

## Institutional Arrangements to Support the Implementation of Local Economic Development in the City of Tshwane Metropolitan Municipality

Ramolobi Louis Gemane Matlala\*

Deputy Director: Policy and Research, Gauteng Department of Community Safety, Street Address: 64 Prichard Street, Johannesburg, 2000, Postal Address: P.O. Box 4498, Brits, 0250  
Email: ramolobi.matlala@gauteng.gov.za / ramolobi.matlala@gmail.com

Dikgang Motsepe

Senior Lecturer, School of Governance, University of the Witwatersrand, Johannesburg, Postal Address: 1 Jan Smuts Avenue, Braamfontein, Johannesburg, 2000, Street Address: 2 St David's Place, Parktown, Johannesburg, 2000  
Email: dikgang.motsepe@wits.ac.za

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### Abstract

Successful implementation of Local Economic Development (LED) remains a key policy issue in Gauteng Province. The purpose of this exploratory study was to investigate the roles of the Gauteng Departments of Cooperative Governance and Traditional Affairs (Cogta) and Economic Development (DED) to support the City of Tshwane Metropolitan Municipality (City of Tshwane) to implement LED initiatives successfully. The investigation adopted the single case study method, while data was collected by means of semi-structured interviews. The study confirmed that LED support is a multi-agency undertaking that involves national and provincial government agencies. The LED support process is nonetheless characterised by duplication of interventions, unsound inter-governmental relations, unclear definition of roles, and poor coordination. The research study also found a disjuncture between the roles of the DED and the Cogta in LED support. The research study recommends in order to improve the success rate of LED initiatives in the City of Tshwane, the Gauteng Cogta should play an active role in LED support and LED monitoring and evaluation. Furthermore, there is a need to improve governmental relations as well as to enhance co-ordination of LED support initiatives in the City of Tshwane.

**Keywords:** Local economic development, local economic development support, institutional arrangements

### 1. Introduction

This implies that municipality should play an active role to promote the socio-economic welfare of communities through local economic development (LED) initiatives. LED has been viewed by some politicians as a panacea to stimulate local economies in order to improve the quality of life of residents. Furthermore, LED is regarded as a viable solution for job creating and poverty alleviation given the failure by some programmes of government to benefit the majority of disadvantaged communities (Trah 2007).

Despite the noble intentions and high expectations of LED initiatives, these initiatives have been generally unsuccessful. Different reasons have been cited for the inability of LED efforts to improve the welfare of the masses. These include, among others, the lack of conceptual clarity concerning LED, the absence of a general agreement on which stakeholders should participate to support the implementation of LED, the lack of or inadequate clarification of the roles of different LED support institutions, as well as the lack of clarity regarding the appropriate institutional arrangements that should be introduced to support the implementation of LED (Rogerson 2014; Ntonzima & Binza 2011; Trah 2007).

Various authors have presented suggestions to address challenges experienced by municipalities in the execution of LED initiatives. The first suggestion was to establish local economic development agencies (Malefane 2011). Secondly, improvement of coordination amongst strategic LED stakeholders was proposed to eliminate duplication of LED support initiatives (Rogerson 2009; Trah 2007). Thirdly, Rogerson (2009) and Trah (2007) advocated that LED training for practitioners and elected municipal officials should be intensified.

Despite the suggestions presented above, there is a knowledge gap surrounding the importance of functional and effective institutional arrangements for implementing LED. Information regarding these arrangements is essential

because absent or malfunctioning LED institutions, characterised by ill-defined roles and responsibilities have frequently been cited as reasons for the failure of LED initiatives (Rogerson 2009; DPLG 2006; DPLG 2005). Furthermore, there is no clarity regarding the roles of the provincial sector departments, notably, the Gauteng Department of Cooperative Governance and Traditional Affairs (Cogta), and the Gauteng Department of Economic Development (DED) to support municipalities in the implementation of LED.

The purpose of this article is to describe institutional arrangements for implementing LED in a metropolitan area in South Africa. Secondly, the study explored the roles of the Cogta and the DED in supporting the municipality to execute LED initiatives effectively. The study adopted the single case study approach, while the research area was the City of Tshwane Metropolitan Municipality (hereinafter referred to as City of Tshwane).

