

**THINKING DIFFERENTLY ABOUT LOCAL ECONOMIC DEVELOPMENT AND
GOVERNANCE IN SECONDARY CITIES IN SOUTH AFRICA –
A CONCEPTUAL ANALYSIS OF THE POSSIBILITIES OF PROBLEM DRIVEN
ITERATIVE ADAPTION (PDIA)**

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ABSTRACT

Local economic development successes and failures at municipal level, and specifically in secondary cities in South Africa, is deeply influenced by the constitutional imperatives for establishing developmental local government. The local planning, economic development and policy frameworks introduced between 1999 and 2006 were largely based on, and moulded according to, the wave of new public management paradigms and public sector reform 'good governance best practises' implemented in South Africa post the 1994 democratic elections.

The study makes two claims about municipal designs and practises, one that the governance design for these expressions of developmental local government in South Africa has been driven by solution based and theoretical mechanisms rooted in primarily new public management frameworks and development approaches. The second claim is that this development approach manifested in practise in specific plans and frameworks which municipal governments and entities are required to implement and this implementation is characterised by mimicry and isomorphism through compliance, specifically in intermediate cities.

The motivation for the study, and the third claim which the study investigates, is that the implementation of these plans in practise is not doing so well in terms of delivering the results as envisaged, and secondary cities and towns are often in economic, social and service delivery crises and exhibit very high levels of spatial exclusion despite the local economic development profiles and governance arrangements in these settings increasingly being a matter of policy discussion and debate.

The study then introduces a proposed alternative by focusing on implementation at local level and explores how things might be done differently. It looks at the possible contribution of the current search for more effective public service reform, generally referred to as 'doing development differently' or 'smart(er) development', to this local economic development debate. Through a conceptual analysis and application of the approaches and methodologies introduced by problem driven iterative adaption, the study identifies possible different approaches for local economic development in secondary cities and explains what it looks like.

The study concludes that doing local economic differently in intermediate settings in South Africa can provide more realistic expectations for the results of local economic development initiatives through fundamentally rephrasing the problem as one that matters, and make recommendations for approaches through which problem driven iterative adaptation processes and practises can be introduced in the context of the institutional constraints present in these intermediate settings.

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LIST OF ACRONYMS / ABBREVIATIONS

| | |
|---------|--|
| CODESA | Convention for a Democratic South Africa |
| COGTA | Department of Cooperative Governance and Traditional Affairs (pre-2009 The Department of Provincial and Local Government) |
| CSIR | Council for Scientific and Industrial Research |
| DDD | doing development differently |
| DPLG | Department of Provincial and Local Government (post 2009 the Department of Cooperative Governance and Traditional Affairs) |
| GDP | gross domestic product |
| GEAR | Growth Employment and Redistribution – A Macroeconomic Strategy (1996) |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit GmbH |
| GVA | annual gross value add |
| HoD | Head of Department |
| HSRC | Human Sciences Research Council |
| IDP | Integrated Development Plan |
| IUDF | Integrated Urban Development Framework |
| LED | local economic development |
| LGTA | The Local Government Transition Act of 1993 (Act 209 of 1993) |
| MDB | The Municipal Demarcation Board |
| NDP | National Development Plan (South Africa) |
| NLGNF | National Local Government Negotiating Forum |
| NPM | new public management |
| PDIA | problem driven iterative adaption |
| PRC | The Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa |
| RDP | The Reconstruction and Development Programme (1994) |
| SACN | The South African Cities Network |
| SANCO | South Africa National Civics Organisation |
| SIP | Strategic Infrastructure Programme |
| StatsSA | Statistic South Africa |
| WB | The World Bank |
| WPLG | White Paper on Local Government (1998) |
| WPTPS | The White Paper on the Transformation of the Public Service (1995) |

CHAPTER 1. INTRODUCTION

1.1 SECONDARY CITIES AND LOCAL ECONOMIC DEVELOPMENT

1.1.1 Background

South Africa's National Development Plan 2030 (NDP) – our future make it work, notes in the chapter on transforming human settlements and the national space economy that: "The landscape has changed since 1994, producing mixed results. The Gauteng city-region has reinforced its national dominance and attracted growing migration. The coastal city-regions have performed less well, especially in terms of job creation, largely because the manufacturing industry has failed to gain traction despite the apparent advantages of their location. The performance of smaller cities has been uneven, depending on their dominant industries. Many small towns and rural areas have stagnated or declined as agriculture and mining have gone through structural changes, while others have developed dramatically as economic activity has increased. Parts of the former homelands are changing their economic structure, supported by increased spending from social grants which raises questions about long term sustainability but does potentially open new opportunities. This is occurring along major transport corridors, in developing tourism areas and along national borders where trade and transport are growing. (National Planning Commission, 2012)."

Parnell and Pieterse identifies poverty, informality and local governance institutions lacking a clear mandate and or capacity as the key identifiers of the context in which urbanism is developing in Africa today¹. This developing urbanism is happening in the context of a range of fast paced societal shifts characterised by high population growth, a growing urban population, economic growth and related societal changes. Cartwright in his working paper for the 2015 Africa Progress Report notes that Africa's urban population is expected to triple between 2011 and 2050 and by 2035 more than half the continent's population will live in cities². This is accompanied by GDP growth in Africa between 2000 and 2013 of 5.1 percent on average and in 2012, 11 of the 20 fastest growing economies were in Africa³.

South Africa is not very different in this regard although it could be argued that South Africa is already slightly ahead of this development curve. In its 2006 report Migration and Urbanisation in South Africa, StatSA calculated that 56.29 percent of South Africans were living in urban settings in 2001⁴.

¹ Parnell & Pieterse, 2014; p.10

² Cartwright, 2015; p.4

³ Ditto; p.6

⁴ Statistics South Africa (StatsSA), 2006; p.18

Beyond the 9 major metropolitan areas or bigger cities in South Africa, it is the performance of, and opportunity inherent in, the smaller cities mentioned in the NDP and their development trajectory that is of concern in this study. The local economic development profiles and governance arrangements in these so-called secondary cities are increasingly a matter of policy discussion and debate.

Ongoing policy discussions and debates in South Africa range from the demarcation of municipal boundaries, the scope, nature and functions of these local administrations / jurisdictions, local economic development, differentiated approaches to incentivise performance based access to the local government grant system and the trade-offs between rural and urban development to name a few.

Despite these ongoing discussions the secondary cities and towns are often in massive economic, social and service delivery crises and exhibit very high levels of spatial exclusion. The initial push for inclusive growth, in the context of the vast inequalities in South Africa, has to some extent morphed into a quest for any sign of local growth and economic development.

The political economy in secondary cities, and their surrounding jurisdictions, are rarely considered with a view to identify some possible economic development priorities. The question as to what may be the 'best-fit' local economic development priorities in these secondary settings in the context of the prevailing administrative jurisdictional realities and characteristics such as fast growing populations, slow social-infrastructure responses (housing, bulk services, etc.) and possible national private and public sector infrastructure initiatives, are rarely asked.

This situation is not peculiar only to secondary cities but often find more acute expression in these settings and this should be seen in the context of key issues relating to the partial implementation of the original local government project in South Africa. This project in many instances seemed to have reached its shelf life. The circumstances have changed and with that the general citizen expectations and economic needs. Given the current set of challenges facing local government more inclusive economic growth (some would argue just any growth) are absolutely critical and particularly so in secondary towns and cities.

Rodrigues and Fitjar argues that larger cities increasingly emerge as the winners of all types of economic interaction in a globalised world. They further note that the majority of the world's people do not live in these larger agglomerations and the question of 'what happens' to these people should be foremost when discussing economic development and growth. What future awaits people living in intermediate or smaller cities and towns? (Rodrigues-Pose & Fitjat, March 2013)

1.1.2 Secondary / Intermediate Cities

In Africa, and South Africa, the question is not much different. Parnell and Pieterse observed in a 2014 article that "... like in most other regions of the world the vast majority of urban Africans live in cities or towns of fewer than 0,5 million people, and will probably continue to do so. It was projected that by 2015, 54% of the urban population will live in settlements with fewer than 0,5 million people....."⁵.

The South African draft Integrated Urban Development Framework (IUDF), published in 2014, states that nearly two-thirds (64 percent) of South Africa's youth already live in urban areas, whereas the aged (no longer economically active) population tend to migrate to more rural settlements and secondary cities in other provinces and shows that with the projected urbanisation and population growth, the majority of South Africans (more than 70 percent) will be living in cities and towns by 2030⁶.

This provides a strong motivation to not only focus on the growth and peculiarities of larger urban or metropolitan centres when discussing local economic development and growth in South Africa.

In 2012 South African Cities Network (SACN), a South African based learning network with membership from the 9 largest cities, or metropolitan municipalities, in South Africa started a discussion on these other urban populations which do not reside in the 9 largest cities through their 'Secondary Cities in South Africa, the start of a conversation', publication⁷.

Although South Africa does not have an official hierarchy of cities and towns, the Council for Scientific Research (CSIR), the 2006 National Spatial Development Perspective and the local governance sphere all use different categorisations which in effect develop some underlying hierarchy of settlements, spanning from primary cities or metropolitan areas at the top to rural settlements at the bottom of the hierarchy. In this context, beyond the metropolitan areas, a group of 22 so called secondary cities were identified in the 2012 report.

SACN published a follow-up publication in this debate in 2014, 'Outside the Core, towards and understanding of intermediate cities'⁸ in which it further develops the ideas for identifying the second layer of non-metropolitan cities. In this publication, they broadened the nascent urban hierarchy debate in South Africa beyond issues

⁵ Parnell & Pieterse, 2014; p.8

⁶ Department of Cooperative Governance and Traditional Affairs (CoGTA), Republic of South Africa, September 2014; p.5 & 8

⁷ South African Cities Network, March 2012

⁸ South African Cities Network, 2014

related to size and provided an additional focus on the interrelationship between size, function and location, which they argue is critical for understanding intermediate cities and their development trajectories. So whilst the 'secondary city' terminology focused on size, the term 'intermediate city' placed more emphasis on function (South African Cities Network, 2014).

