CHAPTER 2
Conceptual Framework

BROADENING THE UNDERSTANDING OF LOCAL ECONOMIC DEVELOPMENT

2.1. INTRODUCTION

This proceeding chapter will raise key issues in terms of understanding South African as well as international explanations of Local Economic Development (LED). This chapter will also summarise the ideas and strategies on LED that have been used in different contexts. More importantly, this chapter will holistically discus the following issues: firstly, the municipal governance in the post-apartheid South Africa, definition of LED, LED at the international realm, understanding the origin and the context of LED in South Africa, Constitution, laws and the policy context of LED. Secondly, this chapter will discuss the paradigm shift from RDP and GEAR frameworks, embracing Projects Consolidate, the emergence of ASGISA, LED and popular participation, LED at the centre of decentralization and globalization. Thirdly, the chapter will also reflect on these policy (RDP, GEAR, and LED framework documents) changes and research on LED, and fourthly, this chapter will provide an understanding of theories of institutional capacity.

2.2 Defining LED

LED has gone through different stages or waves (to be discussed in detail), and each wave has its own contextual definition of LED. During the first wave, LED was defined as top-down approach; where development was
predominantly based on mobile manufacturing investment, government providing massive grants, tax breaks and other benefits to investors. The second wave of the LED was also based on attracting investors, however targeting specific geographical areas or sectors, at this stage; central government was assisting in terms of direct payments to individual businesses, advices and training, infrastructure and others. The third wave, which is characterizing the current conjecture of development, is based on partnership between government, community and business.

In addition, the World Bank (2000: 1) defines the current context or wave of Local Economic Development (LED) as “about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community”. According to this definition, local government, private sector, non-profit organizations and non-governmental organizations should work together in achieving sustainable economic that will be of some significance in bringing about economic benefits and better quality of life within the community. According to the World Bank’s (2000) definition, “community” is described as a city, town, metropolitan area, or district.

The focal point of LED in the community is on possible and appropriate strategies that local stakeholders can employ to ensure that the community attains its objectives. Moreover, LED assesses a community’s comparative advantage, identifies new or existing market opportunities for business, and reduces obstacles to business expansion and creation (World Bank, 2000). RSA (2005, 2006b) also concurs with the definition given by World Bank that the definition of LED is about creating better conditions for economic growth and employment generation, with the aim of improving the quality of life for all. However, approaches (to be discussed) in terms of achieving LED differ from country to country or municipality to municipality.
2.3 LED AT THE INTERNATIONAL REALM

The HSRC (2003) indicates that LED initiatives have been internationally implemented in response to various factors, such as, tremendous bolstering of decentralization of powers and decision-making to the local level, which in turn led to the weakening of central government/state in the economy within the neo-liberal era. Furthermore, Nel (2003) considered LED as a response to globalization forces, which are also strengthening the demise of the central state to execute local responsibilities. Nel (2001) further argues that the importance of the LED was realized after dubious results featured during the era of “Reaganomics” and “Thatcherism”, results achieved by macro level planning and regional development planning (Nel, 1999). Reaganomics (named after former American president, Reagan) and Thatcherism (named after British Prime Minister, Margaret Thatcher) refer to the systematic governance in which neo-liberal policies were the primary forces of the economy. These policies urged central governments to cut their subsidies on basic services such as grants, health and education. Arguably, those neo-liberal policies led to mass unemployment and a vast increase in inequality between rich and poor.

The causes for the emergence of the LED in the North are not totally dissimilar to LED stimulants that have been experienced in the South. The major factor that constitutes any significant difference is that these trends took place at different rates (Nel, 2001). The impact of globalization and global economic crisis played a fundamental role in instituting local economic initiatives across the globe (Taylor and Mackenzie, 1992). But nevertheless, other causes that need to be taken into consideration in the South are debt crisis, imposed structural adjustment, incapacity of many states to get involved at local level, substantial depreciation of currency
and endless natural and political disasters that are (or have been) taking place in the region (Nel, 2001).

Notwithstanding all these different causes, the notion of LED has been perceived to embody similar objectives and/or end products of LED internationally, understood in terms of, for example, job creation, empowerment, and economic growth by creating vibrant local economic sustainability. Nevertheless, the way in which these goals are to be achieved is debatable.

2.3.1 Evolution of LED internationally

LED has been implemented in many countries, but with different approaches and focuses. Therefore, it is fundamental for one to reflect on the history, stages or rather waves of LED. These waves were influenced by different socio-economic factors that prevailed at a particular time.

2.3.1.1 First Wave: 1960s to early 1980s

During this particular wave, the focus was on mobile manufacturing investments, particularly on foreign direct investment. Hard infrastructure investment was used as an instrument to enhance LED. Hard infrastructure investment involves investing on improving the physical environment for businesses such that it becomes attractive for business retention, expansion as well as recruitment. Moreover, the focus was also on building or improving access to roads, airports, ports, railways for passengers and goods and services, industrial sites and buildings. Other infrastructure such as industrial and portable water, sewerage and disposal system, telecommunication system as well as the energy system were given much attention in terms of enhancing LED. Nonetheless, strategies that were used...
to attract investors or to achieve LED objectives during this time include massive grants, subsidized loans usually aimed at inward investing manufacturers, tax breaks, subsidized hard infrastructure investments and expensive ‘low road’ industrial recruitment techniques (www.worldbank.org).

2.3.1.2 Second Wave: 1960s to mid 1990s

The movement towards the retention and growing of local businesses characterized this wave. The attraction of inward investment was still emphasized as one of the important focuses in terms of LED. However, specific preferences were given to specific geographic areas. Cities used certain tools to achieve these missions, for example, direct payments to individual businesses, Business incubators/work space, advice and training small-and-medium sized firms, technical support and some hard and soft infrastructure investments (www.worldbank.org).

2.3.1.3 Third Wave: Late 1990s onwards

The focal point at this time is around making the entire business environment conducive to and for business, through soft infrastructure Investment such as provision of skills, supporting research and development, provision of business advisory service, provision of access to capital and finance, supporting the development of business and trade associations, and so forth. Cities are also focusing on building public/private partnerships (PPPs), networking, as well as the leveraging of private sector investments for the public good. In addition, most cities are focusing on inward investment attraction to add to the competitive advantages of local areas. There are different tools that are used by cities across the world pertaining to the achievement of LED. These tools involve developing a
holistic strategy aimed at growing local firms, providing a competitive local investment climate, supporting and encouraging networking and collaboration, encouraging the development of business clusters, encouraging workforce development and education. In addition, cities closely target inward investment to support cluster growth as well as supporting quality of life improvements (www.worldbank.org).