## 2. Literature Review

### 2.1 International experiences on LED

LED is globally regarded as concept that is “slippery in nature” while at the same time it is perceived as “a vibrant place-based planning approach” to ensure economic developed at local and regional levels” (Akudugu & Laube 2013 in Rogerson 2014: 204 ). Owing to their growing significance, LED planning approaches are viewed as “indispensable in the ever dynamic world economy, particularly in the advancement of globalisation” (Rogerson 2014). Given the importance of LED activities, prominent international development agencies such the World Bank, the German International Development Corporation (GIZ) and the United Nations Development Programme (UNDP) have over the years attempted to demystify LED in the global north as well as the global south (Marais 2010; Rogerson 2010a; Akudugu 2013 in Rogerson 2014). LED activities pursued in developing economies have historically relied on “traditional top-down” development strategies (Rodriguaze-Pose 2008 in Rogerson 2014: 208). It is argued that these strategies have been ineffective to bring about the sought after economic development in localities (Rodriguaze-Pose 2008 in Rogerson 2014: 208). As a result, concerted efforts have been made to adopt LED approaches to enable local stakeholders to play a leading role to catalyse economic prosperity and enhance local and international competitiveness where appropriate (Rodriguez-Pose 2008; Rogerson 2010a in Rogerson 2014).

### 2.2 The implementation of LED in South Africa

South Africa is regarded as a forerunner in the implementation of LED initiatives within the global south, particularly in Sub-Saharan Africa (Rodriguez-Pose 2008; Tjijstra 2007; Rogerson 2010a; Akudugu 2013 in Rogerson 2014). LED activities have been particularly prominent in South Africa since the advent of the democracy in 1994. These activities graduated from secluded local development interventions primarily in large cities such as Johannesburg, Cape Town and Durban, to an obligatory mandate for all municipalities (Nel & Rogerson 2005a in Rogerson 2014). The implementation of LED in South Africa is grounded pieces of legislation as well as key policy documents.

### 2.3 Legislative and policy framework for LED in South Africa

Section 152 (1)(c) of the South African Constitution of 1996 enjoins municipalities to promote economic development in their communities (Rogerson 2014). Furthermore, the 1998 White Paper on Local Government introduced the notion of “developmental local government”, that is, local government committed to working with residents as well groups located in the community to find lasting solutions to meet their social, economic, and material needs. Developmental local government is therefore concerned about improving the quality of lives of citizens (Sibanda 2013 in Rogerson 2014). On the other hand, the promulgation of the Local Government Systems Act (Act No. 32 of 2000) as amended introduced the concept of Integrated Development Planning (IDP) as a compulsory process for municipalities. Section 26(c) of this Act introduced LED planning as a fundamental component of the IDP process (Nel 2001; Nel & Rogerson 2005a in Rogerson 2014). This implies that LED activities should be institutionalised through incorporation in budgeting and performance management systems of municipalities. Furthermore, the introduction of the 2006 LED Framework document titled, *Stimulating and Developing Sustainable Local Economies*, marked what Nel and Goldman (2006) in Rogerson (2014: 206) referred to as “policy maturity” in the implementation of LED in South Africa. The primary purpose of the LED Framework document was to provide a platform to promote vigorous and all-encompassing local economies. The document also sought to promote “exploitation of local opportunities, real potential and competitive advantages, address

local needs, and contribute to national development objectives" (DPLG 2006 in Rogerson 2015). It is against this background presented above that some commentators argue that the importance of LED as a critical part of political decentralisation has been consolidated in South Africa (Nel 2001; Rogerson 2008a; Nel et al. 2009; Rogerson 2011a in Rogerson 2014).

#### 2.4 *The importance of other economic plans to LED*

There is a number of other economic plans that have a bearing on the planning and implementation of LED in South Africa. These are the New Growth Path (NGP), the National Development Plan (NDP), the Industrial Policy Action Plan as well as the National Industrial Policy Framework. The NGP was published by the Economic Development Department (EDD) in 2010. The document intends to create a "new" labour absorbing path by means of the judicious use government policy focusing on reversal of structural shift which took place in 2000, notably the decline in employment in the manufacturing sector (EDD 2010; Nattrass 2011 in Rogerson 2014). The notion of a "developmental state" espoused by the 1998 White Paper on Local Government is fundamental to the National Planning Commission as well as the discourse of the NGP (Turok 2010 in Rogerson 2014). Similarly, Nattrass (2011) in Rogerson (2014: 207) regards the NGP as supporting a "developmental state" in order to promote and create "productive activities, especially in light manufacturing, mining and agriculture supply chains, and skills intensive activities" as well as "in green technology". Nonetheless, Turik (2010) cited in Rogerson (2014:207) argues that the contribution of municipalities and the provincial governments to the developmental state has been ignored. Furthermore, it is argued that a "developmental state needs to harness the collective power of institutions at every level in order to alter the growth path and enable all areas to realise their potential" (Turok 2010: 267 in Rogerson 2014: 207). Noting that the national approach is not flexible enough to enable provinces and municipalities to benefit from their respective comparative advantage, the link between LED and the NGP becomes evident (Turok 2010 in Rogerson 2014). LED planners should incorporate the core principles of the NGP in their planning processes in order to enhance job creation and poverty alleviation. On the other hand, the NDP uses the NGP as a base for creating new jobs and creating an enabling environment for economic development. However, the key limitation of the NDP is that it is not very articulate on how LED activities could enhance economic growth and development (National Planning Commission 2011; Rogerson 2014). Finally, the importance the IPAP and the NIPF in relation to LED is mainly about "localisation and the green economy" (DTI 2012a; Rogerson 2014: 209). The localisation drive is tied with reforms in government procurement processes and changes in regulations to the Preferential Procurement Act (Rogerson 2014). Subsequently, the promotion of local procurement is likely to have a bearing on LED activities in localities.

