage the involvement of communities and community organisations in matters of local government.

After the democratic elections in 1994, the first local government elections were held in 2002, where the local government was established as a third and independent sphere of government to deliver the said constitutional imperatives as well as address the injustices of the past regime at the local governance level. The subsections of the Constitution of South Africa, section 152(c) and 153(a) further state that the local government must be responsible for social and economic development. The local government must further structure and manage its administration; the budgetary process must give priority to the basic needs of the communities. Further to the mandate of the local government, the White Paper on Local Government of 1998, asserts that powers and functions of local government must be exercised in a way that meets the basic need of the poor and foster growth of local economies.

Whilst local government was mandated by the constitution to promote social and local development, proper planning came to be crucial. The Economic Development Department, whilst it plays an important role of economic planning, the National Planning Commission (NPC) supports this planning, by bringing together a coherent planning framework, where a number of different dimensions are taken into account. The main aim of NPC is to develop socioeconomic plans for South Africa, which help to realise the broader societal goals such as addressing the exclusion of marginalised races, by integrating them back into the main stream economy.

The NPC's work stream is to build coherence and local economic development plans. The planning by the commission in collaboration with the national departments and provinces centers on:

- Identifying corridors of opportunities across provinces
- Identifying economic clusters
- Identify comprehensive advantages in each province and linkages between them
- Build strategic relationships with local government
- Build coherence and links between national and provincial development agencies
- Identify social partnership opportunities to improve economic development.

## 2.4 The National Development Plan

The National Development Plan 2030 was designed to ensure that by 2030 South Africa's economy is able to diversify ownership of production, eliminate poverty and reduce inequality (Sienkiewicz, 2014). The National Development Plan (NDP) is the prevailing economic development blueprint of South Africa (National Development Plan, 2012). The NDP alludes in its action items to ensuring job creation is promoted in places where people live, to promote employment creation (National Development Plan, 2012:28). South Africa can only realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state and promoting leadership and partnerships throughout the society (NDP, 2030).

## 2.5 Local Governance within the LED Agenda

The department of Cooperative Governance (COGTA) sets out to ensure that all municipalities perform their basic responsibilities and functions without compromise by:

- Putting people and their concerns first (Batho Pele Principle),
- Encouraging and supporting the delivery of municipal services in the right quality standards,
- Promoting good governance,
- Transparency and accountability,
- Ensuring sound financial management,
- Building institutional resilience and administrative capacity.

The NDP, NPC, SALGA, COGTA and LGTAS in the sphere of local economic development all have one goal and these goals to tie back to the universal definition of Local Economic Development a “participatory process”.

## 3.0 ANALYSIS

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### 3.1 Local Economies as New Markets

Rogerson (2009) asserts that local economies are affected more than necessary by policies and processes formed at supranational level. The author cited market liberalization, expanding global production systems and changing terms of trade as major challenges of local markets. Hence in countries like South Africa even economic development has a particular focus on localisation and creating local value chains (Kilian, 2017). The importance of understanding the relevance in local value chains has taken a fundamental turn in contemporary economic development strategy (van Wyk, 2017). The global enterprise was once recognised as a global enterprise in a local setting bringing in employment and socioeconomic development, the national focus was skewed toward these global structures (Leigh and Blakely, 2016). Local communities have to take centre stage by participating in development and growth, competitively offering internationally traded products leading to 'glocal' value chains. Glocal means the interlinkage of global (global strategy) and local issues or activities (locally executed) (Dumitrescu and Vinerean, 2010). Kilian (2017) in reporting on strategy of the Department of Trade and Industry in South Africa highlights the efforts by government to improve localisation through local procurement policy which is targeted at creating more opportunities by localising value chains. The critical benefits of localisation for South Africa include economies of scale and reduced leakages (van Wyk, 2017:3). Localisation is a critical component of the LED agenda and if the benefits for localisation are enshrined in various government policy and frameworks where does the problem lie?