2.3.2. Different approaches to LED

The latter part of this chapter states that economic needs differ fundamentally from country to country; many countries have different economic aims at different periods and contexts. However, some of the LED approaches that have been utilized by municipalities across the world are:

- Traditional approaches/market-led approach—focusing strongly on attracting (primarily manufacturing) investment through incentives like cheap land, reduced rates; taxes breaks or direct financial rewards. For example, South African government/cities like Johannesburg were using this approach during apartheid era (Bond, 2002).
- Entrepreneurial/pro-market approach—competitive strategies focused the notion of local comparative advantage and small business in job creation, Rhodes et al (2005) implicate Johannesburg as one of the cities providing local policies that are aligned with pro-market or growth, striving to build “world class cities”.
- Urban Efficiency—emphasizing that local authorities should raise urban productivity by lowering the cost of living and opening businesses in the locality, although others are arguing that urban efficiency will be realizable if there is a minimization of state
intervention, especially by cutting taxes and service charges and also privatizing some of the services.

- **Human Resource Development**—emphasizing skills for local authorities responsible for LED as well as provision of skills to local communities concerning issues of LED. For example, Mozambique is one of the countries which encourages local business growth and new enterprise by providing local businesses with skills and other forms of technical assistance ([www.worldbank.org](http://www.worldbank.org)), policy guidelines for implementing local economic development (draft policy) is also advocating human resource development.

- **Community-based/market-critical/pro-poor approach**—emphasizing the importance of working directly with low-income communities (RSA, 1997), eg., Ethekwini Municipality (Durban), pro-poor issues are a focal point of policy, poor communities are prioritized in the policy in terms of service provision, other cities which are having pro-poor policies include Mangaung, Ekurhuleni (Rhodes et al, 2005), other cities in Ukraine (Central Europe) ([www.worldbank.org](http://www.worldbank.org)), and so forth.

- **Pro-poor growth**—emphasizing the combination of pro-poor and pro-market approach, this is something which is emerging in South Africa, supported by draft LED policies such as Framework for Local Economic Development in South Africa. This draft policy focuses on competitive city, while also promoting community development.
2.3.3. Broader intervention of LED

To implement LED, certain intervention measures need to be adhered to. For instance, some intervention measures will need to address financial, infrastructural, information, planning and training support. These broad LED interventions include finance support, land and building development, information and market assistance, new planning and organizational structures, as well as training and employment (Nel, 2001). However, these interventions also depend on the approach used in a particular context.

2.3.4. Key LED programs and projects

There are various programs which government can choose in terms of planning or executing LED. However, these programs are contextually specific (World Bank, 2006). In other words, they depend on the needs of the community, political, social and economic conditions of the city, town, metropolitan area or sub-regional area. There are some of the well-known programs and projects that have been applied internationally as recommended by World Bank (2006), such as:

- Facilitating the local business environment to ensure that it is conducive to major businesses and sectors in the area
  - Encouraging small and medium and micro-Enterprise (SMMEs)
  - Promoting new enterprise
  - Attracting investment from elsewhere through incentives
  - Investing in physical (hard and soft) infrastructures
  - Supporting the growth of particular clusters of businesses
  - City for regeneration or urban renewal projects/programs
- Targeting certain disadvantaged groups
- Poverty reduction to promote equity

2.4. MUNICIPAL GOVERNANCE IN THE POST-APARTHEID SOUTH AFRICA

Up to the 1990s, South African local government was typified by segregation and apartheid laws, which marginalized the black majority, creating an over-abundance of resources and other services for the white minority's cities (Hadenius, 2003). However, the aftermath of apartheid introduced a plethora of debates (on local government legislation, institutional arrangement, decentralization of local government and so forth) concerning the status quo of (the then) local government in South Africa with the aim of restructuring local governance.

Hadenius (2003) articulates that the South African government, with all major political parties, jointly opted for a “strong developmental government”, with the aim of redressing the legacy of apartheid. In a South African context, there are different characteristics of developmental local government, which South African municipalities should execute as part of redressing the past legacy. These are: service delivery, social development and economic growth, coordination and integration (providing leadership to private sector and civil society), public participation and spatial integration as well as a strongly capacitated municipality (RSA, 1998), which is able to deliver on its expanded and implementation orientated mandate. Nevertheless, during the apartheid era, many developing countries were far less concerned about developmental issues, and the focus was on military or fighting for political powers (Hadenius, 2003).

Municipalities developed various pragmatic policies and strategies including local economic strategies. Mayer-Stamer (2003a) commented that while LED
appeared as a voluntary activity in many states or local governments, in South Africa it emanated as a mandatory activity. “However, there is no clear concept and no consistent pattern of implementation (Tomlinson 2003)”. In addition, LED in South Africa is mandatory activity, which is at the same time not well funded. Municipalities are mandated to implement policies which are coordinated at national level. For example, LED policy is drafted and coordinated by national government, and implemented by municipalities. At the same time national policy also obliges municipalities to draft their own contextual local LED policies and strategies, based on the needs of the local people. This means that municipal officials and municipal councilors are playing the leading role in terms of promoting and facilitating the process of local economic development (Hindsond and Vincente, 2005)

2.5. UNDERSTANDING THE ORIGIN AND THE CONTEXT OF LED IN SOUTH AFRICA

The preceding section was a brief reflection of how municipal governance operates in the post apartheid era, particularly with regard to LED. Nonetheless, South African LED has also evolved like in many countries in terms of realizing its LED’s aims and objectives. According to Bond (2001), the LED approach in South Africa was instigated as a response to apartheid legacy. Rogerson (2004) pointed out that under apartheid spatial planning; much weight was positioned on a top-down regional policy intervention, which was centered on promoting industrial decentralization in the marginalized Homelands and Bantustan regions of the country. LED explicitly was not developed as a government policy during the apartheid system in South Africa. During this time, economic development was only reduced to small initiatives for place marketing intended to magnetize inward investment, which could be related to the focus and tools used
during the first wave of LED. However, the demise of apartheid in South Africa has echoed as a fundamental aspect of policy planning for reconstructing new local economies (Nel, 2001).

South African LED approach or debate took another dimension in the post-apartheid South Africa, particularly since in the late 1990s. The debate is now centered on pro-growth and pro-poor-economic intervention (Rogerson, 2004). Moreover, cities are nowadays accredited as economic agents, as mediators of economic processes and as providers of economic services (SACN, 2004). It then becomes municipalities’ responsibilities to come up with economic strategies and other necessary requirements in order promote successful LEDs.

RSA (2000) ‘s “Refocusing on the Poor” draft policy states that the most important objectives for municipal LED strategies or programs are job creation, sustainable urban and rural development, and explicitly pro-poor approaches within a holistic LED strategy. The LED approach promoted in this policy paper is innovative, creative and redistributive. LED is to be broadened and deepened to meeting, first and foremost, the needs of the poor, women, children, disabled and people living with HIV/AIDS”. This is a clear reflection of how South African LED is changing its direction; by now refocusing its development agenda on poor communities. But again, the direction of LED has been confusing rather than being clear, its methods and techniques have been altering, and this affected the well functioning and focus of the South African municipalities. For example, a direction from being pro-growth to pro-poor and now pro-poor-growth has been difficult for municipalities to understand or to follow.
2.5.1. Pushing back the second economy agenda

President Thabo Mbeki (2003) described South Africa as a country with two economies, the “first” and the second “economy”. The First Economy is modern, produces the immensity of the country’s wealth, and is integrated within the global economy. The Second Economy (or the Marginalized Economy) is characterized by underdevelopment, contributes little to the GDP, contains a big percentage of our population, constituted by the poorest of our rural and urban poor, it is structurally disconnected from both the First and the global economy, and it is also incapable of self-generated growth and development.