#### 2.5 *The profile of the City of Tshwane Metropolitan*

The City of Tshwane Metropolitan is located in the Gauteng Province, South Africa. The municipality was formed through the merger of municipalities that previously served the Greater Pretoria and surrounding areas in December 2000. The municipality was further expanded through the incorporation of the former Metsweding District Municipality<sup>1</sup> in May 2011. The amalgamation of these municipalities is consistent with the Global City Region Strategy of the Gauteng Provincial Government. The strategy is intended to replace the two-tier system of local government with the "metro system" by 2016. The expanded City of Tshwane is currently the largest metropolitan municipality in South Africa and the third-largest city in the world (after New York City and Yokohama City) in terms of land area (City of Tshwane no date; Local Government Handbook no date).

The main economic sectors in the municipality are services, industry and commerce. In terms of fundamental demographic information, the City has a population of close to 2.9 million residents, while the unemployment rate is 24.2% (City of Tshwane no date; Local Government Handbook no date; Statistics South Africa no date). Figure 1 depicts the map of the City of Tshwane.

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<sup>1</sup> The Metsweding District Municipality incorporated the Dinokeng tsa Taemane (Cullinan) and Kungwini (Bronkhorstspuit) Local Municipalities.



**Figure 1:** Map of the City of Tshwane

The City of Tshwane comprises of Pretoria and Centurion as its main business centres. The municipality also consists of small towns such as Bronkhorstspuit, Cullinan and Rayton. In addition, the City of Tshwane includes suburbs, townships, villages and industrial areas (Municipal Handbook no date).

Economic development initiatives are guided by the City's Growth and Development Strategy (GDS). The GDS aims, among others, to accelerate economic growth and development; reduce unemployment; and transform the economy of the city by reducing income inequalities and mainstreaming the participation of women, youth and disabled residents. The strategy also aims to improve the monitoring and evaluation of projects intended to improve the quality of life of residents (City of Tshwane undated; Statistics South Africa no date).

**Table 1:** Strategic objectives of the five-year programme of the City of Tshwane

LED objectives	Service delivery objectives	Political objectives
Acceleration of shared and higher LED and growth	Improving access to basic services and infrastructure	Ensuring good governance
Poverty eradication	Financial viability	Improving participatory democracy
	Building and improving the institutional capacity	Improving political accountability

(Source: Author's adaptation based on strategic objectives of the five-year programme of the City of Tshwane (<http://www.tshwane.gov.za/AboutTshwane/Pages/City-of-Tshwane-in-a-Nutshell.aspx>)).

Table 1 clarifies that local economic development (LED) implementation and support does not take place in a vacuum; it is affected by service delivery factors as well as political developments in the municipality. The ability of the City of Tshwane to execute LED initiatives is therefore closely tied with its ability to provide basic services and infrastructure to residents. Furthermore, effective service delivery and successful implementation of LED in the City of Tshwane depends on the ability of the officials to provide clean and accountable government in the municipality. Furthermore, institutional capacity building and financial viability are essential to ensure the effective execution of LED initiatives in Tshwane.

It is imperative for LED support institutions to familiarise themselves with the aims of the GDS and the strategic objectives of the five-year programme of the City of Tshwane to ensure relevance and enhance the impact of their interventions.

## 2.6 Definition of LED

There is no general consensus on what local economic development (LED) means, hence there are numerous definitions of the concept (Rogerson 2014; Mensah et al. 2013; Patel 2009 cited in Rogerson 2009; Meyer-Stamer 2002). However, the definition of LED could be delineated into pro-growth and pro-poor categories.