The second SACN publication looked at 6 case study intermediate or secondary cities and the average population in these six case study cities were 455 457 as compared to the average metro population at 2.546 million. The average intermediate city population size was even lower than the smallest metro which had a population of 747 731 in 2011. Similarly, the gross value add (GVA) of the six intermediate case study cities ranged from 5.77 billion to 19.43 billion in 2011 South African Rands, with an average GVA across the six intermediate cities at 12.97 billion Rand. This compared to 203 billion Rands on average in the metros with the lowest metro GVA at 26.47 billion.⁹

In 2011 the average percentage of people in employment, of the working age population, in the six cities were 42.4% with on average 35.5% of the working age population not economically active. The same 6 case study cities on average showed a 6,5% population increase in the period between 2011 and 2016, in the six-intermediate city sample ranging from 1.6% to 11.6% population growth¹⁰.

The poverty head count¹¹ in the six case study cities on average remained the same with a small decrease in the poverty count of only 0.5%, which shows that despite fairly substantial in migration the socio-economic conditions largely remained stagnant. Although the updated 2015 GVA figures for these intermediate cities are not available it can be assumed that the economies of the case study cities over this period just about managed to stay abreast of the per capita in migration over this period.

Post the 2014 national and provincial elections the Department of Cooperative Governance and Traditional Affairs (COGTA) made an assessment of the performance of municipalities and in a speech of the Minister of COGTA in Parliament on 17 July 2014 he indicated that the assessment showed that approximately a third of the 284 municipalities are functioning fairly well, a third has the potential to do well and the remaining third are not doing well at all¹². Although the categorisation was

⁹ Based on 2011 Census Data as published in South Africa cities network, 2014

¹⁰ (Statistics South Africa (StatsSA), 2013)

¹¹ StatsSA – The poverty measures used in the CS 2016 publication tables are based on the South African Multidimensional Poverty Index (SAMPI). The SAMPI is an index that is constructed using eleven indicators across four dimensions, namely health, education, living standards and economic activity.

¹² COGTA Budget Vote speech, Minister P J Gordhan, National Assembly, 17 July 2014

rather euphemistically formulated, from the assessment it was clear that the bulk of the 22 secondary / intermediate cities as identified by the SACN publication fell in the latter 2 categories. The categories for these assessments focused on political stability, governance, service delivery, financial management, institutional management and community satisfaction. The economic development strategies, plans and profiles were not assessed, which provides an indication of the levels of dysfunctionality as only the most basic municipal functions and performance areas were included in the assessments.

After 14 years of the South African local government project at least 2 thirds of these local governments were not functioning as they should, even on the most basic assessment.

1.1.3 Origins and role of local government

The establishment of the provincial and local government spheres in South Africa emanated from the political compromises reached at CODESA (1991 – 1994), rather than primarily being based on a functional premise. Amongst these compromises were the independence of key central institutions and the inclusion of a provision for a constitutionally guaranteed Bill of Rights that included protection of private property as a fundamental human right.

At the local level, even more important concessions were made during the negotiations - in contrast to the arrangement at national and provincial levels - power sharing government was entrenched at the local level until the first local government elections in 1996.

The ambit of local government's role in the national development process stems from the Constitutional (1996)¹³ definition of the role of local government. However, before municipalities could be fashioned into the institutions envisioned by the Constitution, it was first necessary to effect institutional transformation, and particularly the consolidation of apartheid-based municipal government. This was a complex undertaking and was realised through a carefully designed three phase process to affect the "normalisation" of South Africa local government. This process and its relevance to the study is explored in more depth in Chapter 4.

The heart of the South African Local Government system is its developmental character, and it was designed to both democratise local governance and serve as the font of social and economic development. The 1998 White Paper on Local

¹³ (Republic of South Africa, 1996)

Government (WPLG) captures the developmental intentions of the local governance sphere as follows:

“Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their lives.”¹⁴

This comprehensive understanding of the ambit of local government’s role in the national development process stems from the Constitutional definition of the role of local government.

The Constitution (1996) envisages a local sphere of government consisting of municipalities which are established for the whole of the territory of the Republic. The objectives for this local sphere of government, municipalities, are to strive, within its financial and administrative capacity, to:

- provide democratic and accountable government for local communities;
- ensure the provision of services to communities in a sustainable manner;
- promote social and economic development;
- promote a safe and healthy environment; and
- encourage the involvement of communities and community organisations in the matters of local government (Republic of South Africa, 1996).

The establishment of a decentralized system of government in South Africa after 1994 has involved a progressive devolution of developmental power to local governments, backed up by an increasing level of financial support through the equitable share allocations and a set of dedicated capital grants for infrastructure from the national budget. This has been accompanied by moves to build ‘developmental local government’ as set out in the Local Government White Paper in 1998 and envisaged in the 1996 Constitution.

The White Paper put developmental local government firmly at the centre of its proposals. It defines this as ‘local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.’ The White Paper spells out four interrelated characteristics of developmental local government:

- maximising social development and economic growth;
- integrating and co-ordinating;
- democratising development; and

¹⁴ (The Department of Provincial and Local Government, 1998)

- leading and learning (The Department of Provincial and Local Government, 1998).

1.1.4 Integrated Development Plans

In terms of the Local Government Municipal Systems Act (No. 32 of 2000)¹⁵ each municipality, including the secondary / intermediate cities, has to develop one strategic development plan which spans a five-year period to guide and inform all planning, budgeting, management and decision making processes in the municipality in that period. This IDP is the product of a detailed and lengthy process described in detail in sections 27 to 31 of the legalisation (The Republic of South Africa, 2000). In practise the IDP includes a local economic development plan which largely responds to the National Framework for Local Economic Development

The planning tools and frameworks of the IDP, and the LED Framework, were designed to ensure that all the relevant stakeholders in a municipality identify the critical or key development priorities, formulate a clear vision, mission, values and appropriate strategies, develop the structures and systems to respond to the vision and mission, and align resources with these identified priorities.

The LED Framework was premised on the understanding that a developmental approach includes local government structures playing a decisive and unapologetic role in shaping the economic destiny of their localities, and the country, and to create an environment in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities (Department of Provincial and Local Government, 2005).

These were an early attempt to provide for the required planning to ensure the local government entities realise the core imperatives of democratic and developmental local government as envisaged in the Constitution.

1.2 RESEARCH OBJECTIVES

In the context of the establishment and practise of a decentralised system of developmental local government in South Africa post 1994, the objective of this research study is to explore whether Problem Driven Iterative Adaptation (PDIA) theoretical frameworks and methodologies for approaching policy reform questions, and the 'Doing Development Differently' (DDD) debates, provides a conceptually

¹⁵ (The Republic of South Africa, 2000)

different approach to address the questions of local social and economic development and growth in secondary cities and towns in South Africa.

The question matters in the South African context of national stagnating growth and increasing inequality. Specifically, as it relates to a local government project embarked upon in 1994 which had as its central focus to maximise social development and economic growth through democratising development, coordination and learning.

The study aims to contribute to ongoing policy debates about the role and future of secondary cities in South Africa and whether different approaches can provide possible policy responses to questions such as those identified in by the early work done by the SACN:

- How should secondary cities be managed, given their importance for innovation and economic competitiveness;
- How should these cities be viewed against national social and human development objectives;
- Do these cities have alternative development trajectories that will assist in them to avoid some of the problems associated with the metropolitan areas;
- How can these cities harness growth for greater urban transformation and better infrastructure and services; and
- Could these cities play a role in greater economic development and overcoming the patterns of unequal growth? (South African Cities Network, 2014).

1.3 KEY CONCEPTS

Secondary / Intermediate cities

For the purposes of this study secondary cities are those towns and cities, which are not categorised as one of the 9 metropolitan administrations in South Africa, with a distinct role in national life, often acting as catalysts for development in their regions, alleviating pressure from the country's metropolitan areas, with a less dense population as those found in the larger populated urban (metropolitan) conurbations.

Local social and economic development

The International Labour Organisation (ILO) suggests that local economic development champions a development approach which is aimed at increasing local economic potential and sustainable employment through giving local governments

the tools to devise locally tailored strategies in cooperation with local, regional and international stakeholders and actors (Rodriguez-Pose & Tijmstra, November 2005).

The purpose of local economic development (LED) is to build-up the economic capacity of a local area (as opposed to focus on sectoral strategies) to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation (Swinburn, et al., 2006).

Problem driven iterative adaption (PDIA)

Problem driven iterative adaption is an approach to addressing policy reform questions and initiatives, specifically in developmental contexts, through four principles which stands in contrast to standard or traditional approaches. These four principles relate to:

- Focusing on solving locally nominated and defined problems in performance;
- Seeking to create an 'authorizing environment' for decision-making that encourages 'positive deviance' and experimentation;
- Embedding experimentation in tight feedback loops that facilitate rapid experiential learning; and
- Actively engaging broad sets of agents to ensure that reforms are viable, legitimate, relevant and supportable (Andrews, et al., 2013).

1.4 CHAPTER OUTLINE

The next chapter (Chapter 2) provides the hypothesis (problem statement and possible explanations) for the conceptual analysis (to follow in Chapter 5), as well as an outline of the broad methodological approach for the study.

Chapter three is a literature review, looking at the current debates in local economic development as they relate to intermediate settings. This chapter also explores the doing development differently 'movement' and approaches as a response, or proposed alternative, to the 'good governance approaches, which for the last 20 or 30 years dominated the debates in introducing policy reform in developmental contexts. It specifically explores these as they relate to doing social and economic development at sub-national levels differently, as well as the core conceptual approaches of PDIA.

Chapter 4 focuses on the contextually relevant background which provides the basis for understanding the developmental and planning frameworks introduced in South

Africa, how this function in practise and impact on social and economic development in secondary cities. It explores and supports the claims that local and municipal development in South Africa has been driven by a series of theoretical, solution based mechanisms and even 'ideologies' which manifest practically in the plans and frameworks that municipal governments and local entities are meant to implement.