Hindson and Vicente (2005) argue that the notion of “the first and the second economy” in South Africa can best be understood through Lewis’s (1954) dual economy analysis. Lewis (1954) provides very useful analysis of economic development in countries that are characterized by small ‘capitalist sector’ and large ‘subsistence sector’. The retrogressive economic growth in the subsistence sector is caused mainly by the unlimited labour supply to ply to the capitalist sector. This transfer of labour by subsistence sector to capitalist is habitually cheap. This becomes an advantage for capitalist sector to reinvest their profit in order to accumulate more ‘capitalist surpluses’. In a classical Marxism’s perspective, capitalist surplus refers to “profit in the form of profit”. According to Marxism it is unpaid labour that is extracted from the worker by the capitalist, and serves as a fundamental source for capitalist accumulation. It is the labour that workers perform for their capitalist employers, beyond what is necessary to produce enough to pay for their wages (Marx, 1863). When this is perpetuated, the gap in relation to productivity between the two sectors is widened.
Lewis’ model is highly applicable to the South African context. A capitalist system was developed and fostered by colonialism and manifested by apartheid regime. During its earlier stages, capitalism in South Africa was characterized by a scarcity of labour and there was no surplus for capitalists. Therefore, the black majority population, in particular the unskilled, became a significant force in shaping the labor market within commercialized agriculture and mining. Furthermore, the apartheid laws pursued its segregationist policies on job reservation and urban influx control, which limited competition between black and white labour as well as promoting high wages for whites in the manufacturing sector.

With the elimination of the old regime and the establishment of a democratic South Africa in 1994, the notion of “the history of all hitherto existing society is the history of class struggle” as taken from the communist manifesto (1848) has not vanished. Hindson and Hindson (2006) hinted that democratic South Africa was coupled with labour market segmentation rather than equalization. The new democracy did not adequately manage to address the contours left by apartheid spatial policies. With the promotion of trade liberalization, capitalist form of production has only further expanded, and unemployment been on a steady increase as stated by the 2001 census results. The gap in terms of skills and income between white and black South Africans remains extremely high. Semi-skilled and unskilled workers have been forced into chronic unemployment in black townships, informal settlements and other rural areas. In addition, many workers have been retrenched, especially within the mining sector; other industries are employing people on part-time and casual basis (Hindson and Vicente, 2005).
There is a huge gap between the two economies, with the first economy fostering high standard and quality of living and the second facing ever-increasing poverty and unemployment. Up to this stage, government has not yet reached the stage of solving the dilemma of the two economies. There are some of the policy and strategic frameworks that government has been pursuing, although without much success, these policies include, GEAR framework; Poverty alleviation strategies through public works (in the form of Extended Public Works Program; Municipal Infrastructure Grant and so forth); LED policies and Broad Based Black Economic Empowerment (BBBEE).

The role of LED in South Africa should ideally engage with this loophole, that is, the gap between the two economies. The recent ASGISA (still to be discussed in this chapter) document also states that government will increase the level of public expenditure; promote Small, medium and micro-enterprises (SMMEs) and Broad-based Black Economic Empowerment in relation to the elimination of second Economy. Moreover, the African National Congress (ANC) (2005: 1) states, government must “specifically address the question of interventions for bottom up development, particularly in the townships and rural areas. Such interventions include investment in social and economic infrastructure, supporting local development and employment initiatives, especially for the activities of small enterprises and cooperatives and investment in education, training and health. The barriers of discrimination, as well as deficiencies in the spatial patterns of our communities, must be addressed in order to build staircases from the second into the first economy. We also need to build mechanisms that link people in the first economy - salary earners and businesses - to support activities in the second economy”. This becomes a complex responsibility of government at national, provincial and local
government levels, to intensify their human capacity and strategies to eliminate second economy

2.5.2. The demise of “smokestack-chasing”

In as much as South African government is concerned about poverty alleviation, creation of conducive business environment and job creation, it is also worth noting that government is discouraging municipalities to use old methods of attracting investment or promoting LED, thus, “smokestack chasing”. South Africa’s department of local government’s LED document entitled “Refocusing on the poor” defines “smokestack chasing” or “local boosterism” (Rogerson, 1995) as a tendency by municipalities, cities, regions or towns to provide incentives to investors, with the aim of enticing them (RSA, 2002).

Bond (2002) states that South Africa’s draft LED Policy Paper emerged as an instrument to deal with the past LED approaches, which were focusing on ‘smokestack-chasing’ strategies. Some of the LED strategies of the past included the “packaging of subsidies, tax holidays, and free infrastructure/services oriented to attracting outside industry. Increasingly, due to the self-defeating nature of ‘race-to-the-bottom’ competition, a new approach to LED has emerged that instead highlights the mobilisation of internal resources, capacities and skills” RSA (2002: 8). This turned out to be a challenge to municipalities in terms of inventing concrete strategies to magnetise investors other than through “smokestack chasing”.

2.5.3. Pro-growth LED approach

According to Rogerson (2004), an instance whereby a country is characterized by pro-growth LED approach, is subjugated by market-LED
activities that are directed towards achieving sustainable high economic growth rates. This has been happening in a majority of South African municipalities in the form of small, medium and micro-enterprises (SMMEs), tourism, exports, and marketing. Additionally, there are municipalities that have geared their Integrated Development Plans (IDPs) towards “positioning the city in the global economy” (Rogerson 2004). Municipalities require extensive entrepreneurial spirit, appropriate economic skills as well as marketing skills to push this kind of agenda. Scott and Pawson (1999) hinted that pro-market approach seeks to allow local economies to adjust more lucratively to macro-economic reforms. It also emphasizes the objective of advancing and facilitating individual self-reliance, entrepreneurship, expansion of the market, competitiveness, reduction of unemployment and sustainable growth (Rogerson, 2002)

2.5.4. Pro-Poor LED approach

According to Nel and Rogerson (2004), South African municipalities in terms of LED planning have taken critical directions, which are considered to be biased toward a pro-growth agenda. However, it is also important to note that the main objective of the national government as affirmed by department of Local Government’ LED draft policy document entitled “Refocusing Development on the poor” is to promote “pro-poor” LED, which will eventually focus on poor and low-income communities. Tomlinson (2003) stated that the South African LED policy is/was intended to guide municipalities, private sector and communities on how they can jointly address poverty alleviation in a more inclusive manner. Tomlinson (2003) further hinted that South African LED is determined to uplift the lives of the previously disadvantaged persons (black empowerment) and infrastructure development. Unlike pro-growth LED, which strongly focuses on
development through growth, Rogerson (2003) articulated that there are three critical policy areas applied in pro-poor LED approaches, which emphasizes poverty alleviation programs, regulatory framework, and employment creation through the stimulation of local economic activities. Regulatory framework here refers to issues like “land management and improving the access of the poor to new or improved source of shelter” (Rogerson, 2004: 10). In addition, a critical policy area of regulation involves urban agriculture, which is experimented by various municipalities as a fundamental livelihood strategy of many poor people (Rogerson, 2003).