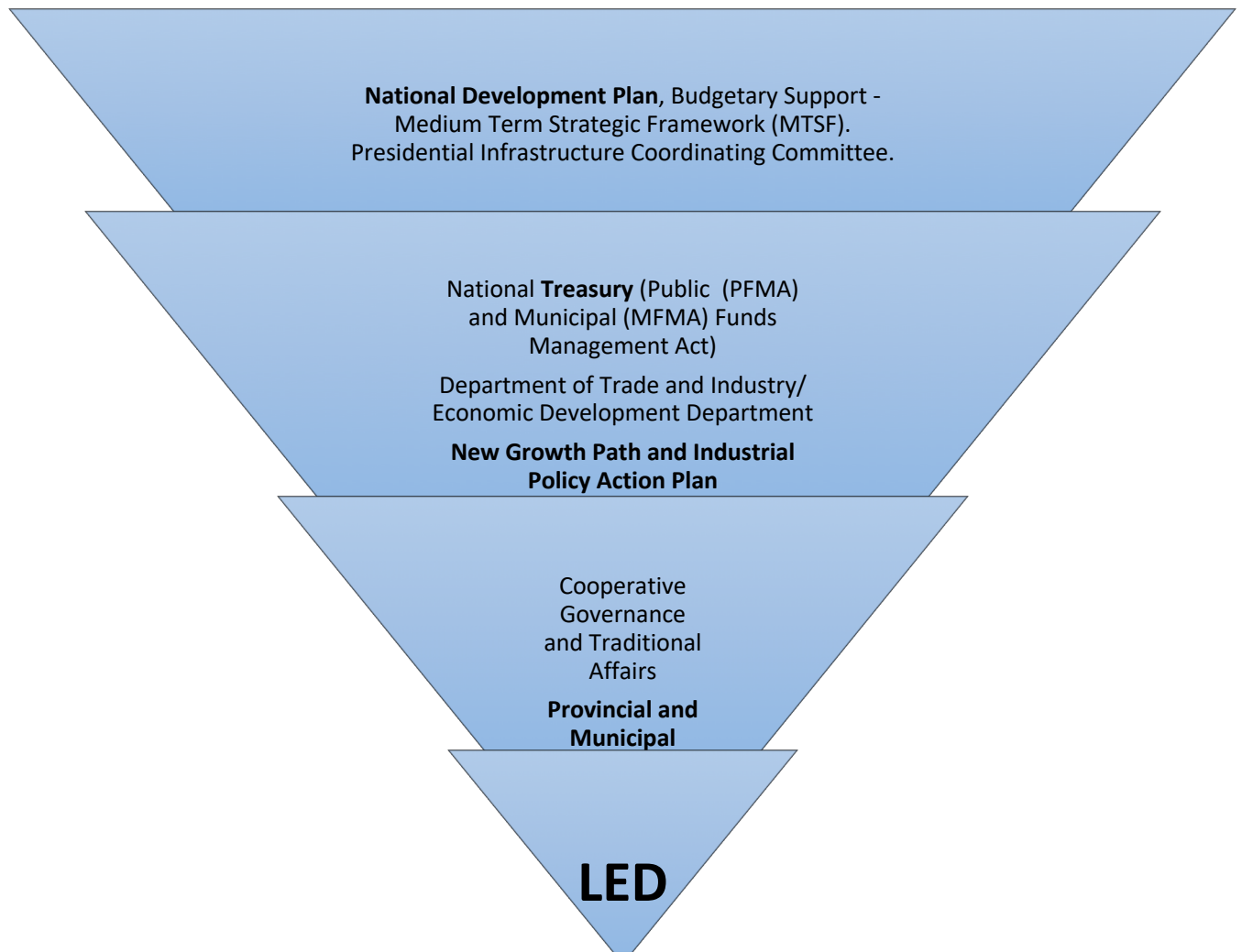
Local Economic Development (LED) is envisioned to be a participatory process involving various stakeholders or role players who steer economic development programmes with a local significance (UN Habitat, 2009). Moving beyond the political talk of LED and walking it in South Africa seems to be a serious challenge, national government is faced budgetary pressures therefore calling for alternative local solutions (Leigh and Blakely,

2016:56) (Rodriguez-Pose, 2017). An example of lacking political will is the 30% local procurement rule which states that all government departments have to embark on improving and sourcing from small local producers in South Africa but on the contrary, this seems to be barely yielding any results (Treasury, 2017). Another example there is also frustration from the beneficiaries of intended policies, in addition to targets such as Black Industrialists programme not being met by 70% on a ZAR500 million worth of government contracts (Killian, 2017), there seems to be lack of political will to ensure sustainability is maintained i.e. prompt payment of contracted Small to Medium Enterprises in South Africa (Treasury, 2018). These issues cause mistrust and lead to diminished motivation to participate, in a multi-stakeholder developmental setting when there is lack of trust between stakeholders there is no cohesion, social cohesion is one of the critical pillars of the National Development Plan (National Development Plan, 2012:28).