In chapter five the study proceeds, through conceptual analysis, to explore empirically and test whether the proposed alternative, PDIA and DDD, could provide for a different approach to social and economic development questions in secondary cities, essentially through focusing on implementation at local level. And in the final chapter (Chapter 6) the study draws some conclusions and identify possible recommendations for future approaches and amendments to the local social and economic development approaches and planning frameworks for secondary cities in South Africa.

CHAPTER 2. HYPOTHESIS AND METHODOLOGY

2.1 HYPOTHESIS

The overarching hypothesis of the research study is that the Constitutional imperatives for establishing developmental local government and the subsequent planning, economic development and policy frameworks introduced through legislation for the local governance sphere between 1999 and 2006 were largely based on, and moulded according to, the wave of new public management paradigms and 'good governance best practises' implemented in South Africa post the 1994 elections. These led to both the local governance structures, and the planning frameworks for socio- and economic development for the local sphere of government, mimicking isomorphism through compliance, which did not deliver the required outcomes and results, specifically for the so-called secondary or intermediate cities.

The study makes two claims about municipal designs and practises, one that the governance design for these expressions of developmental local government in South Africa has been driven by solution based and theoretical mechanisms rooted in primarily new public management frameworks and development approaches. The second claim is that this development approach manifested in practise in specific plans and frameworks which municipal governments and entities are required to implement.

The motivation for the study, and the third claim which the study investigates, is that the implementation of these plans in practise is not doing so well in terms of delivering the results as envisaged. Partly the response to this failed implementation is to introduce mechanisms through which these plans can be better implemented, that is doubling down on the existing solution.

The study hypothesis is based on a proposed alternative, and explores how things might be done differently. Although the current search for more effective public service reform, generally referred to as 'doing development differently' or 'smart(er) development', has to date largely focused on alternative frameworks for theory and practise to reform the post New Public Management (NPM) orthodoxy as it relates to the form and function of institutions in developing countries, few examples exist of these new approaches being applied to economic development in general or local economic development specifically.

A conceptual analysis of these alternative approaches, frameworks and theory can provide lessons and possible different approaches for local economic development in secondary cities.

The central research question is whether theoretical approaches and practise which look beyond the conventional solution based public sector management approaches and tools can provide conceptually different approaches and tools for local economic development, and how these can be implemented in secondary cities in South Africa.

2.1.1 The Public Sector Reform space post 1994 – ‘Developing a Culture of Good Governance’

Chapter 4 deals in more detail with period between 1993 and 1999 when the current local government architecture found its expression in legislation, but for the purposes of the claims made about municipal design, it is important to note the lack of historical consideration in framing the local governance architecture post the adoption of the 1996 Constitution.

The 1996 Constitution established the framework for the local government sphere, it recognised local government as a distinctive sphere of government, and requires municipalities to ‘give priority to the basic needs of the community, to promote the social and economic development of the community; and participate in national and provincial development programmes’. The Constitution further obliges local government to ‘encourage the involvement of communities and community organisations in the matters of local government’ (Republic of South Africa, 1996).

In 1996 former President Mandela appointed the Public Service Review Commission (PRC) on the Reform and Transformation of the Public Service in South Africa. The need for a review commission on reform and transformation was mooted in *The White Paper on the Transformation of the Public Service* (WPTPS) of 1995. And the establishment of the PRC in March 1996 was intended to support and consolidate these initiatives, and to recommend viable changes that would facilitate the transition and provide a framework for more fundamental transformation in the public sector, including in the local sphere.

The PRC concluded in their early discussions that the essential ingredients of ‘good governance’ were still missing, including the development of an effective culture of democratic governance and service delivery.

The Commission framed the deficiencies of the public service in a developmental service delivery orientated framework and identified the need for the administration(s) of a new political dispensation to deliver services efficiently, equitably and cost-effectively to the whole population. The PRC felt that the central question to answer was how to make the public service a legitimate and effective development-oriented instrument of long-term transformation capable of bringing services to the whole

population on an equitable basis, and of facilitating the development of service excellence and public sector democratisation in the medium and the long-term in all sectors and regions. Despite this apt framing of the challenges and the central question – the key public administration sphere identified for this purpose in the Constitution (local government) was not dealt with at all in the final report of the Commission. In its final report submitted to President Mandela in 1998 the Commission says:

'In the light of the broad definition of public administration contained in the 1996 Constitution, the Commission felt that it would have been within the scope of its terms of reference to include local government and the parastatals within its inquiries. However, given the large size of the public service and the short timescale for the completion of its work, the Commission decided to confine its investigations to the public service as defined in the 1994 Public Service Act, and therefore to exclude both local government and public enterprises.'

This decision was arrived at in the interests of sustaining the manageability and quality of the Commission's final report. **In view of the importance of local government in respect of the local delivery of services, and its relationship to the other tiers of government, the Commission nevertheless recommends that a separate inquiry be undertaken into this area by an independent Commission appointed for this purpose.** Such a Commission, if appointed, might choose of course to be guided in its work by the methodology, findings and recommendations of the PRC (The Presidential Review Commission, 1998).

Despite identifying the central developmental (including economic development) role of local government the key commission to look at the required functions and institutions to make this a reality did not consider the local government sphere. In addition, the findings and recommendations of the PRC essentially proposed the restructuring of the South African public service and its institutions, along the lines of internationally accepted 'best practise'. The recommendations focused on the introduction and development of a culture of good governance, rightsizing the public service, re-engineering the business processes of government, developing a professional management corps, the serious consideration of alternative service delivery systems, including outsourcing and the development of creative public-private and public-community partnerships using the principles of effectiveness, efficiency, economies of scale, and integrated services, to name but a few (The Presidential Review Commission, 1998).

2.1.2 Integrated Development and Local Economic Development

The establishment of a decentralized system of government in South Africa after 1994 has involved a progressive devolution of developmental power to local governments, backed up by an increasing level of financial support through the equitable share and a set of dedicated capital grants for infrastructure. This has been accompanied by moves to build 'developmental local government'. The 1998 White Paper on Local Government put developmental local government firmly at the centre of its proposals. It defines it as 'local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives' (The Department of Provincial and Local Government, 1998).

The White paper also introduced the integrated development plan to provide local government, as the sphere of government closest to the people, to integrate and co-ordinate the activities of its own departments with those in other spheres of government. One of the most important methods identified for achieving greater co-ordination and integration is integrated development planning. The White Paper put integrated development plans at the heart of the new policy, indicating that they provide powerful tools for municipalities to facilitate integrated and co-ordinated delivery within their locality. It recognised that municipalities face immense challenges in developing sustainable settlements, which meet the needs and improve the quality of life of local communities. 'To meet these challenges, municipalities will need to understand the various dynamics operating within their area, develop a concrete vision for the area, and strategies for realising and financing that vision in partnership with other stakeholders' (The Department of Provincial and Local Government, 1998).

In the 2006 HSRC publication *Democracy and Delivery – Urban Policy in South Africa*, Philip Harrison argues that although the IDP is the focus of post-Apartheid municipal planning and a key instrument in the evolving framework of intergovernmental planning and coordination, the IDP is linked to a second wave of new public management that took root in the mid 1990 around the world. (Harrison, 2006) This specifically translated into the drive in the IDP for so-called 'joined up' government, performance management and participatory governance.

Harrison concludes his article by noting that by 2005 instruments for planning at the local government level, such as the IDP, were caught up in the growing crisis in local government. Decentralisation was challenged by the failures of many municipalities to deliver on their mandates and support systems for coordination across the three spheres were shown to be inadequate.

Similarly, Nel and John tracks the evolution of local economic development thinking in South Africa and identifies the key role players. In the mid 1990's the South African National Civic organisation released it LED policy document (SANCO, 1995) and in the same year the Reconstruction and Development Plan ministry released its own 'LED: A discussion document (Ministry in the Office of the President, 1995). This early work found its way into the 1998 White Paper which explored the economic development role of local government. From 2000 onwards the Department of Provincial and Local Government (DPLG) released a series of LED manuals which provided comprehensive guidance to local governments (Nel & John, 2006).

This work, and evolution, as described by Nel and John culminated in the release of the seminal LED document of the SA government, Stimulating and Developing Local Economics – National Framework for Local Economic Development in South Africa 2006 – 2011, by the DPLG in 2006.

In 2006 the World Bank published their LED primer - Local Economic Development: A Primer - developing and implementing local economic development strategies and actions plans (Swinburn, et al., January 2006) – a document which in approach and thrust, as it relates to LED were largely reflected in the South African national framework for LED released in the same year.

Suffice to say here that as Chipkin and Meny-Gibert argues in their 2012 paper, the state of the public sector in South Africa is heavily influenced by particular histories of state administration related to the legacy of Apartheid and the nature of political transition to democracy. In particular, they argue that the historical realities of the post-colonial literature and the former homeland administrations that were incorporated in the post-Apartheid state were not sufficiently considered in the broad public sector reforms post 1994. Instead it was focused on something else – 'In line with broader international trends in public administration, especially in Britain, the United States and New Zealand, a number of public sector reform initiatives in South Africa were shaped by New Public Management (NPM) thinking. Proponents of NPM sought to change what they saw as bureaucratic, law-driven administrations into an innovative and adaptive public service that could respond to increasingly globalised and complex societies. (Chipkin & Meny-Gibert, 2012).

This is no less true for the integrated planning and local economic development instruments and frameworks designed for local government in the period between 1999 and 2006.

2.1.3 Doing (local economic) development differently

Given the history and development of the integrated planning and local economic development frameworks in South Africa, does a more adaptive and flexible approach to integrated planning and local economic development provide better prospects for secondary cities? What would such an approach look like and need to take into consideration?