Furthermore, HSRC (2003: 12) states that there are some notable guidelines (although not exhaustive) that pro-poor LED needs to be mindful of, such as, firstly, LED can exist at the policy level. For example, a municipality’s decision becomes more business-like, or to encourage procurement, investment and so forth. Secondly, LED can also exist at an institutional level. This will be utilized through having a Job-Centre, LED office or Section 21 Company within the region or municipal area. Thirdly, LED can subsist at the project level, where it will operate as a defined and focused undertaking. This can take place through promotion of chicken co-operative; a tourism promotion strategy; an LED Fund project, or a private sector initiative. Fourthly, LED can take place the support for survivalist or livelihoods programmes, for example in the form of small-scale agricultural projects, which happen not to be sustainable. Lastly, LED can exist through promotion of independent / private support centres e.g. local bank with community support programmes. This is not a simple process: pro-poor LED also needs well-capacitated municipalities, staffed by people will make decisions on issues they understand.
2.5.5. Emergence of pro-poor growth LED

Pro-poor growth LED is understood in the context of a combination of pro-poor and pro growth LED approaches. This was developed as a result of the escalating unemployment and increase in poverty in many liberated African countries. In South Africa for example, LED revolves around issues of poverty alleviation, bolstering of the previously disadvantaged communities and infrastructure development, promotion of SMMEs or enterprise development, marketing and others (Hindson and Hindson, 2005). It is crucial that municipalities focus on a parallel approaches in tackling their LEDs. Municipalities are seen as key facilitators or coordinators of these projects (RSA, 2003). RSA (2005)’s policy guidelines further states that municipalities should promote community economic development through community businesses and cooperatives. Therefore, the strong focus tends to be on both economic and community development. Whilst municipalities are focusing on issues such as poverty alleviation and job creation, it also becomes imperative to entice private sector investment. One of the policies that can be considered as pro-poor growth strategies is Johannesburg 2030, which is focusing on building competitive city or “world class city”, Gautrain, and so forth, while at the same taking into consideration community development issues. In addition, Umhlatuze Municipality (Richard Bay) is also categorized as one of the municipalities that are supporting pro-poor growth development, primarily because of its implementation style (Rhodes University et al, 2005).
2.6. CONSTITUTION, LAWS AND THE POLICY CONTEXT OF LED

2.6.1. Constitution

There are varieties of legislative and policy frameworks that influenced the establishment of LED structures and initiatives, among others; constitution is the foundation of all legislative frameworks that exist in the country. It is the supreme law that informs all policies and legislations within the country. In relation to municipal duties, section 153 of the constitution stated clearly, “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” (RSA, 1996a). Furthermore, the constitution obliges municipalities to promote community participation as well as administrative justice that will manifest equity, fairness, justice and accountability.

2.6.2. White Paper on Local Government

According to the White Paper on Local Government, local government must commit itself to work with citizens and groups within the community as a means of fostering “sustainable ways to meet their social, economic and material needs, and improve the quality of their lives”. It states that the role of local government should be based on the promotion of job creation and economic growth by investing in effective public services as well as making a local area conducive to healthy living and work. Moreover, “Local Government should be developmental, in such a way that it exercises its powers and functions in a way which maximizes the social development and economic growth of communities” (RSA, 1997: 1).

The White Paper calls on local government to provide vision and leadership to local communities in relation to economic development. Local
government should provide developmental strategies, like buying local, encouraging social responsibility, as well as partnerships. It acknowledges that partnership can be a fundamental tool for LED. It encourages local governments to enter into a “tripartite relationship” partnership with Community Based Organizations (CBO) and Non Governmental Organizations (NGO) and other private or private institutions to exchange knowledge and information in order to strengthen development.

2.6.3. Municipal System Act

The Municipal Systems Act (s.96.1.a) “specifies the need for a municipal council to choose a service delivery mechanism that will "most effectively and rapidly extend municipal services to unserviced or underserviced residents and communities in the municipality... with the best quality service, at the lowest overall cost to the municipality, residents and consumers...” More significantly, municipalities are mandated to perform as coordinators, facilitators, and promoters of the local economic development projects or program, with the aim of achieving speediest, smoothest sustainable economy that will eventually create jobs and alleviate poverty in disadvantaged communities. The Act accentuates the “Integrated Developmental Plan” (IDP) as a municipal developmental tool, of which LED is placed as one of its elements.

2.7. FROM RDP TO GEAR FRAMEWORKS: A NEW PARADIGM SHIFT`

RDP was the first post-apartheid policy introduced formally by the ANC government in 1994. It was regarded as fundamentally focusing on grass roots empowerment. Its primary role was to address poverty and social
inequality that were inherited from apartheid. RDP policy was placed to address these imbalances through coordinated national, provincial and local strategies that will promote sustainability (ANC, 1994).

Section 2.3.5 of the RDP indicates that in order to promote local economic development, institutions must be established to address local economic development, with the purpose of creating jobs and sustainable community development. This policy document articulated redistribution as a prerequisite for growth, it indicates that there is a need to distribute necessary services such as education (skills), health care, shelter, electricity and other basic services in order to create conducive environment for economic growth (ANC, 1994).

However, according to Tomlinson (2003: 3), the “RDP has not served to promote economic growth and little employment was generated by the investment in housing and infrastructure”, and consequent to that it was replaced by GEAR, with a different approach. GEAR (s.2.3 and s.3.4) encourages municipalities to view public investment as an advancement of sustainable economic and municipal infrastructure to boost economic performances (RSA, 1996b). The GEAR document further states that municipal infrastructure programs, restructuring of welfare system and small business support are among the key initiatives that can be deployed in addressing the needs of the poor. These initiatives will include activities aimed at creating jobs for both unskilled and semiskilled workers. This lays a foundation for local economic development, although taking a different dimension as compared to RDP. RDP states that in order to realize economic growth, redistribution of resources should come first, while GEAR policy argues that there is a need for economic growth first so that resources can be distributed. GEAR recognizes the private sector as an important tool for economic growth and therefore argues that strategies should be put in
place to stimulate private investment along with SMMEs (ANC, 1994). However, this is somewhat different to LED policy, which places government as a central actor in terms of implementing local economic development. In addition, the implementation of GEAR policy, just like the RDP, has not realized its intended objectives in terms of achieving rapid growth and job creation. It is still a challenging task for municipalities to create jobs and alleviate poverty despite economic growth in the country.