### 2.6.1 Pro-poor LED

Proponents of pro-growth local economic development (LED) define this process in terms of LED community development which is primarily about solidarity and self-help projects (Rogerson 2009; Meyer-Stamer 2002). Supporters of pro-poor LED are also of the view that LED initiatives should be directed at promoting economic development through effective utilisation of local resources in order to create jobs and to alleviate poverty. The ultimate outcome of these initiatives should be an improvement in the quality of life of residents (Ntonzima & Binza, 2011; Rogerson 2009; ILO, undated cited in Nel & Lynell 2006; Meyer-Stamer 2002).

Examples of pro-poor interventions include are in areas such as small business support, community tourism, providing township business centres, markets and urban agriculture (Nel 2005).

Pro-poor approach to LED has historically been supported by South African Department of Cooperative Governance and Traditional Affairs (Cogta) due to the policy stance of the Government to eradicate poverty (Rogerson 2009; Meyer-Stamer 2002)

### 2.6.2 Pro-growth LED

Supporters of pro-growth local economic development (LED) are of the view that LED is not exclusively about enterprise development, although the latter could be a component of the LED strategy. This school of thought also maintains that LED should solely focus on competitiveness. This implies that LED initiatives should promote the ability of enterprises to thrive in competitive globalised markets and thus enhance the ability of localities to prosper. This view is also held by the South African Department of Trade and Industry (Rogerson 2009; Meyer-Stamer 2002).

Other proponents of pro-growth LED argue that municipalities should create an enabling environment for enterprises to thrive by developing infrastructure to stimulate economic development and growth (Swinburn 2006; Goga & Murphy 2006). LED is also viewed as a process of improving markets to remedying market failures such as barriers for new enterprises enter a market, lack of information and high costs of doing business (Meyer-Stamer 2002). Some regard LED as a means of improving competitiveness as well as enhancement of sustainable and inclusive economic growth (Swinburn 2006; Swinburn Goga & Murphy 2006; ILO no date).

It is therefore apparent that there is a disjuncture regarding the definition of LED. Despite the differences sketched above, the focus of LED initiatives should be to form effective partnerships to implement LED. The purpose of these partnerships should be to identify and utilise local resources, create conditions conducive to sustainable and inclusive economic growth, and create job opportunities.

## 2.7 LED Support

The term "support" refers to provision of assistance. Support could also refer to prevention of a project or program from failing (Allen 1990). Based on this definition, local economic development (LED) support could refer to measures initiated by sector departments and other agencies of government to enable the City of Tshwane to implement LED initiatives successfully and in a sustainable manner. LED support could be categorised into technical and financial support.

## 2.8 The role of different stakeholders in the implementation of LED

Successful implementation of local economic development (LED) calls for a multi-disciplinary and multi-stakeholder approaches (Swinburn, Goga & Murphy 2003; Zaaijer & Sara 1993; Meyer-Stamer, 2002; UNHSP, 2005; ILO cited in Nel and Lynell, 2006). This implies that all spheres of government should play a pivotal role in the creation of an environment that is conducive to LED. It is therefore imperative that participation of each sphere of government in the LED strategic planning processes be optimal. This requires sound intergovernmental relations between the spheres of government and adherence to the principles of cooperative government as enshrined in the section 4 of the Intergovernmental Relations Framework Act (Act No. 13 of 2005) and Chapter 3 of the Constitution of the Republic of South Africa Respectively. In addition, the implementation of LED requires effective stakeholder management.

According to the Swinburn et al. (2003), LED stakeholders refers to individuals, businesses, organisations or groups in the public, private and NGOs with interest in implementing LED initiatives. The rationale behind involvement of multiple stakeholders in the LED processes is primarily to increase the credibility, equity, transparency, and finally buy-in. Secondly, an inclusive approach to LED implementation is recommended because it promotes better understanding of

the socio-economic needs of the beneficiaries. Thirdly, it enhances efficiency in the implementation of LED due the ability of stakeholders to mobilise their own resources to support the process.

### 2.9 *The importance of role clarification in the implementation of LED*

Role clarification is defined as a preventative, proactive, and skill-based process to specify respective responsibilities of local economic development (LED) support institutions. This process should be underpinned by the commitment to collaborate among institutions (Christian Peacemaker Teams, undated).

The clarification of roles of LED support institutions is essential because it promotes sound working relationships among these institutions. Furthermore, it could enable the institutions to understand their respective mandates. This might increase cooperation and effectiveness among them (Christian Peacemaker Teams, undated). It could therefore be argued that the clarification of the respective roles of LED support institutions is imperative towards the successful implementation of LED initiatives in the City of Tshwane.