Did the decentralised, developmental local government agenda as implemented through the IDP and LED frameworks and processes for local government between 1999 and 2006 sufficiently take in to account and reflect the current growing consensus around doing development differently and or smarter development:

The four broad strands of the current search for more effective public sector reform in a post NPM era focus on political economy analysis and institutions, public management function over form, iterative and adaptive reform processes and individual and collective agency. If the IDP and LED approaches and frameworks introduced 'best practise' in South Africa, with the subsequent less than effective result as can be seen in secondary cities, does these four strands provide for a different and or smarter approach with better prospects for success and inclusive and sustainable development?

Can a conceptual analysis of these four strands of alternative approaches, and PDIA in particular, provide for a different trajectory towards local economic development? Does such an analysis provide for local economic development and planning approaches which can assist local government officials and development practitioners to:

- sufficiently focus on the (local) political economy, institutions and incentives?;
- provide 'good enough' governance and consider function as opposed to form to address the risks associated with mimicry and decoupling?;
- better utilise iterative and adaptive reform processes?; and
- Improve individual and collective agency?

Could these conceptually provide value for / to local economic development in secondary cities and, conceptually what would this look like focusing on its approaches, principles and practises.

2.2 METHODOLOGY

The study uses mixed methodologies, including process tracing to examine the new public management influences and practises evident in the local governance

architecture and its current frameworks for integrated planning and local economic development at municipalities, specifically secondary cities in South Africa.

For the purposes of the process tracing exercise the study relies on a wide range peer reviewed articles, published grey literature and South Africa government reports and communications, as well as unpublished discussions, reviews and technical contributions accessed through the author's participation as technical expert to the ministerial demarcation process review task team (2012/13). The choice of the integrated development planning processes as envisaged in the IDP, the LED Framework and the IUDF as examples of areas where new public management practises and influences can be discerned in the local government sphere, albeit not comprehensive of all the relevant policy frameworks, is made to provide a longer time-period relevance stretching from the 1990s to 2014/15.

The process tracing exercise, and review of the literature, is not designed as a critique of integrated planning, and the value and importance of policy coordination and integration, in general but rather an attempt to show that despite the value of these instruments and processes, in the absence of the requisite capacity and decision making the evidence of results remains elusive.

The conceptual analysis of the new and alternative approaches and their possible implementation for local economic development will follow along the lines of an analytical narrative with a view to provide some conclusions and recommendations for local economic development in secondary cities in South Africa. The analytical narrative draws on the author's experiences as part of the Municipal Infrastructure Support Agency (MISA) Rapid Response teams in the period 2011 to 2013.

CHAPTER 3. LITERATURE REVIEW

3.1 INTRODUCTION

This chapter will review key literature related to the central hypotheses and the key questions outlined in the previous chapter. It explores views and review the current thinking in relation to local economic development in non-metropolitan / secondary / intermediate city settings as well as review the current debates in 'doing development differently' as a theoretical and analytical approach different from the new public management orthodoxy.

3.2 LOCAL ECONOMIC DEVELOPMENT IN INTERMEDIATE SETTINGS

3.2.1 World Bank – frameworks

The World bank, in their Local Economic Development, a Primer (Swinburn, et al., 2006), notes that local economic development as a policy approach evolved in the 1970s. This was a response to local and municipal governments realising that businesses and capital moves between localities looking for competitive advantage.

In response, local economies moved towards identifying opportunities and obstacles to growth and investment through assessing their economic base. This knowledge is then used to identify programmes and projects which could remove the identified obstacles and facilitate investment.

This followed the new urban and local government development strategy of the World Bank published in 2000. In its 'Cities in Transition' publication (The World Bank Infrastructure Group Urban Development, September 2000) the Bank identified cities and towns as the frontline for a new development campaign at the beginning of the 21st century. The report identifies the growing size and number of cities and towns across the world, with their increasing influence in the context of fiscal and political decentralisation as an indication that municipalities will not only take charge of the local services that affects daily lives but it will also be the frontier where 'policy meets people'. The strategy was billed as a new holistic response by the Bank to its experiences of providing support for policy reform and institutional change to local governments during the 1980s. It recognised 'cities and towns as a dynamic development arena where the convergence of sectoral activities, and collaboration among communities, levels of government, and other private and public sector institutions can create a microcosm of sustainable development for the country'. The aim of the strategy was to promote sustainable cities and towns that fulfil the promise of development for their inhabitants, in particular, by improving the lives of the poor

and promoting equity while contributing to the progress of the country as a whole' (The World Bank Infrastructure Group Urban Development, September 2000).

This new strategy was based on four building blocks – first to formulate national urban strategies through assessing the urban transition in the context of the respective national development plans, second to facilitate city development strategies through working with coalitions of stakeholders to build a shared understanding of the economic structure, constraints and prospects, as well as building a shared vision of goals priorities and requirements, thirdly to upgrade and scale-up programmes delivering services to the poor, and fourthly to place strategic emphasis on building the management and financial capacity in all the areas required for managing an urban agenda of the local administrations. In the strategy document the Bank identified the need for strengthening its own analytical work, with a focus on amongst others a renewed focus on operationally orientated research which could lead to the development of analytical and management tools.

Flowing from the change in strategy for local development in 2000 the Local Economic Development, a Primer document provides a step-by step guide for a strategic planning process. It states that 'good practise indicates that local economic development should always be guided by a strategy. Ideally a LED strategy will form a component of broader strategic development plan that includes social and environmental processes.' (Swinburn, et al., 2006)

It proceeds to outline a five stage LED strategy process which commences with 'organising the effort' (agreeing on the institutional arrangements and stakeholder involvement upfront). The second stage is a local economy assessment focusing on the characteristics of the local economy, including the use of quantitative and qualitative information to highlight the existing structures and trends in business development, manufacturing, employment, skills, and other data that will help to identify the strategic direction. In stage three the primer outlines a strategy making process, which includes the components of agreeing on a vision, goals, objectives, programmes and then projects and action plans. Stage four focuses on the development of implementation and action plans. Lastly stage 5 provides for strategy review, and proposed an annual review of the strategy, to allow for adjustments and responses to changes in the local conditions.

Each of the 5 stages in the LED strategic planning process is then outlined through a neat 5 step process for each of the stages.

The foreword to the Primer explains that the methodology and resources in the document have been used by the Bank, its clients and others in settings across the globe to assist communities to develop strategies to improve local economies and

create an enabling environment for employment creation. These communities ranged in size from 20 000 to more than 3.5 million.

Despite this Rodriguez-Pose and Fijar in 2013 express concern with the theoretical underpinnings of these approaches in essence being based on what they call 'spatially blind development policies'. In their view the good practise LED strategies and tools advanced by these documents are all built on a premise that 'large urban agglomerations (spikes) are increasingly the centre of attention as the key catalysts for economic development' and that intermediate and peripheral cities have less of a role to play, beyond hoping that the endogenous growth will ultimately benefit them (Rodrigues-Pose & Fitjat, March 2013).

This was confirmed earlier by Nel (2005) in a research study funded by the World Bank to investigate pro-poor LED in South Africa. The research study aimed to develop an understanding of how pro-poor LED is interpreted and applied on the ground in South Africa and it looked at a range of case studies. He concluded that the experience of urban South Africa – especially the largest cities – is that there is a bias for LED programming which focuses on initiatives to target and build the globally competitive business environments and in smaller and secondary settings the LED interventions focus on basic services (the provision of shelter, roads, water and sanitation) (Nel, 2005).

3.2.2 Looking inwards, or out, for survival

Rodrigues-Pose and Fitjar concludes in their work on buzz and archipelago economies that the bigger urban conglomerations and cities clearly emerge as the winners on all fronts and in all types of globalised economic interactions. The comparative advantage and potential dynamism of cities is determined by their size (Rodrigues-Pose & Fitjat, March 2013). This view of a world increasingly dominated by large urban economic motors is becoming also dominant in a rising number of policy documents, such as the 2009 World Development Report (The World Bank, 2009).

The obvious question that follows this conclusion is what happens to the millions of people who do not live in the 'core'? Or alternatively what is the future of economies in the so called secondary or intermediate cities. In the view of Rodriguez-Pose and Fitjar there are essentially two options.

The first option is to do nothing and hope....., hope and expect that the economic activity of dynamic cities in neighbouring regions will eventually spread and reach these secondary cities. In their view the obvious conclusion of this in the end will be

decay. This is in contrast with the 2009 World Development Report which suggests that dynamic urban cores will eventually spread and develop intermediate conglomerations. Pointing to the work of Partridge and Rickman (2008) and Chen and Partridge (2012) they argue the opposite is actually true. Both in America and China the evidence suggests that strong metropolitan performance (in the US) and the growth of megacities (in China) came at the expense of growth elsewhere and an increase in rural poverty. In these circumstances, smaller intermediate agglomerations 'first tend to specialise in low value goods, before decaying and, eventually, even vanishing (Rodrigues-Pose & Fitjar, March 2013).

The second option, or alternative to decay, is to fight for survival by creating sufficient economic dynamism in the intermediate areas through participation in the more integrated globalised world. In the view of Rodriguez-Pose and Fitjar this again leads to two possible options. Fight for survival through promoting the creation of new knowledge and innovation in interaction with other local actors or try to absorb and assimilate knowledge from elsewhere and turn that into economic activity.

In their view neither of these options provide for certain success, 'intermediate and peripheral areas are, and are likely to remain, on the receiving end of economic trends'. With the first option, to create knowledge and innovation through interaction with local actors, runs the danger of leading to lock-in which will stifle ideas and put a check on innovation, productivity and growth. The option of reaching beyond the intermediate geographical surrounding area carries more possibility and may even promote better interaction and networking at local level (Rodrigues-Pose & Fitjar, March 2013).

3.2.3 Globalisation, participation and linkages

In addition to being geographically removed from the metropolitan agglomerations or cities in South Africa, the secondary or intermediate cities also shares in many cases a historical link to extractive industries and or industrial development directly linked to an extractive industry.