2.8. ATTRACTING CITIZENS TO MUNICIPAL ECONOMIC DEVELOPMENT, PARTICIPATION, MANAGEMENT AND OPPORTUNITIES

It is very difficult to promote LED programs without taking into consideration community involvement. In order to eradicate poverty through the creation of sustainable job and stimulation of economic enterprise development, it will be fundamental to have participatory exercises in the promotion of LED processes. LED encourages partnerships between the main private and public stakeholders and enables the joint design and implementation of a common development strategy. Furthermore, Bond (2002: 8) argues, “investment is all very well, but the benefits are unlikely to accrue to the neediest unless they are active participants in new development, with the capacity to plan, monitor and enforce wider benefits”.

Popular participation is a bottom up strategy used to gaining mutual consensus between different communities or stakeholders in a particular discourse. In addition, popular participation does not warrant any minimal anarchical tendencies or conflict of interests. Harbermas (1990) argues that people or groups come together with different ethics, beliefs, and interests. Therefore, it is a challenging exercise for economic development
planners to promote integrity and mutual consensus to advance local economies.

Nevertheless, legislative frameworks have also necessitated popular participation in South Africa in LED. For example, Section 152 (1) of the RSA (1996)’ constitution states that municipalities encourage “the involvement of communities and community organizations in the matters of local government” in promoting its developmental objectives.

Furthermore, the Municipal Systems Act also emphasizes the issue of community participation, emphasizing that municipalities should encourage the community to participate in the planning and budgeting processes; and strategic decisions around service delivery as well as performance management. Both the constitution and Municipal Systems Act acknowledge that the involvement of communities in municipal affairs through reciprocal rights and duties will promote sustainable “developmental municipalities”. Thus, community or popular participation becomes fundamental for Local Economic Development.

Mayer-Stamer (2003b) argues that there is no doubt that popular or community participation in the process of LED is the most desirable thing. Involvement of the local business community is not only important to achieve LED, but also other sections of the local community such as the academic community and non-governmental organization need to be involved in the overall LED efforts. Mayer-Stamer (2003) further indicates that the more efficiently these communities are organized, the better they become fundamental precondition for a prosperous LED. Arguably, this will also depend on their level of understanding in terms of the difference between Local Economic Development and other fields of development like
community development. The reason is that it will become a crisis when LED practitioners focus on social issues without a clear business focus. There are other strategies such as Project Consolidate and ASGISA, which are set to assist in terms of strengthening LED in South Africa. Therefore, the following section will discuss Project Consolidate followed by ASGISA.

2.9 EMBRACING PROJECT CONSOLIDATE

National Government has the constitutional responsibility to support and strengthen the capacity of local government and to regulate local government to ensure effective performance of its duties. Through Project Consolidate, support is provided to municipalities to ensure that their functions are fulfilled. The Government had recognized the need to support municipalities as they build capacity and decided to establish a Support Unit to identify and 'unblock bottlenecks' that inhibiting the rollout of services. (Sonjica, 2005: 1)

Therefore, Project Consolidate was considered to be a “two (2) years strategic intervention” launched by the Minister of Provincial and Local Government aimed at assisting ailing municipalities in various ways. The primary objective of Project Consolidate is to strengthen municipal capacity in terms of service delivery. This project will be implemented by, with and through focused, integrated and well co-coordinated national and provincial interventions (Sonjica, 2005).

Provinces identified various municipalities across the country. These are municipalities that were considered to have a need for capacity building in relation to issues pertaining to service delivery. There are some of the similar problems in all municipalities that need emphasis, more especially
in promoting LED. Most of the provincial programs of actions therefore focus on the following (not limited), firstly, emphasizing a focused and integrated commitment in engaging municipality with the aim of strengthening municipal services, this program focus on issues like Local Economic Development (LED), Job Creation, Expanded Public Works Programme and Municipal Infrastructure. Secondly, to deal with methods of advancing integration, co-ordination and alignment of provincial programmes/strategies with municipal programmes/strategies such as, Provincial Municipal Growth and Development Strategy; Provincial intergovernmental Relations Framework; Framework for the assignment of functions to municipalities; Provincial Expanded Public Works Programme; Provincial Municipal Infrastructure Grant (MIG) Programme; and Provincial and Municipal Economic Development Programmes (http://dtlga.kzntl.gov.za/main/pc/projectconsolidate.htm , 2005). These are some of the significant initiatives that government introduced to deal with predicaments that exist in other municipalities in South Africa.

2.10. THE EMERGENCE OF ASGISA

The Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) is a new strategic intervention that the government of South Africa recently adopted to deal with some of the economic imbalances or constraints that the country is currently facing, especially challenges that emanated from GEAR policy. RSA (20006a) states that ASGISA strategy intends to address barriers of economic growth and to ensure that it produces more jobs as well as targeted 6% annual economic growth rate.

Major constraints which are identified by ASGISA include relative volatility of the currency and current strength; cost and efficiency of national logistics system; shortage of suitably skilled labour; and disorganized spatial
settlement patterns, barriers to entry and competition in sectors of the economy, regulatory environment and burden on SMMEs. ASGISA further identified weakness of state organization, capacity and strategic leadership affecting delivery as other major issues, which ASGISA should and will focus on (RSA 2006a).

Moreover, ASGISA is endowed with some of the strategies that will be utilized to address these barriers. Firstly, sector investment strategies, which will focus on sectors with potential for high growth, employment creation and enterprise development. Other sectors include chemicals; metals beneficiation (including capital goods); creative industries; clothing and textiles. Nonetheless, for municipalities to accelerate local economic development they must ensure that they plan strategies that will suit their population. Municipalities should formulate strategies to deal with economic development in their local areas, particularly in the informal sector. Municipalities should facilitate informal businesses in such way that they achieve their objectives (Mabindla, 2006).

Secondly, education or skills development is one of the ASGISA’s targeted interventions to boost LED. Among other things, JIPSA (Joint Initiative for Priority Skills Acquisition) is set “to confirm the urgently needed skills and find quick and effective solution. Solutions may include special training programmes, bringing in retired South Africans who are working outside SA, and drawing in new immigrants when necessary.” (Benton, 2006: 1). ASGISA will also import necessary skills from other countries in order to manifest the level of skills in the country. Some of the identified skills that are needed urgently in South Africa include, among others, engineering and planning, project management skills needed by municipalities to advance economic development (RSA, 2006a)
Thirdly, ASGISA is aimed at closing the gap between the first and the second economy as well as burdens on SMMEs. These will be addressed through the expansion of Expanded Public Works Programme (EPWP); better-quality rural road projects; paying more attention on maintenance; promotion of microfinance initiatives particularly loans between R10 000 and R250000; promotion of Broad-Based Black Economic Empowerment (BBBEE); promotion of specific initiatives for women and youths particularly in construction and management of infrastructure projects (Erwin, 2006). More importantly, it will be ensured that all sector strategies contribute to LED objectives. However, the ASGISA results remain to be realised and it would be premature to make a conclusive critique of the initiative.