### 2.10 *Institutional arrangements for implementing LED*

Institutions are important in the economic development process because they provide a framework for rules to ensure rational and optimum decision making. In addition, they are instrumental to ensure stability and certainty for stakeholders (North, 2003). These attributes are also applicable for local economic development (LED) institutions. LED institutional arrangements refer to organisations, structures and networks that are directly or indirectly involved in the implementation of LED. These institutions serve as mechanism through which LED strategies are coordinated, managed, implemented, as well as monitored and evaluated (DPLG, 2000).

LED institutional arrangements serve three primary purposes. First, they form a basis through which successful resource management is ensured. Second, these institutions provide a platform for various LED stakeholders to articulate their interests, share information, bargain, and take collective decisions. Finally, LED institutional arrangements are essential to reduce uncertainty in the implementation of LED. Identification of pertinent LED stakeholders and the clarification their respective role is imperative to ensure successful implementation of LED efforts (North, 1990; Dinar & Kemper, 2005).

It could be argued that LED institutional arrangements are essential because economic growth and development cannot take place in a political and legal institutional vacuum (North, 2003). In order to enhance the effectiveness of LED institutions, it is advisable to conceptualise their design within broader socio-economic and socio-political frameworks within which these initiatives unfold. This implies that LED institutional arrangements should take into cognisance various legislative and policy imperatives to bolster their relevance and legitimacy (Eaton, Meijerink & Bijman 2008).

### 2.11 *Critical support factors in the implementation of LED*

There is generally consensus about what leads to ineffective implementation of local economic development (LED) but there is no general agreement among LED stakeholders and commentators which factors are likely to result in successful implementation of LED initiatives (Hindson & Vincente 2005). That as it may, the following factors could be regarded as critical support factors in the implementation of LED, namely:

- Quality participation and ownership of the processes by all LED stakeholders (Petterson 2008). This could be achieved by empowering LED stakeholders through ongoing learning and networking (Petterson 2008; Thomas 2007) , seeking consensus among local LED stakeholders (Meyer-Stamer 2003) as well as ensuring co-operation among LED stakeholders (Allan & Heese 2009).
- Effective monitoring and evaluation of LED initiatives (GDED 2008; Allan & Heese) by all LED support agencies across the three spheres of government (that is at municipal, provincial and national government spheres).
- Proving funding of LED initiatives (Thomas 2007; Petterson 2008) in line with economic development imperatives of localities.
- Avoiding duplication of LED support initiatives (Allan & Heese 2009) through improved coordination of LED efforts by different LED stakeholders (Thomas 2007).

### 3. Data and Methodology

The study adopted the single case study method to investigate local economic development (LED) support and institutional arrangements in the City of Tshwane. This research design was ideal because the study required holistic and in-depth investigation of the phenomena (Feagin, Orum & Sjoberg 1991). The focus of the study was therefore on the depth of an individual case, that is, LED support and institutional arrangements for implementing LED initiatives in the City of Tshwane. In addition, the research design made selective approach possible. It also enabled the study to concentrate on issues that were fundamental to determining the institutional arrangements for supporting the implementation of LED in the research area (Yin 1994).

The data collection method used in this research was the qualitative research methodology. The methodology enabled the study to describe the institutional arrangements for LED support in the research area (Bless, Higson-Smith & Kagee 2006). This study relied primarily on semi-structured interviews to collect data, while the inductive approach and thematic analysis were employed to make sense of the raw data.

### 4. The Implementation of LED in the City of Tshwane

#### 4.1 The LED Division of the City of Tshwane

The City of Tshwane has established the LED Division which is charged with the responsibility of facilitating economic growth and development in the municipality. The division is headed by an Executive Director with substantial decision making powers.

The local economic development (LED) Division is responsible for creating an enabling environment for accelerated economic growth and development in the City of Tshwane. This is done by focusing on, among others, developing LED strategies and implementation plans; developing strategies to improve priority sectors; regenerating economic nodes and promoting the expansion of Black Economic Empowerment enterprises (City of Tshwane no date).

The division is explicit about their relationship with what they refer to as "strategic partners" (City of Tshwane no date). The study found that the LED Division implements LED initiatives in partnership with multiple provincial and national government agencies. These include the Gauteng Department of Economic Development, the Gauteng Enterprise Propeller, the Gauteng Growth and Development Agency, the Small Enterprise Development Agency, as well as the Small Enterprise Finance Agency to achieve its strategic objectives.

This is consistent with the LED approach recommended by the Swinburn, Goga & Murphy (2006) and the ILO (no date).