In a Levers & Pulleys briefing note of the Overseas Development Institution, Warner identifies a range of factors which limits the contribution of revenues or rents of extractive industries in general, to local social and economic development. Warner suggest that these factors suggests an 'economic benefit gap' (Warner, 2005). This refers to the gap between the expectation, or anticipation, of the distribution of the economic benefits, from for example the development of mining operations, and in South Africa also the planned large infrastructure developments related to the 18

Strategic Integrated Projects of the Presidential Infrastructure Coordinating Commission, and the slow realisation of these benefits to the local economy.

In considering the prospects of industrial development in commodity exporting economies, Kaplinsky draws the conclusion that whilst there may be an association between commodity intensity and relatively low growth rates, this association is quite weak. Moreover, where it occurs, it is often due less to a causal relationship than to weak pre-existing industrial structures and inappropriate policy responses in commodity dependent (local) economies. He identifies three shifts which supports the move to commodity based industrial development for low and middle income economies – the policies which delivered industrial progress are increasingly being foreclosed, through the reduced capacity to protect and increased competition; the boom in commodity prices and the progression in global value chains has led to a change in corporate policies which encourages an interest in near-sourcing inputs (Kaplinsky, 2011).

In his work, he makes this link with globalisation through an understanding and analysis on the basis of value chains and linkages, as a possible response to the 'economic benefit gap' experienced in local intermediate economies.

What then does this all mean for a local (non-urban) economies in terms of participating in economic activity which can lead to growth and development in a manner which is cognisant of the 'economic benefit gap'?

Utilising the analytical framework of Hailu, Gankhuyack and Kipgen (Hailu, et al., 2014) we explore below some of the possible linkages which provides the most possible relevance for local economic development and sustainable growth.

The Hailu et al framework builds on Hirschman's theory of linkages which characterized the development process in the following terms: "development is essentially the record of how one thing leads to another" (Hirschmann, 1981). In other words, successful economic growth is inevitably an incremental (but not necessarily slow) unfolding of linkages between related economic activities.

In addition to these possible linkages another related issue is best highlighted by the work of the Innovation System Research Network in Canada, which did some early work in understanding cluster development and what processes, systems and relationships fosters the environment for taking advantage of these linkages at local levels. In this regard, they identified learning as a key economic process, skilled labour as the single most important local asset, the role of leadership as a distinguishing pact on highly decentralised, socially organised networks, the role of public institutions in

shaping the trajectory of regional industrial evolution, and location is not as simple as 'geography matters'. (Wolfe & Gertler, 2004).

Building on Hirschmann and Kaplinsky's work, Hailu et al identifies the possible linkages from for example extractive industries to the sustainable goals of growth, industrialisation and employment as fiscal-, production-, infrastructure- and consumption linkages.

Fiscal linkages refer specifically to the revenues obtained from the extractive industries through various forms of taxation. The use of the income earned from the resource sector impacts on the economic benefits gap identified by Warner. For the purposes of discussing impact and lessons for a local non-urban economy these linkages are less of interest as the earning, capturing, managing and spending of these rents normally happens at national level and not at sub-regional or local levels. There is interesting relevance to the Warner 'economic benefits gap' and its implications for governance at local level though. Stronger and more democratically accountable local governance could play a meaningful role in interacting with national government and influencing the use of the rents for the purposes of local diversification and industrialisation.

Forward and backward production linkages refers to the commercial mechanisms through which the extractive industry / firm connects with local suppliers (backward / upstream linkages) and buyers (forward / downstream linkages).

In terms of backward production linkages there are a range of areas where local intermediate economies could develop these linkages (Hailu, et al., 2014).

- Food supply and catering services for workers are an obvious area where locally based low skill level workers and small enterprises could enter the chain. Additionally given the non-urban / agricultural nature of the local economy, opportunities exist to increase local agricultural demand of raw foods for the catering services are procured locally and not 'imported' through national supply chains.
- Local manufacturing linkages could initially focus on generic goods such as personal protective clothing and safety equipment and the possibility exist to develop localised capacity for the manufacturing and provision of more specialised equipment and supplies to existing, both new and aging, industrial operations.
- In terms of services, opportunities exist to initially focus on the maintenance, repair and supply of consumables for non-specialised vehicles and equipment. Similarly, with some local investment promotion of the establishment of companies to provide non-core services related to site management, security services, etc.

Infrastructure and construction probably provides initially one of the best opportunities for establishing backward linkages in a local intermediate economy. Although many of the more specialised infrastructure development projects would inevitably include large multinational firms there are opportunities for labour intensive techniques and some local small firms to participate. This would also extend to maintenance on road and other common infrastructure to support the economic activities in the local municipality. Hailu et al also sites examples of cooperatives in Colombia providing better quality infrastructure than small single owner enterprises (Hailu, et al., 2014).

From a review of the current thinking regarding globalisation, value chains and linkages it confirms that local governance policy makers should be cognisant of the possible consumption linkages with the industries in its locale. For the local economy both the labour income and the profits from entrepreneurs and small local firm operating along the value chains for the local industries are important. Efforts to capture the expenditure of increased labour income can be enhanced by local retail and other business sectors and similarly improved service provision and billing systems in the local administration can improve local revenue.

The literature review on texts placing a focus on local development in intermediate settings points towards the emergence of local economic development frameworks which are theoretically premised on larger urban agglomerations, and as such may be, in the best case scenario be incongruent with the realities in intermediate and peripheral local economies or in the worst case essentially eroding the economies in these settings. Additionally, it is clear that local economies in intermediate settings have few options but to actively engage in local economic development activities, looking beyond the confines of the setting, with some interesting opportunities provided through a better understanding of globalisation, value chains and the development of linkage economies.

3.3 DOING DEVELOPMENT DIFFERENTLY / SMARTER

The second part of the literature review focuses on the emergence, scope and content of the 'doing development differently' agenda as a response to finding more sustainable responses to intractable socio and economic developmental challenges, as well as the applicability of these specifically for economic and local economic development reform questions.

In a presentation to the OECD in Paris during May 2015 Brian Levy proposed that the governance discourse is in flux. The 'good governance' paradigm had little strategy and tactics and led to unintended consequences (Levy, 2015). In his book *Working with the Grain*, he unpacks the challenges with the 'good governance' paradigm as

one where 'good governance' presupposes strong state capacity, that is both technocratic capabilities as well as strong political will. In this ideal 'good governance' world the technicians will evaluate the alternative reform options, the leaders or politicians will decide on the best option and the bureaucracy implements the chosen option. He concludes that these preconditions very rarely exist in one place and this leads to what he phrases as 'good governance' alarmism. The best practise of rhetorical and judgemental certainty has the unintended consequences of disillusion and despair and situation where anti-corruption initiatives are used as a form of political warfare (Levy, 2014).

He suggests that the reframing of the vision, from one that is focused on 'good governance' to a discourse of dignity and empowerment is required. This discourse will have democracy as its essence and on a micro level it will be based on the incrementalism of the 'doing development differently' discourse and practise. This reframed vision will focus on good governance in the medium term, one which is better framed as a governance activism in service of inclusive democratic development (Levy, 2015).

Brinkerhoff and Brinkerhoff approaches the debate from a slightly different angle and suggests that over time the dominant academic, policy and practitioner discourses to public sector management deficits ended up in endless loops, repeating variations of the problem diagnoses and solutions. This is due to the standard responses to these deficits in developing contexts having 'largely focused on a combination of technical efficiency-enhancements based on neo-liberal market models and New Public Management principles and tools' (Brinkerhoff & Brinkerhoff, 2015). Despite these the public sector is under increasing pressure to reform and many of the old challenges remain with the 21st century producing new challenges as well. They conclude that this calls for a look beyond the traditional or conventional public sector management tools and approaches. For them the 'doing development differently' debate is about this search for alternative frameworks for theory and practise – in essence to move beyond the narrow discourse and responses of New Public Management.

Osborne notes that in the early 1990s it seemed that new Public Management was the new paradigm for public administration and management and 'that it would sweep all before it in its triumphal re-casting of the nature of the discipline – in theory and in practice'. The discourse in its most extreme form asserted the superiority of private sector managerial techniques with the assumption that the application of these techniques will automatically lead to improvements in efficiency and effectiveness of public sector services. He identifies the key elements of the NPM as its attention to lessons from private sector management, the growth of both hands-on management

and arm's length organisations, a focus on entrepreneurial leadership in public organisations, an emphasis on input and output control and its evaluation, performance management and audits, the disaggregation of public services to its most basic units and the growth of the use of markets, competition and contracts for resource allocation and service delivery within public services. By the early 2000s NPM was criticised for its adherence to outdated private sector techniques, even in the face of its inapplicability, and that it was a 'disaster waiting to happen' (Osborne, 2006).

As Brinkerhoff and Brinkerhoff argues the epistemic bubble surrounding NPM has burst in the face of the failure on the consensus one-size-fits-all prescribed treatment. The question, specifically for donor agencies and country governments, as well as the local sphere governance structures in South Africa, is what should replace these technocratic solutions?

As with any simplification, a post-NPM or 'doing development differently' agenda, does not replace what came before and elements of what went before can still be discerned in this agenda. Brinkerhoff and Brinkerhoff describes it as the 'ideologically driven orthodox universalism of NPM' giving way to a more 'feasibility-first, eclecticism that selects from a menu of public sector reforms and pursue those that seem best fit to the individual circumstances (Brinkerhoff & Brinkerhoff, 2015). Similar to Albert Hirschman saying that 'the architect of social change can never have a reliable blueprint. Not only is each house he builds different from any other that was built before, but it is also necessarily uses new construction materials and even experiments with untested principles of stress and structure. Therefore, what can be most usefully conveyed by the builders of the house is an understanding of the experiences that made it all possible to build under these circumstances.' (Hirschman, April 1970).

For Brinkerhoff and Brinkerhoff the current post NPM 'menu' contains four broad strands in the search for the essence of current public sector reform. Although simplified and distinct, the strands share some principles and practises.