One can argue that the strategies, plans and interventions encapsulated in JIPSA, if adequately implemented, will enormously contribute to South African Municipalities, particularly given the fact that it prioritizes engineering and technical, management and planning, city urban and regional planning, project management and financial management. These skills are more important for the strengthening of municipal, regional and rural planning. This might also address the disparities between the skills currently provided by many education and training institutions and what is actually required by the labour market.

However, one also believes that the JIPSA has achievable goals, which need a serious commitment by all sectors involved, including committed and capacitated municipalities noting that the most important thing is to accelerate growth (by 6% annually), that will eventually assist to alleviate poverty and create more jobs. The success of JIPSA will significantly contribute to the success of the LED in the country, as many authors like Mayer-Stamer (2003), Hindson (2003) and HSRC (2003) acknowledge that
there is a serious lack of capacity in South Africa to implement and promote LED.

2.11. POSITIONING LED WITHIN THE IDP

The introduction of the IDP in South Africa has stemmed from the imbalances created by apartheid legacy. Apartheid planning left many towns and cities with racial divisions in terms of businesses and residential areas. It also left poorly designed towns for poor with difficult access to decent jobs and other basic services. There was inequitable level of services between the rich and poor communities, with sprawling squatter settlements, which turned out to be most intricate settings to provide with cheap and cost effective service delivery. Most rural areas were left without basic services such as water, houses and so forth.

Therefore, the post-apartheid state introduced Municipal Systems Act no. 32 of 2000, which emphasized and obliged municipalities to develop IDPs. IDP is a municipal strategic plan that gives a general framework for development, a five-year-plan, with a focus mainly on infrastructure development but also incorporating LED programmes. The formulation of IDP involves comprehensive participatory exercises with local communities, which is fundamental for decision-making. However, in South Africa “it appears that local business communities are not very prominent in these exercises. Another problem which relates to IDP is that LED in IDP more often than not relates to infrastructure and buildings, not to other typical LED interventions like business networking or business development service programmes” (Mayer-Stamer, 2003: 2).
Moreover, RSA (2000: 29) states, ‘...It is critical to ensure that the planning and implementation of a municipality’s LED activities are carefully coordinated and initiated within the context of the municipal IDP’. LED cannot be disassociated from IDP; they are concretely cemented with each other. DPLG (2000) acknowledges that IDP endowed with the means to manage LED as well as other municipal programs. More significantly, IDP can assist municipalities in terms of promoting socio-economic development in various ways. For example, IDP can assist to magnetize funds from other spheres of government, donor organizations and investors by presenting well-defined, feasible and fruitful projects and programmes. Rhodes University et al (2005) indicates that it can also assist in creating a more conducive environment for private sector investment and the general promotion of LED.

2.12. LED WITHIN THE CONTEXT OF DECENTRALIZATION AND GLOBALIZATION

Decentralization of powers and initiatives allows local government/municipalities to adequately respond to employment needs and economic paths to the local conditions where the enterprises operate. It also provides municipal autonomy to decide and conceptualize on what is contextually pertinent for economic development.

Decentralization and globalization are interlinked concepts. Canzanelli (2001: 20) asserts, “Decentralization can improve the international exchange because it strengthens the local capacities, rendering them more productive, and more competitive and liberating not standardized new products. Additionally, globalization emphasizes decentralization. It
accentuates and promotes opportunities to improve local capacities. It allows exchange and spread of information, learned lessons, technologies for new inventions and so forth. These processes also gave rise to the concept of “glocalism”.

One of the key outcomes of the shift in responsibility to local areas has been the pursuit of clearly defined economic regeneration and growth strategies by local authorities which are seeking to create jobs, promote investment, address economic and development backlogs and endeavouring to make their locality a key node in the global space economy (Nel and Binns, 2002:3)

In South Africa, decentralization of local government was influenced by various factors, firstly, the need to destroy apartheid disparities and old apartheid authorities, by creating non-racial boundaries. Secondly, cities were considered to be service delivery agents as well as potential to be globally competitive, municipalities should largely be in control of their own destiny to improve competitiveness in relation to issues such as service delivery and economic and infrastructural development. Thirdly, to create a kind of local government that will be more economically empowering its constituency, but also valuing popular participation (Cameron, 2003).

Notwithstanding the fact that no country in the world can practically disassociate itself from the global linkages, globalization brought unexpected outcomes, some municipalities are characterized by decline in terms of economic bases surrounded by growing numbers of unemployed and under-employed people, while metropolitan areas and a few smaller cities and towns are economically growing and well connected into global systems. This process tends to push disadvantaged municipalities out of the mainstream economy. Therefore, a draft policy document of LED (Policy
Guidelines for Implementing Local Economic Development in South Africa), which is not based on explicit recognition of these realities and the powerful forces underlying them seems very likely to flounder” (Hindson, 2006: 3). In addition, the policy aimed at addressing issues concerning the “first” and “second” economies as well as strengthening the linkages between regional and global markets (RSA, 2005).

2.13. POLICY CHANGES AND CRITIQUES OF LED IN SOUTH AFRICA

The aftermath of the apartheid regime has been characterized by debates concerning Local Economic Development. Similar to this, there has been (and still is) a significant change in terms of development and national directions of LED policy planning in South Africa. Rhodes University et al (2005:33) hinted that since the early 1920s through the beginning of the apartheid era, South Africa has been characterized by so-called “incipient LED”, particularly in major cities and government assigned zones “where place marketing was generally coincident with place marketing initiatives for inward investment”. The LED approach was also typical top-down approach influenced largely by apartheid policies, and the primary focuses of the state or local authorities were centered around enticing inward investment trough place marketing and other “smokestack chasing” or “boosterism” strategies (Rogerson, 1994).

Moreover, it is noted earlier that the “smokestack chasing” is forcefully channeled in through the promotion of grants and incentives in order to attract external investors and also to strengthen or the infrastructure or stimulates private investment in disadvantaged regions. However, “the result was often good but underutilized infrastructures and the emergence of “screwdriver operations”, i.e. assembly plants without any strategic functions which were frequently shut down after incentives ran out or when
the investing company had to shut down some productive capacity during an economic downturn (Dti, 2006).