#### 4.2 The City of Tshwane LED Forum

The study also found that the local economic development (LED) Forum has not been established in the City of Tshwane. The absence of a functional LED forum might have negative implications for the successful implementation of LED in the municipality. The first implication is the absence or limited participation by civil society organisations in economic development matters. Secondly, the municipality does not have an advisory LED institution intended to bring together different LED stakeholders. Thirdly, it might be difficult for the City of Tshwane to mobilise stakeholders for a common economic development and growth vision (DPLG 2006; Mpengu 2010).

It could therefore be argued that a functional and representative LED forum could also play an important role to limit hostilities between LED stakeholders that have previously been in conflict. It might also assist to build consensus around a common economic vision for the municipality.

#### 4.3 The Tshwane Economic Development Agency

The Tshwane Economic Development Agency (TEDA) is an entity of the City of Tshwane Metropolitan. TEDA was established in 2006 to facilitate economic development in the municipality (TEDA 2013).

The study found that TEDA has been dormant for a number of years since its inception. This implies that the municipality has lost the benefits of a fully operation economic development agency during this period. The benefits forfeited included limited ability to mobilise local resources and participation by other LED stakeholders. Second, the municipality had limited access to grant funding from institutions, such as the Industrial Development Corporation (IDC).

Thirdly, the implication is that the City of Tshwane was unable to promote, oversee, plan, implement and monitor LED initiatives effectively. Finally, the municipality was probably unable to enhance partnership formation with other LED stakeholders (Swinburn, Goga & Murphy 2006; ILO, undated; Malefane 2011). Nonetheless, the study found that the City of Tshwane, in partnership with the Gauteng DED, has a plan underway to ensure that TEDA becomes an operational entity as a matter of urgency (TEDA 2013).

Given the benefits Local Economic Development Agencies, an operational TEDA could enhance the ability of the municipality to facilitate accelerated economic growth and development. This might in turn enhance the capacity to create job opportunities and to alleviate poverty.

#### 4.4 *The role of the Gauteng Department of Economic Development in LED support*

The study also found that the Gauteng Department of Economic Development (DED) provides local economic development (LED) support to the City of Tshwane. One of the interventions of the department in the municipality involved the facilitation of funding support for projects with a potential of creating jobs. The case in point is the capital injection of over R8 million to enhance economic development initiatives in the City of Tshwane (DED 2011).

The DED further supports investment facilitation in the automotive industry in the municipality. For instance, it has bolstered the successful bid by Nissan South Africa to manufacture the next generation pick-up truck at the Rosslyn<sup>2</sup> assembly. This was made possible through a capital injection of R228 million to improve the global competitiveness for the company (DED, 2011). These interventions demonstrate that the DED plays an important role to stimulate the local economy and bolster job creation in the Tshwane area.

The DED also supports the implementation of LED in the City of Tshwane through interventions by its entities, that is, the Gauteng Enterprise Propeller (GEP) and the Gauteng Growth and Development Agency (GGDA).

#### 4.5 *The role of the Gauteng Enterprise Propeller in LED support*

The authors observed that the Gauteng Enterprise Propeller (GEP) provides both financial and non-financial support to enterprises registered in its database in the City of Tshwane. Only enterprises registered with the Companies and Intellectual Property Commission and in possession of valid Tax Clearance Certificates from the South African Revenue Service are eligible to receive support.

Financial support from the GEP is in the form of loan funding to Small Medium Micro Enterprise and co-operatives. These loans are categorised into micro loans, business expansion loans, contract loans, start-up loans, and franchise financing loans. Alternatively, non-financial interventions comprise of assisting enterprises to compile business plans, production of promotional materials and assistance to comply with regulatory requirements.

The role played by the GEP in LED support is primarily around enterprise development. This includes supporting existing enterprises to expand and encourage the formation of new enterprises in the City of Tshwane (Mensah et al. 2013; Swinburn 2006; ILO no date).

The study further found that the Small Business Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) provide financial and non-financial support alongside with the GEP in the City of Tshwane. This apparent duplication of LED support efforts suggests the possibility of poor coordination of LED support initiatives between the GEP, SEDA and SEFA because the author did not find evidence of collaboration between these institutions.

#### 4.6 *The role of the Gauteng Growth and Development Agency in LED support*

The author observed that the contribution of the Gauteng Growth and Development Agency (GGDA) in stimulating the economy of Tshwane is fourfold. First, the agency enhances the economic competitiveness of enterprises through export promotion. Second, it assists to develop targeted economic sectors in the municipality. Third, they assist the municipality to create an enabling environment for economic development and growth. The agency is also involved in investment facilitation by assisting enterprises in the City of Tshwane to find appropriate sites and properties for projects.