The four strands respectively focus on political economy, institutions and incentives; public management function as opposed to form; iterative and adaptive reform processes; and individual and collective agency (Brinkerhoff & Brinkerhoff, 2015).

The political economy, institutions and incentive strand essentially reinforces the notion that politics and institutions (and their history) matters. It includes the work of North et al on the transition from limited access orders to open access orders, that is the transition from governance by a hierarchy of personal relationships and elites to the availability of political and economic power being determined by an impersonal

set off rules. The work of Acemoglu and Robinson showing through historical evidence that societies with inclusive institutions are more successful over time as well as Fukuyama's work on the three pillars of a stable state, also contributes to this strand. The good-fit framework for governance reform and the associated regime typology developed by Brian Levy in his book also fits with this strand (Levy, 2014).

The second strand focus on the core functions of public management and moves beyond prescribing public sector organisations and processes (form). The work of Grindle on good-enough governance which opt for best fit feasible solutions to core public management problems forms part of this strand. As does the work of Andrews et al (Andrews, et al., 2013) on the risk of best-practise approaches – most commonly isomorphic mimicry, i.e. adopting or replicating the form of public institutions in industrialised countries, which in effect leads to the decoupling of the form and function of institutions and capability traps. The response provided through the work in this strand of post-NPM orthodoxy looks at politically informed diagnostics and solving specific performance problems.

The iterative and adaptive reform process strand goes in search of an answer to the question; how can public sector reform design and implementation best be pursued to increase the chances of achieving success? The key point is the extent to which the goals and implementation plans can be defined beforehand, who defines them, how much flexibility is possible and how will success be measured. The work of Andrews on PDIA (Andrews, 2013) falls in this strand and focuses on function focused performance improvements through attention to the process side of reform, including things such as joint problem identification, ongoing consultation with stakeholders, iterative cycles of implementation, experimentation, adaptation and learning.

The last strand focus on individual and collective agency – i.e. the people involved in supporting, implementing, opposing and benefitting reform. Where NPM orthodoxy argued that contractual forms of interaction, to increase the power of 'principals' over 'agents', were the most likely to motivating performance enhancing behaviour, the doing development differently response attempts to move beyond principal / agent relationships to focus on collective action. As Booth said: 'governance challenges are not fundamentally about one set of people getting another set of people to behave better. They are about both sets of people finding ways of being able to act collectively in their own best interests' (Booth, 2016).

With the broad strands of the doing development different agenda being reviewed the question remains what this means for economic and in our case local economic development in particular. Booth in an introductory chapter to two case studies on DFID experiences with politically smart economic development posits that the

facilitation of inclusive economic growth and kick starting real economic transformation remains one of the greatest challenges of development. This is due to the effect of typical political patterns on the fundamental conditions for economic development (Booth, 2016).

Booth argues that the adoption of a flexible and adaptive programming approach is essential to address the limits of traditional comprehensive governance reform and in recognising uncertainty. The uncertainty arises from the form vs function debates in institutional reform, the everyday politics of reform and the challenges of complexity.

Firstly, politics matter for economic transformation and although there is no single path to institutional change there are some governance related conditions which needs to be in place if economic growth is to be sustained and turned into real social and economic transformation. The first relates to the state's ability and willingness to make credible commitments to investors. The second is the provision of public goods that enables the profitability of private enterprise and thirdly the issues related to coordination failures in investment decisions. Much hinges on the ability of political authorities to empower and protect public agencies, supportive trade and tax policy and the facilitation and coordination of learning processes required for introducing new technologies.

Secondly he argues that despite the self-evident and ambitious terms of the good governance agenda 'politically smart' or 'doing development differently' support for economic development has to start from the recognition of the limits of comprehensive governance reform. For him two requirements are essential for economic development support, external actors must be aware of where on the scale of effective state building a country is and it needs a cool, and free of wishful thinking, appraisal of the likely limits of generalised governance reform as a means of addressing political blockages to inclusive growth. A third and less obvious requirement is the ability to participate in a genuine way in the search for context attuned solutions to the dysfunctional politics of economic development.

Building on the experiences of the two case studies – a hydropower investment in Nepal and the Facility for Oil Sector Transparency in Nigeria – he argues that external support for economic reform and development is most likely to be successful if it uses ideas from the doing development differently agenda focusing on flexible, politically smart and adaptive programming (Booth, 2016).

3.4 PDIA CONCEPTUAL FRAMEWORK

The conceptual analysis in Chapter 5 that is built on what Andrews et al call ‘the elements of approaches that will create enhanced possibilities of success’ (Andrews, et al., 2013) as opposed to yet another solution or recipe, in our case to be followed in the context of addressing local economic development in intermediate settings in South Africa.

‘Seeing things differently may be a critical component of doing things differently’ (World Bank, 2015)

The four elements of the PDIA approach are built around activities that would aim to solve a particular problem, create an environment in which decision making encourages experimentation, actively pursue experiments and learning through these experiments and lastly engage a broad set of agents to ultimately ensure reforms and local economic plans are legitimate, relevant and practically implementable.

The problem identification elements focus on understanding the (local) political economy, institutions and incentives and then identify and frame the problem as a problem that matters – at least for some of the actors. The aim is to solve particular problems in the local context as nominated and prioritised by local actors through providing what they call ‘good enough’ governance and consider function as opposed to form to address the risks associated with mimicry and decoupling.

Secondly they focus for the incremental creation of an ‘authorising environment’ for decision making that allows for positive deviation and experimentation’. The third element refers to iterative and adaptive reform processes. Also referred to as a process of finding and fitting strategy (muddling) through the involvement of active, ongoing and experiential learning and iterative feedback of lessons into new solutions.

Lastly the PDIA also pays attention to the building of individual and collective agency. Through engaging broad sets of agents to ensure reforms are viable and relevant – i.e. politically supportable and practically implementable. They make a distinction between convening and connecting initiatives. Convening initiatives typically referring to the bringing together of groups of leaders with groups of key implementers with a view to craft local experiments and solutions and connecting initiatives typically referring to ensuring second and third degree interactions with frontline workers who will implement the ‘change(s)’ (Andrews, et al., 2013) and (Andrews, 2015).

3.5 SUMMARY

In this chapter we reviewed the literature providing some insight to the challenges, views and theoretical underpinnings for local economic development in intermediate

settings. This focused on the World Bank economic development and reform frameworks and guidance for local economic development, the theoretical underpinnings that shaped these, as well as the implications of the focus on shaping policies for growth in large cities and agglomerations and the possibilities provided through local municipalities in intermediate settings 'looking outwards' – globalisation, value chains and linkages. The second part of the literature review looked at the developing agenda, theories and practises of the 'doing development differently' agenda and summarised the conceptual framework developed for PDIA type interventions.

The next chapter will provide some contextual perspectives and background to the governance form and status of intermediate cities and towns in South Africa, as well the origins and content of the frameworks for developing integrated planning and local economic development agendas for these settings.

CHAPTER 4. CONTEXTUAL BACKGROUND

4.1 INTRODUCTION

The 2015 World Development Report demonstrates that context matters in particular ways. It argues that there is need for change to the process of arriving at solutions, no matter what the problem, as seemingly small details of design and implementation can have disproportionate effects on individual actions and choices as well as the type of environmental or institutional setting (World Bank, 2015). In this vein this chapter briefly explores additional contextual background, which provides a better understanding of the history that matters when considering local economic development in intermediate settings in South Africa.

4.2 THE SOUTH AFRICAN LOCAL GOVERNMENT PROJECT

4.2.1 Genealogy

Pieterse in an unpublished paper which formed the basis of a presentation to a workshop to discuss the role of local government in a developmental state tracks the normalisation of the South African local government project before and after the democratic elections in 1994. The National Local Government Negotiating Forum (NLGNF) was set up in 1993 and consisted of representatives from national government, organised associations of local governments, political parties, trade unions and the South African National Civic Organisation (SANCO). In a short space of time this forum agreed on a framework which would guide the transition to a new local government system. This agreement and process was formalised in the Local Government Transition Act (LGTA) of 1993 (Act 209 of 1993) (Pieterse, 2007).

In essence the framework in the LGTA encompasses the notion that local government in a new South Africa would be an autonomous sphere of government and it was also entrenched in the interim Constitution of 1993. The LGTA envisaged a three-phased transition period for local government: a pre-interim, interim and final phase.

The pre-interim phase ran from 2 February 1994 until the first democratic local government elections in 1996. During the pre-interim phase, local negotiating forums became statutory structures and were tasked with the appointment of temporary councils which would govern until municipal elections. This involved defining municipal boundaries, appointing Councillors and establishing a financial system. Between 1993 and 1996, 843 new local authorities were established in accordance with the LGTA. Because the LGTA endorsed locally-negotiated solutions, the result was a variety of forms of local government across the country (Pieterse, 2007).

In the pre-interim phase the LGTA provided for all executive decisions, including those regarding the budget, to be passed by consensus or, in its absence, by a two thirds majority. When it came to small towns, the law called for the setting up of Transitional Councils, but only with the support of 80% of the delegates. As Spitz and Chaskalson noted: “Local government elections were structured in such a way that they precluded black voters from obtaining a two thirds majority on a local government council. (Spitz & Chaskalson, 2000)”

The “ward limitation system” combined two methods of representation – proportional (40% seats) and constituency based (60% seats). Finally, it required that local government taxes and levies be based on a uniform structure for its area of jurisdiction. A revised Clause 17 effectively prevented new local governments from taxing white areas to spend more revenue in black areas. These Councils, in turn, were required to make decisions by consensus. The combined effect of these provisions was to entrench white privilege in law during the pre-interim phase (Mamdani, 2013).

The pre-interim phase ended and the interim phase began with the municipal elections of 1996, which allowed for transitional local government structures to be established. The interim phase ran until the local government elections of 2000 and the implementation of final arrangements in terms of the provisions of the Structures Act.

With the exception of metropolitan areas, single tier local government structures (Transitional Local Councils) were set up in larger cities and smaller towns.