In the post apartheid era, between 1994 and 2000 in particular, South Africa started to deviate from the traditional LED approach. New legislative frameworks like the White Paper on Local Government, Municipal Systems Act, Municipal Structures Act emerged as tools for developmental roles of the state, and LED was considered as part of the developmental local government. Nevertheless, the first wave of the LED in the democratic dispensation was also revolving around pro-growth LED policy and intervention. This approach provoked studies and questions by authors such as Harrison et al (1997), Rogerson (1999) and DBSA (2000) in relation to significant role of LED in poverty alleviation and in the development of disadvantaged areas. “Most municipal initiatives focused on community development projects, many of which proved economically unviable and had no lasting impact on poverty reduction” (Hindson and Hindson, 2005: 1)

With the introduction of new system of local government which came into effect on the 6th of December 2000, after the first fully democratic local government, studies were undertaken to explore the extent to which the newly elected local authorities are able to accumulate local economic growth and development that will address the social imbalances in the country as a whole. These debates were exacerbated by the draft document on LED entitled “Refocusing on the Poor”, which laid emphasis on pro-poor approach. “Refocusing on the Poor” document was interventionist in nature, calling for permanent developmental pro-poor municipal governance.
The document mandates the state to be at the forefront in terms of pushing back the frontiers of poverty and unemployed. Concomitant to this, the policy did not only mandate the state to get involved on economic development issues, but also to deal with other immediate LED threats such as HIV/AIDS. However, the document was later downgraded by two documents entitled “Policy Guidelines for Implementing Local Economic Development in South Africa” and the new “National Framework for Local Economic Development (LED) in South Africa”, which are considered to be pro poor- growth strategies. They combined market led approach and pro-poor approach.

However, one argues, these national LED policy changes have been confusing to most of the municipalities, primarily because they have been contradictory about its approach to facilitating LED, as well as having fluctuating direction which revolves around a pro-poor and a pro-growth approach; it has been difficult for municipalities to adjust with the frequent policy alterations. This makes LED to have different meaning, purpose and understood differently by different people or practitioners.

Mayer-Stamer (2003: 4) hinted that LED in South Africa primarily targets new start-ups, mostly under the headings of “emerging entrepreneurs” or “self-employed persons” as well as “black economic empowerment” (BEE). However, it tends to leave out the existing business and informal businesses joining the mainstream economy and investors in business ventures, from outside the region. Hindson (2003) further contends that although is valid and justifiable to focus on poverty as a priority; the notions of economic growth in South Africa are left either largely unanswered or marginalized.

Moreover, there is a plethora of issues in South Africa that still need to be interrogated, for instance, “top-down coordination and bottom up
“implementation” which has been characterizing South African policymaking. As previously stipulated, South African LED frameworks have been changing, and up to this date, there is no specific LED policy in South Africa. Therefore, it becomes a problem to evaluate municipal performance based on contradicting frameworks (pro-poor and pro market approaches).

2.14 CONCEPTUALISING INSTITUTIONAL CAPACITY

Robust and inclusive local economies are fundamental in countries like South Africa, but in order to begin to realize successful local economic development programs, there must be a concrete institutional capacity. Therefore, this section will attempt to uncover the concept of institution, different theories of institutional capacity. Nevertheless, the main purpose of this study is to understand the institutional capacity of the EMM to implement LED.

2.14.1. The concept of institution

Institution refers to rules, custom, practice, relationship, or behavioral patterns which are generally accepted or fundamental to a particular community or society. (http://www.thefreedictionary.com/institution). People involved within a particular institution formulate strategies within a particular set of rules, with the aim of addressing the needs of the society. Moreover, although institutions operate within a particular set of rules, they are also comprised of legal powers, political and administrative structures that are fundamental for decision-making (Peters and Piere, 1998). For the purpose of this paper, institution here refers to municipality.
2.14.2 Understanding institutional capacity

It is very important for now to provide an authentic attention to the complex concept of institutional capacity. Capacity refers to ability to perform or produce specific task/s (http://wordnet.princeton.edu/perl/webwn?s=capacity, 2006) or the ability (of people, institutions and societies) to perform functions, solve problems and set and achieve objectives (http://www.undp.org.in/events/NC_GEM/intro-usha.ppt, 2006). Similar to this, LED units or department have a major role in promoting LED, and a strong leadership has to be provided by LED. Therefore, this section will try to uncover some of the criteria that can be deployed in terms of evaluating institutional capacities. In the context of South Africa, institutional capacity is defined through the constitutional framework and other legislations governing municipalities. For example, as mentioned earlier on, the constitution states, “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” (RSA, 1996a). Therefore, the following sub-sections will discuss different models, which are used to measure institutional capacity.

2.14.2.1 Huntington's model

Huntington (1968) suggest that institutional capacity can best be described or understood through four different dimensions; namely, autonomy, adaptability, complexity and coherence.

1. Autonomy: refers to the capacity of the institution to take and implement its own decision. The institution should not depend on
other institution or organizations in terms of decision making and implementation.

2. Adaptability: refers to the extent to which the institution can be able to adapt to changes in the environment, and also the extent to which the institution can be able influence the environment.

3. Complexity: refers to the extent to which the institution is able to construct internal structures to fulfill its goals and to cope with environment.

4. Coherence: refers to the extent to which the institution is managing its “workload and to develop procedures to process tasks in a timely reasonable manner, this also represents a capacity of the institution to take decisions about its core tasks and beliefs and to filter out diversion from both” (Peters, 2000: 9).

Additionally, “the four attributes may help in a difficult task of measuring institution themselves. Several variables mentioned above may be more manifestations of institutionalization having occurred, rather than the indicators of the concept itself” (Peters, 2000: 9). In as much as this model is providing a good foundation in term of how institutional capacity is implemented, it does however appear as if these attributes are variables and it is simple to measure the extent to which a particular variable has developed. “The difficulty will however be on deciding on the comparative level of importance of attributes. For instance, is a highly autonomized organization with very low levels of coherence well structured?” (Kolisa, 2002: 47). In addition, this approach underestimates internal issues such as human and capital resources, for example it does not take into consideration issues such as human resource (staffing, dedicated team with sufficient skills, experience to execute functions, capital resources such as sufficient financial resource, equipments such as computing to carry out work. Huntington’s model also does not take into cognizance the relations...
between the organization and other organizations, unit with other units in terms of decision-making.

Huntington (1976)'s discussion on the concept of institutional development with other students of institutionalism has provoked a debate. Among other contributors, Goetz and Peters (1999) intervened with other two factors which appear important in defining institutionalization in the contemporary public structures. The two factors are congruence and exclusivity.

1. Congruence: refers to the relationship within the political institutions as aligned to the social relations they are supposed to control and maintain. It appears that if institutions do not go well together, then they cannot be expected to succeed and be effective. Additionally, it also depicts a concern about differences between the values of the political elites and the values of the masses of the people.

2. Exclusivity: this is based on the theory that says when there is little or no competition with other institutions, the institutions is expected to survive and be effective. If there are other institutions providing the same services in the form of competition, that competition is often resolved through termination of one or more institutions.