In summary, the GGDA supports the implementation of LED in the City of Tshwane by improving the local investment climate for enterprises; retaining and strengthening existing businesses; investing in hard strategic

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<sup>2</sup> Rosslyn is an automotive hub in the northern part of the City of Tshwane



infrastructure, sites and premises for business; promoting inward investment; and developing strategic business clusters (Swimburg 2006; ILO no date). These interventions are consistent with the Growth and Development Strategy and the strategic objectives of the five-year programme of the City of Tshwane.

#### 4.7 *The role of civil society in LED support*

The City of Tshwane is confronted with a legislative and policy mandate to involve residents in its administrative affairs. To demonstrate this point, the White Paper on Local Government (1998)<sup>3</sup> enjoins the municipality to involve civil society organisations in the implementation of LED by introducing the concept of developmental local government<sup>4</sup>.

One of the critical success factors for LED is that there should be a core of individuals and organisations in the City of Tshwane with skills, time and commitment to support the municipality to make LED initiatives successful. It is therefore crucial that civil society organisations participating in LED planning and implementation be fully representative and accountable to their constituencies (DPLG 2003). This approach is in line with the LED model advocated by the World Bank (World Bank 2005; Breitenbach 2006).

In compliance with these legislative and policy imperatives, as well as international best practice, the City of Tshwane has facilitated the establishment of the Tshwane Business Forum (TBF)<sup>5</sup> during August 2013. Representatives of the TBF have scheduled meetings with the leadership of the City on a regular basis. The Business Forum meets with the City Manager and his senior management team bi-monthly. These are also monthly meetings scheduled with Regional Executive Directors (RED<sup>6</sup>) and Strategic Executive Directors (SED<sup>7</sup>).

#### 4.8 *The Gauteng Department of Cooperative Governance and Traditional Affairs*

The Strategic Plan of the Gauteng Department of Local Government and Housing (DLGH)<sup>8</sup> for the period 2009 to 2014 (2009) indicates that effective functioning of local government across the province in order to build sustainable communities and facilitate shared and equitable social and economic growth and development is the core mandate of the Department. This implies that the Gauteng Cogta has a duty to support the City of Tshwane to realise economic growth and development. LED strategies as well as Growth and Development Plans are central to create the sought after economic growth and development. These planning tools are also vital towards improving the lives of residents as enablers of economic growth, job creation and poverty reduction (DLGH 2009; DPLG 2003; SALGA 2010).

The Strategic Plan further argued that some of the core functions of the department include the development of specific local government support policies that will strengthen local government service delivery and build sustainable communities. The department also committed to supporting local government through the development of policies that are integrated into the plans of the province as developed by the Gauteng Planning Commission. The department further commits to provide support services to municipalities in respect of LED as well as to advise on and approve IDPs. The fact that the department currently fails to fulfil any LED support role is inconsistent with what they committed to achieve, both in the Strategic Plan and in line with their legislative mandate.

Noting that there is very little if any reporting on LED initiatives to the Monitoring and Evaluation Unit of the Gauteng Cogta, there is therefore a need for internal programmes of the department (especially Municipal Integrated Development Planning, Monitoring and Evaluation, and the Institutional Support) to actively support municipalities to implement LED initiatives successfully. The development of LED support capacity and a strategic partnership with the Gauteng DED will place the Cogta in a better position to fulfil its legislative mandate of supporting municipalities to execute LED initiatives effectively.

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<sup>3</sup> *The White Paper on Local Government is a fairly old policy document. The Local government landscape has changed since its inception hence it could be argued that the policy is due for review.*

<sup>4</sup> *The White Paper defines this concept as: Local government committed to working with citizens and groups within the municipality to find sustainable ways to meet their social, economic and material needs, and improve their lives.*

<sup>5</sup> *The forum comprises of representatives of the City of Tshwane and various business formations such as the Capital City Business Chamber (CCBC) and the Tshwane chapter of the National Federal Chamber of Commerce (Nafcoc).*

<sup>6</sup> *The City of Tshwane has been divided into seven administrative regions. Each region is headed by a Regional Executive Director.*

<sup>7</sup> *SEDs are Heads of Departments in the City of Tshwane. These officials are accountable to the City Manager who is in turn accountable to the Executive Mayor.*

<sup>8</sup> *This department has been renamed Department of Cooperative Governance and Traditional Affairs after the 2014 General Elections.*

## 5. Strategies to Improve LED Support in the City of Tshwane

In order to improve the implementation of LED in the City of Tshwane, the Gauteng Cogta should play a more direct and active role in LED and there is a need for the improvement of LED partnerships in the municipality. Furthermore, sound intergovernmental relations and cooperative governance should be promoted and LED coordination should be improved. Finally, LED monitoring and evaluation should be encouraged.