During the interim phase, the LGTA envisaged that the new local government system would be finalised in legislation. During this period, local government operated on the basis of transitional arrangements derived from the LGTA and from local processes of negotiation. The municipal elections in December 2000 heralded in the final phase, when the new local government system would be fully operationalised (Pieterse, 2007).

The final phase involved a considerable amalgamation and consolidation of local government. The newly established Municipal Demarcation Board (MDB) played an integral role in comprehensively redrawing municipal boundaries, as well as determining metropolitan municipalities. When the MDB commenced its work in 1999, the country had more than 843 municipalities, 800 traditional authorities and 400 magisterial districts, all with overlapping jurisdictions and responsibilities at local level. These were rationalised to 284 municipalities (including six Metropolitan (Category A) Authorities, 231 Local (Category B) Municipalities and 47 District (Category C) Municipalities) (Pieterse, 2007).

The final phase also saw the implementation of a suite of legislation, which formed the design base of local government form, functions, systems, processes and planning post the election in 2000.

This suite of legislation includes:

- Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998);
- Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);
- Municipal Electoral Act, 2000 (Act 27 of 2000);
- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);
- Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003); and
- Local Government: Property Rates Act, 2004 (Act 6 of 2004).

4.2.2 The White Paper on Local Government (March 1998)

The heart of the South African Local Government system is its developmental character, captured as follows in the 1998 White Paper on Local Government (WPLG): “Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their lives. (The Department of Provincial and Local Government, 1998)”

This comprehensive understanding of the ambit of local government’s role in the national development process stems from the Constitutional definition of the role of local government.

In painting a picture of the current (1998) reality the White Paper reflects on settlement patterns and the implications of these for establishing democratic local authorities. Not less than 7 main settlement types are identified with some sub categories. The document identifies the implications of these identified settlement patterns: “Increased urbanisation, from natural urban population growth and migration from rural to urban areas, is expected to continue and result in dramatic increases in the proportion of urbanised citizens over the next two decades. Metropolitan areas and secondary cities are expected to absorb most of this growth. The population of rural areas is not expected to grow substantially - either as a proportion of the total population, or in absolute terms (in total). The end of apartheid and the removal of legal restrictions to movement (influx control and group areas), demarcation of new boundaries, and migration trends within the Southern African sub-region have not (yet) meant fundamental change in national population distribution, urbanisation and migration.

The White paper continues reflecting that research reveals that profound changes may be under way in migration trends and settlement patterns, which will have a major impact on local government in the years to come. Apartheid influenced South African settlement patterns in profoundly inequitable ways, and imposed enormous costs on mobility between rural and urban areas, and within urban areas. Municipalities can play a key role in transforming settlement types, and in addressing some of the existing distortions. (The Department of Provincial and Local Government, 1998)”

Section B of the White Paper paid specific attention to the characteristics and envisaged outcomes of, and tools and approaches to foster, developmental local government. The first characteristic, maximising social development and economic growth, reflects on what was perceived as the extensive influence of local government structures on the local economy in their locales. It notes that although local government is not responsible for creating jobs, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities. The paper sees local government as not only creating the conducive conditions for economic activity and growth but also utilising its provision of basic household infrastructure as a central contribution to local economic development. In addition, it proposes that the local government structures explore creative ways in which existing policies and procedures can be amended to link contracts to social responsibility, speeding up approval procedures and or proactively releasing land for development to support social and economic development (The Department of Provincial and Local Government, 1998).

Local economic development is seen as one of the three main outcomes envisaged for the establishment of the new local government structures. The main initiatives to attain this outcome is identified as investing in doing the basics right, i.e. providing good quality cost effective services and then reviewing existing policies and procedures to promote local economic development and the provision of special economic services.

In terms and tools and approaches to achieve these developmental outcomes – the White paper proceed to identify integrated development planning, budgeting and performance monitoring and evaluation. These plans were mooted as a concrete effort to assist municipalities to understand the various dynamics operating in their area, then developing a concrete vision for the area with short, medium and long terms strategies to realise the vision. They were viewed as an incremental process which allowed for an annual review process. And given the importance of these plans the white paper declared that this integrated planning model is a ‘normal and required

municipal function – integrated development plans are not "add-ons" and should not be "farmed out" to consultants'.

This vision of the integrated planning process, not only reflected the views expressed in the Presidential Review Commission report of the tools and functions required to transform the public service at national and provincial level, but also provided the basis and outline of the Integrated Development Planning subsequently enacted in law for the local government sphere.

4.2.3 Spatial Economies – focus and understanding

One other area to assist in better understanding the genealogy of the local government project in South Africa relates to spatial economies and their history.

One of apartheid's legacies has been to grossly distort the South African spatial economy. The so-called homeland policy of grand apartheid impacted heavily on regions and re-enforced the historical regional development patterns induced by the emerging mineral-energy complex of the 19th century, and that this has caused a significant path dependency (cumulative causation) in the spatial distribution of economic activity in South Africa that persisted despite interference by apartheid planners. In other words, even though Apartheid had been official policy only for somewhat more than 40 years, its effects may persist for long after the dismantling of the system.

On a local level the notorious Group Areas Act created segregated cities. These two influences created a spatial economy characterized by inefficient land use, excessive transport costs, under-investment in transport infrastructure, telecommunications and electricity; it also resulted in segmented labour and consumption markets and created artificial internal barriers to trade.

The White Paper concluded that "Many existing boundaries irrationally divide settlements, and in so doing disempower municipalities that seek to plan and provide for the needs of communities within the integrated social and economic area of the settlement. To empower municipalities to operate effectively, the most appropriate geographical extent within which a municipality should exercise its particular powers and functions has to be revisited" (The Department of Local Government, 1998).

Despite this acknowledgement and identification of a problem, the disjuncture between these identified settlement patterns and the institutional systems required for the Constitutionally identified municipal categories, neither the White paper or the subsequent legislation managed to sufficiently resolve these and it resulted in a

multiplication of segmentation models and settlement typologies being used in practice.

The South African emphasis on local development, and the imperative on local government to formulate realisable IDPs and plan for economic development and growth, provided a new impetus to spatial economic planning and design.

The Statistician General of South African, in an unpublished submission to the Demarcation Review Task Team recalled the history of the process to utilise statistics for local planning (Leholhla, 2013).

As early as 2003 the democratic government realised that simply improving coverage of basic services without much higher rates of growth and, crucially, labour absorption, will translate into overall failure in the future. It recognised that government investment in basic services and the welfare safety net has to deliver much better returns in terms of enhancing the stocks of assets of poor people. This could only occur if the state became more conscious of how (fragmented or synergistically), for whom (the poor, ultra-poor or working poor) and where (in growing or declining areas) it expends its resources. The 2006 “National Framework for Local Economic Development in South Africa” had at its heart this new and profound appreciation for space, specifically in the context of the concentrated nature of economic activity, people and poverty.

Statistics South Africa in 2001 produced an internal report on the space economy which at that stage already indicated that some of the newly demarcated municipalities would not be in a position to function without a sufficient appreciation of the importance of statistics geography with a view to understand the economy of space, to enhance developmental decision making in municipalities.

The release of the 2011 Census data served as a springboard for reflecting on the challenges and achievements of the spatial expression of democracy. Census data is a fundamental dataset for planning for integrated development. Given that the census is delivered at enumerator area level, it provides quantitative and objective voice to citizens as they define their aspirations and development requirements and achievements. In the longer term, South Africa must build stronger statistical systems at the municipal level to ensure planning, implementation and monitoring can take place in a sound and sustainable fashion. In the main this would require the country to invest in administrative records. The cornerstones of a successful administrative record system will depend on building anchor points to provide a framework for collecting data about where South Africans live, work and play.

The Statistician general noted that Development theory suggests that spatial economics and economic forces are responsible for transforming humans from being

gatherers, hunters and nomads towards a sedentary life and thus are the motive forces that create and drive human settlements systems. When this research was started it was clear that whilst the mandate of statistics was not clearly defined in terms of human activity models and resultant settlement and urban system regimes, it was always clear that statistics systems would need to be invoked to underpin such once a planning system in whatever form it was adopted in South Africa - be it the Reconstruction and Development Programme or the National Development Plan (Leholhla, 2013).

In the context of an appreciation of space to ensure the eradication of the apartheid spatial configuration as well as establishing development local government that can truly function beyond the delivery of services, the Statistician General (Leholhla, 2013), among others suggested that rooting a municipal boundary demarcation process in the regular census data should be one of the primary determinants for demarcation decisions. This would allow for shifting these decisions better to reflect economic viability in the context of spatial and corridor developments as opposed to only ensuring racial integration and in developing a comprehensive and integrated capacity assessment process for local government which could serve a broader purpose and support statistical and economic reporting and planning based on data with integrity.

In short, the integrated planning frameworks envisaged in the 1998 White Paper for the local sphere, was by 2013 still not supported through regularly collected data with sufficient integrity.

4.3 LOCAL PLANNING FRAMEWORKS

In addition to reflecting on the origins and phased approach towards the establishment of the forms, structures and processes which characterise the public sector governance architecture in local intermediate municipalities in South Africa, it is equally important for the purposes of the study to reflect on the historical development, advocated or prescribed content and assessments of the functionality of Integrated Development Plans and Local Economic Development Plans.

Since 1996 municipalities have compiled and implemented various development frameworks such as the Integrated Development Plans (IDPs) and the Spatial Development Frameworks (SDFs) as the main drivers to restructure and integrate municipalities and settlements, rectify historical spatial development patterns, and promote inclusive growth, economically and socially.

Below follows a short history of development, a reflection of the content and assessment of each of these planning frameworks which forms the basis of the development and economic planning as practised in intermediate settings in South Africa.

4.3.1 Integrated Development Plans

In terms of the Local Government Municipal Systems Act (No. 32 of 2000)¹⁶ each municipality has to develop one strategic development plan which spans a five-year period to guide and inform all planning, budgeting, management and decisions making processes in the municipality in that period. This IDP is the product of a detailed and lengthy process described in detail in sections 27 – 31 of the legalisation.