2.14.2.2 Systems theory model

This approach uncovers organisation as defined in terms of ability to create and maintain a boundary from the environment and other organisations. In essence, this approach suggests that organisation should and is expected to get directions from the ground and also play a major role in terms of contributing to the community with outputs. This should happen while still maintaining separation between the organisation and environment through
observable boundaries or “gate keepers” (Peters, 2000). This model further suggests that communication occurs between the inter-dependents that work together in order to adapt to ever-changing environment.

However, in terms of weaknesses, Kolisa (2002) argued that it is also difficult to identify those “gatekeepers” as variables and also to measure the extent to which the interchange between the organisation or institution and environment is healthy. This approach is too broad and does not provide a thorough explanation about the interaction between the organisations and environment, and it will not provide solid capacity assessment if used alone.

2.14.2.3 Smith’s model

Smith (1993) developed criteria, which can be used in terms of assessing institutional capacity. This is informed by his definition of institution as a composite of legal powers, administrative structures and financial provisions. It argues that an institution should be able to establish its legislations and regulations. This includes sound policies, guidelines, strategies and activities. Moreover, Kolisa (2000) added that an institution should have well organised administrative structures with economic and financial arrangements. Smith (1993) indicates that institutions should be able to take its own decisions, and it must also have set of values. Values will in fact enhance a close relationship within the institution. Although independent, Smith also suggests that an institution should be able to encourage, promote, have and involve stakeholders in its programs or activities.

This framework was developed as an alternative to the model developed by Michel and Pilgram as cited in Smith (1993); however, even this model is not
without weaknesses. One of the criticisms is that this model is based on national policy context than local context, and it also emerged in the field of natural resource therefore may not be feasible to be used across all fields or institutions.

2.14.2.4 The USAID model

VanSant (2000) identified eleven institutional attributes that are organised into three groups, which can be used in analysing institutional capacity. Nevertheless, this model was designed for USAID to assess the capacity of development organisations; groups are as follows: Institutional resources, Institutional performance and Institutional stability.

Firstly, Institutional resources represents the quality an organization possesses or controls and consists of its basic legal structure, assured access to human, financial, technical, and other resources, and its management systems and structure, including performance management systems. Secondly, Institutional performance measures an institution’s program, services, or other impacts because of how effectively it employs its institutional and technical resources. Institutional performance assesses both efficiency and effectiveness at a point in time. Finally, Institutional Sustainability measures issues such as organizational autonomy, leadership, and learning capacity that, in turn, help ensure sustainability and self-reliance in the future. (VanSant, 2000:3)

However, the weaknesses of this model could be its relevance to local government; the model was developed in the context of NGOs. Therefore, it might be difficult if this model is used in other sectors outside NGOs. This model does not provide a method that can be used in terms of analysing and assessing the above identified attributes.
2.14.2.5 UNDP model

Rao (2006) also developed a model entitled “National Capacity Self Assessment in India” for UNDP. The model uses the following attributes

1. Organizing and formulating policies, legislations, strategies and programmes
2. Implementing and enforcing policies, legislations and strategies
3. Building consensus and partnerships
4. Mobilizing information and knowledge
5. Monitoring, evaluating, reporting and learning

Moreover Rao used the following attributes to broaden the model:

- Research, diagnosing needs and priorities
- Setting objectives
- Developing strategies
- Drawing action plans
- Developing and implementing appropriate policies
- Developing regulatory and legal frameworks
- Building and managing partnerships
- Fostering an enabling environment for civil society
- Managing and resolving conflicts
- Renewing performance and learning culture
- Mobilizing and managing resources
- Implementing action plans
- Monitoring progress
- Evaluating outcomes, impacts and results
However, the limitation of this model will be that it was developed for “natural fields” of study; it was developed to assess the national capacity on sustainable environment and energy. Therefore, it will be difficult to generalise. It was also contextually designed for India, and it might become a challenging task to apply it across the globe.

These models provide a very useful framework assessment for municipal institutional capacity. Although, none of these models can be used alone, there are various concepts which can be deployed when analyzing EMM’s institutional capacity. For example, there are various concepts such as autonomy, adaptability, congruence, institutional resources, and institutional performance. Autonomy will be used to establish the extent to which EMM is able to take decision. The research will use the concept of adaptability to understand the extent to which EMM’s practice and LED policy is able to adapt the needs of the community, increasing unemployment rate as well as poverty. It will be important also to establish the level of institutional performance (e.g. formation of partnership with other sectors, attraction of businesses, and so forth) as well as institutional resources such as skills, financial resources and others. Other important criteria such as coherence, which attempt to understand the extent to which an institution or EMM ‘LED unit can able to manage its workload.

2.15 CONCLUSION

This chapter assisted in terms of understanding the definition of LED, and how LED has emerged locally and globally. It discussed the policy and the constitutional context of the LED programs, policies or frameworks in South Africa. It also emerged that, though LED was/is a voluntary exercise in most countries of the world, it appeared as a mandate in South Africa. Municipalities are mandated to be at the fore leading the cause of LED.
Nevertheless, this implies that municipalities should be adequately equipped in terms of skills and resources to advance or make environment conducive for robust and inclusive LED. However, it might at the same time become difficult in the context of recent municipal demarcation and establishment, globalization, limited skills and resources to achieve the latter.

The chapter also managed to orchestrate debates concerning LED nationally. It discussed how LED has been perceived, and how it has been applied or approached. This chapter also discussed the way in which policy drafts have been evolving or changing in South Africa, for instance, pro-growth LED approach; pro-poor LED approach; pro-poor-growth LED approach. This is a clear reflection of contradictions with regard to the direction which LED policies should take in South Africa. It is noted in this chapter that despite the fact that LED is a mandatory activity in South Africa, where municipalities are obliged to formulate local LED strategies that will improve local economies as well as job creation and alleviating poverty. However, HSRC (2003, Nel (2001), Hill, and Eising (2002) and Tomlinson (2003) hinted that South African municipalities are still confronted by lack of capacity to implement programs (LEDs, IDPs, GDSs, and so forth). Department of local government adopted Project Consolidate as one of the programs tackle these capacity constraints. Beyond that, this chapter showed that ASGISA is perhaps overtly or covertly a panacea to local economies, thus, poverty and unemployment. An ASGISA document articulates on strengthening and facilitating institutional capacity or skills problems in South Africa; central to this is a level of technical skills that are required in the labour market and municipalities. In addition, these will directly or indirectly assist in terms of addressing the notion of dual economy in the country, thus, the “first” and the “second” economy.
The chapter also discussed different models of institutional capacity assessment, and there are various concepts that are useful in the context of this study. Some of these models will mean that (although not limited to these) LED units should be able to organise and formulate policies, legislations, strategies and programmes; implement those programs or policies; forge partnerships; encourage community participation; staffed with skilled practitioners; monitoring, evaluating, reporting and learning. Therefore, before data findings and analysis, the following chapter will uncover various research strategies that assisted the processes or data collection and analysis of this research.