To achieve a new market, model a network of factors determining the socioeconomic structuring and functioning of local economics has to be brought together (Leigh and Blakely, 2016). Understanding the multi-stakeholder relationship for the practitioner is essential in managing and maintaining this complex relationship. The policy delineation below is an attempt to depict the cascading complexity in the Local Economic Development context of South Africa.

The responsibility of delivering local economic development is a multistakeholder matter that includes the collaborative input from all role players. A good multistakeholder-driven strategy requires the virtual collective of stakeholders to competently work with complexity (GIZ, 2011:46). Recognising the moving parts and making recalculations are required for the collective not to lose bearing. 'Collective learning', which requires intuitively engaging in discourse, affords one the ability to 'reinvent institutions' (GIZ, 2011:46), to actively engage role players in challenging ~~challenge~~ the rules of the game. Stakeholders are required to navigate the tectonic 'shifts of power' critical to 'deal with conflict' (GIZ, 2011:47). Active interaction is required for 'effective communication' with all stakeholders and to uphold 'collaborative leadership' (GIZ, 2011:47).

**Figure 1: Policy Delineation**



*Source: Authors compilation 2019*

The figure above purports a possibility of an easy planning process of LED in the South African context. Taking a closer look at the figure above, there is a possibility of overlapping of duties by departments. Many variables can be ascribed to the non-yielding of results towards a brighter picture of LED initiatives. In 2009, the late Minister Sicelo Shiceka commission Rogerson under a cooperation between South Africa and Germany, to write a strategy for strengthening local governance for South Africa. The following are the findings of the report:

- The national government was struggling to provide clarity provincial and local governments of LED
- There was a need to integrate and foster a closer cooperation between LED stakeholders and sector departments to maximize the results of LED
- LED needed appropriate scaling
- The role of provinces needed to be reinvigorated
- Closing of the gap between the practice of LED in large cities and small towns
- Disseminating good practice in LED
- LED needed to be handled with professionalism.
- Build LED networks and sustainable knowledge platforms
- Training professional staff and careers in LED
- Build an effective business sector to enhance local competitiveness.
- Examine the models of funding LED
- Understanding of local economics differentials for LED planning
- Close examination of the second economy.

In view of the above, it would not be surprising to find that the whole of Africa has or has experienced similar challenges at a point in time. Unfortunately, South Africa is currently mired by these challenges. Revising the South African constitution and its history and examining the definition of LED, the agenda of LED seems to be plausible to foster economic development from the grass roots. At this point it would not help to change the course of direction. A close examination of the challenges and their origin is a needed exercise. All the provinces must be invigorated by pointing out what each province has in its disposal in terms of resources. Rogerson (2009) further suggests that the initiatives of LED strategies must come from an engagement emanating from the grassroots, rather than a top down approach. The developmental needs must be informed by a territorial approach informed by the changing economic environment. Lastly promote key conditions for the development of economic conditions, as per the constitution of South Africa. Shannon (2018) in a review of the role of subnational governments, identified an increasing trend even in developed economies of bottom-up local and regional development and devolution which led to the increasing role of local authorities in local

development. This trend is becoming a policy objective which encapsulate diverse and varied LED functions carried out by local authorities to provide better environments for their citizens.



## 4.0 CONCLUSION

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In conclusion, the definition of LED was unpacked in great detail. It transpired that various role players adopted different definitions. It important to note that though that though the LED strategies have been tabled and passed there has been very little progress made. Different role players have different views on LED strategy it is important that the relationship between stakeholders be strengthened through cohesion and unity of purpose in this complex multi-stakeholder LED environment. Local Economic Development is enshrined in the Constitution and National Development Plan (the key development policy) but the content accentuates the facts that LED is not nationally acknowledged and accepted as a national policy as of yet. It appears that each role player has their own interpretation of Local Economic Development. LED related policy and frameworks are cascaded from the National government to all spheres and pushed down through all the municipalities in the South African context. Communities must also be afforded the opportunity and must be willing to be part of the LED agenda for it to realise success.

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