### 5.1 *Enhancing the role of the Gauteng Department of Cooperative Governance and Traditional Affairs in LED support*

The Gauteng Cogta should play an active role in LED support in the City of Tshwane. The department must also monitor and evaluate LED initiatives in the municipality to comply with its legislative mandate. In order to achieve this, the department should establish the LED Support and the LED Monitoring and Evaluation (M&E) Units. These units should be equipped with the required expertise and resources to effectively execute their functions. In addition, the units should collaborate with the GDED to ensure coordinated and successful implementation of LED initiatives.

### 5.2 *Improving LED partnerships*

Local economic development (LED) is a process that incorporates multi-stakeholders. The process includes the public sector, business sector, and non-governmental sector partners. It is therefore essential for these partners to work collectively to stimulate the economy of the City of Tshwane. In addition, conditions should also be created by the Gauteng DED and the Gauteng Cogta to ensure the City of Tshwane is supported to establish a LED forum.

### 5.3 *Improving inter-governmental relations and enhancing coordination*

There is a need to improve the inter-governmental relations (IGR) processes for local economic development (LED) support in Gauteng Province. It is also imperative for the Gauteng Provincial Government to develop a LED support policy framework to guide IGR. Supplementary to this, the National Government and the Gauteng Provincial Government and the City of Tshwane, should ensure that the Integrated Development Planning is indeed the single development planning tool for the three spheres of government. In order to realise this objective, the IDP engagements between the Gauteng Cogta, municipalities, other Gauteng Provincial Government and National Government sector departments, as well as other LED stakeholders should be intensified. Furthermore, the engagements should be elevated from being voluntary and informal interactions to being formal arrangements with clear goals, roles and responsibilities. Additionally, there is an urgent need to speed-up processes for synchronising and aligning budgeting and planning cycles of the three spheres of government to further improve coordination of LED support initiatives.

### 5.4 *Improving LED Monitoring and Evaluation*

The LED Division of the City of Tshwane, with support from the National Department of Cooperative Governance and the Gauteng Cogta should develop a Monitoring and Evaluation (M&E) framework for measure LED initiatives. The LED M&E framework should make provision for assessing both pro-poor and pro-economic growth local economic development outputs as well as outcomes. Furthermore, the framework should specify how the multi-stakeholder nature of LED will be accommodated in the evaluation. In addition, it should make provision for the assessment of LED processes, projects, and outcomes in order to generate comprehensive data on progress made and lessons learned in the implementation of LED initiatives. The main issues to consider in crafting the LED M&E framework should entail specific LED outputs and outcomes that are required to be assessed; appropriate indicators and targets; and types of processes appropriate for monitoring and evaluating LED initiatives.

## 6. Conclusion

This article draws four conclusions. The first conclusion is that the Gauteng Cogta does not provide local economic development (LED) support to the City of Tshwane. This is inconsistent with the legislative mandate of the department to support, monitor and evaluate the performance of municipalities to implement LED initiatives. Secondly, LED support is a multi-agency undertaking that involves national and provincial government sector departments and agencies. Crucial

among these LED institutions is the Department of Cooperative Governance and Traditional Affairs as well as the Gauteng Department of Economic Development and its entities. Thirdly, there is lack of coordination of LED support initiatives, hence duplication of LED efforts across different LED institutions. This tendency results in wastage of limited LED support resources. Finally, the LED Forum in the City of Tshwane and the Tshwane Economic Development Agency (TEDA) are not functional. This *status quo* is undesirable because both the LED Forum and TEDA could play a crucial role to rapidly enhance economic development and growth in the municipality.

The challenges cited above limits the impact of LED initiatives in the City of Tshwane. This in turn retards progress for the municipality to create jobs and alleviate poverty through LED activities. It is therefore essential that these challenges be addressed in order to stimulate the economy of the municipality and improve the quality of life of residents.

It is suggested that the LED challenges experienced in the City of Tshwane should be addressed by reinforcing the role of Gauteng Cogta in LED support, monitoring and evaluation. Furthermore LED partnerships in the municipality should be improved and sound intergovernmental relations in LED support should be promoted across the three spheres of government. LED coordination should also be improved. In addition, LED monitoring and evaluation should be bolstered.

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