Section 25 of the legislation (The Republic of South Africa, 2000) requires that:

25. (1) Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which:

- (a) links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;*
- (b) aligns the resources and capacity of the municipality with the implementation of the plan:*
- (c) forms the policy framework and general basis on which annual budgets must be based;*
- (d) complies with the provisions of this Chapter; and*
- (e) is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation*

As a planning tool and framework, the IDP was designed in the late 1990's early 2000s to ensure that all the relevant stakeholders in a municipality identify the critical or key development priorities, formulate a clear vision, mission, values and appropriate strategies, develop the structures and systems to respond to the vision and mission, and align resources with these identified priorities. It was an early attempt to provide for the required planning to ensure the local government entities realise the core imperatives of democratic and developmental local government as envisaged in the constitution.

As indicated earlier the 1998 White Paper on Local Government identified the IDP as a key tool of local government that is concerned with promoting economic and social development. Harrison argues that the IDP is one of the outcomes of an international policy convergence in the 1990's. At the dawn of the South African democracy a

¹⁶ The Republic of South Africa, 2000; Section 25

multitude of international development actors and organisations impacted on the policy debates in South Africa. He identifies a range of multilateral and international bodies who were key agents in influencing these debates. Amongst them the World Bank (from their Urban Reconnaissance Mission in the early 1990s to the WB staff's involvement in infrastructure policy design for local government), the United Nations and the international development agencies of powerful states. He argues that the self-evident and accepted international discourse on governance and development constrained the horizon of policy options and possibility for innovation after Apartheid (Harrison, 2006).

He concurs that the powerful influences of NPM on the shaping of South Africa's systems of local government is now generally accepted and proceed to argue that the IDP specifically can best be understood on the context of the second wave of NPM approaches associated with the Third-Way or centre left governance. He argues that the initial NPM reforms (1980s) did not provide a particularly friendly planning environment and that it is only through the Third Way shifted away from the singular focus on economic rationality, still with a focus on privatisation, but increasingly also embracing progressive ideals community building and participation, poverty alleviation and integration (Harrison, 2006). The three elements that best signify the influence of this wave of policy reform options relates to 'joined-up governance' (or intergovernmental frameworks in South Africa), performance management specifically linked to planning instruments and participatory governance or stakeholder engagement.

Similar to the influence over the policy development process for Local Government and the IDP as tool explained above, Harrison also reflects on the implementation support provided through GTZ and the CSIR in the initial implementation period and the inevitable influences of the German experience of local government in this period.

He concludes that the IDP has many of the strengths and weaknesses seen in other so called Third Way planning instruments. As an instrument of joined up government it was limited in its ability to involve and bind-in agents other than those in municipal structures into the planning process. Similarly, it had mixed results as an instrument of participatory governance, with ambiguous outcomes as an instrument of modernised efficient administration. On a whole, by 2005 the IDP was caught up in the growing crisis in local government and the answer to the question as to whether the requirement to develop IDPs was a burden on local governments which detracted from their mandate to deliver services or whether the situation would be worse without it, remains elusive (Harrison, 2006).

4.3.2 Local Economic Development Frameworks

Nel and John tracks the development and evolving nature of LED policy and practise debates in South Africa since the early 1990s. They identify a series of distinctive phases and a variety of considerations that influenced South African government thinking about local economic development (Nel & John, 2006). These influences ranged from international exposure and experience and a rich debate to modify the debates to suit local circumstances.

The local application of LED has found expression in various government policy documents and pronouncements amongst which the Reconstruction and Development Programme, the Constitution, GEAR and the White paper on Local Government. In addition, the Department of Trade and Industry (The dti) and the Department of Provincial and Local Government (DPLG – since 2009 COGTA – Cooperative Governance and Traditional Affairs) published a range of policy statements and Strategies. This culminated in 2005 in the publication of the National Framework for Local Economic Development in South Africa – 2006 to 2011.

The National Framework identifies 10 principles for LED in South Africa and then proceed to set 7 objectives. The objectives range from shifting towards a more strategic approach to the development of local economies and overcome challenges and failures in respect of instances where municipalities themselves try to manage litany of non-viable projects or start-ups to supporting local economies, elevating the importance, and functioning of local economies to grow the national economy, improving community access to economic initiatives, support and programmes, and to improve coordination of economic development planning (Department of Provincial and Local Government, 2005).

The framework is quite explicit that its intention is to provide an approach, as opposed to dictating what should happen in each local government, through providing an approach which includes developing local economies with the participation of all relevant stakeholders and making local economic growth compatible with social equity. Lastly it is important to note the National Framework, apart from sketching a wide policy canvas focused specifically on the role national government could play in fostering local economic growth through arrangement of national activities, data collection and disaggregation and support programmes for local government structured.

The policy debates focusing on local economic development followed a similar trajectory to that of local government integrated planning. Although neither the Constitution or the suite of local government legislation passed towards the end of the 1990s explicitly provided for separate discussions or chapters on local economic

development the scene was set with the Constitution providing for the developmental role of local government.

As indicated earlier Nel and John tracks these debates since the early 1990s and uncovers a rich local, ongoing policy discussion and academic research initiatives based on international experience and exposure between 1990 and 2005. They observe that in addition to the development and support for local LED at national level by 2005 a rich experience has been built up at local level for policy making an applied experience. Whilst national policy and support assisted the smaller centres, the larger cities were pursuing a large range of development initiatives which were locally determined and driven (Nel & John, 2006).

They observe that LED in the smaller centres were often single sector dependent and vulnerable to sector specific shifts. Local level crises have a profound effect on the economies of these smaller cities and towns and in many cases the local municipality is the only institution available to respond to economic change. This in the context of these municipalities lacking in funds and skilled staff due to private sector disinvestment. They conclude though that whilst LED initiatives had limited success in the more secondary settings, there is little doubt that these municipalities are now aware of their LED mandate and obligations and increasingly they would have LED officers in place, even if it is as additional to existing responsibilities.

4.3.3 The Draft Integrated Urban Development Framework (IUDF)

The last short reflection in terms local planning frameworks relates to the draft IUDF adopted by Cabinet in September 2014 and subsequently released for discussion and comment. It provides an urban vision for all urban settlements in the loosely defined city hierarchy in South Africa.

It is therefore not only a vision for the metropolitan areas or big cities but for all spaces where an urbanism is present and growing. It provides a response to what it calls South Africa's 'urban reality' typified by amongst others the Apartheid legacy, migration and settlement patterns, the rural-urban dependency and the increasing challenges of climate change.

In this context the draft IUDF envisages: 'Liveable, safe, resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive, where residents actively participate in urban life'¹⁷.

¹⁷ Department of Cooperative Governance and Traditional Affairs (CoGTA), Republic of South Africa, September 2014

The document acknowledges and accepts differentiation as a principal requirement, as the cities in towns in South Africa are very different and requires different roles, functions and interventions.

In order to make 'space' for these differentiated realities which requires differentiated approaches and responses, the draft IUDF provides four overarching strategic goals with a view to provide for a coherent government strategy that seeks to foster a shared understanding across government and society about how best to manage urbanisation and achieve the goals of economic development, job creation and improved living conditions.¹⁸.

The overarching strategic goals are:

- Access - with a view to ensure people have access to social and economic services, opportunities and choices;
- Growth - to harness urban dynamism for inclusive, sustainable economic growth and development;
- Governance - to enhance the capacity of the state and its citizens to work together to achieve social integration; and
- Spatial transformation - to forge new spatial forms in settlement, transport, social and economic areas.

The framework then proceeds to identify 8 possible policy levers through which these overarching strategic goals are to be pursued. These policy levers are considered the heart of the urban transformation agenda. Each of which propose a number of policy priorities for the medium and longer term.

The eight policy levers were identified based on an understanding that if these were implemented, they will address all of the structural drivers underlying and promoting the current status quo. In terms of the draft IUDF the current situation can and should be responded to through an approach were:

- spatial planning forms the basis for achieving integrated urban development with a sequence of urban policy actions focusing on:
- integrated transport;
- targeted investments into integrated human settlements;
- integrated infrastructure network systems;
- efficient land governance;
- unlocking economic diversification and inclusion;
- empowering communities; and

¹⁸ Ditto.; p.29

- deep governance reform (Department of Cooperative Governance and Traditional Affairs, 2014)

4.4 SUMMARY

This chapter provided a short review of the SA local government project and specifically the local integrated and economic planning imperatives for local government and showed that these did not in development, design, focus or scope emerged as an island. The history and context of these are closely linked to the good governance and NPM policy responses which were prevalent internationally during the 1990s and specifically so in during the design phases of the governance architecture for South Africa post 1994.

The outcomes or results of these efforts to provide more concretised developmental and planning frameworks so far remains mixed, with metropolitan municipalities showing some successes in attempts to improve mobility through rapid transport systems, providing more mixed-income housing, and ensuring access to basic services. on the other hand, challenges and failures are captured when dissatisfaction is expressed through sporadic protests and persistent uneven development. What is observed across time is that historical economic hubs of South Africa remain to a large extent the main beneficiaries of the developmental efforts.

The relevance and appropriateness of Integrated Development Plans (IDPs), which local municipalities in South Africa are required to develop and adopt, in the context of the Draft Integrated Urban Development Framework (IUDF) adopted by Cabinet in 2014 as “a coherent government strategy that seeks to foster a shared understanding across government and society about how best to manage urbanisation and achieve the goals of economic development, job creation and improved living conditions for our people” (Department of Cooperative Governance and Traditional Affairs, 2014). Sadly, this is done in the context of a dearth sufficiently granular and relevant official data and only recent years did StatSA provide some focused attention in this regard.

In terms of LED specifically, Nel and John observed that LED has a mixed track record, specifically so smaller centres. Despite this, a significant body of LED literature has been generated in terms of policy, programme, manuals and academic literature, as well as at an applied level local knowledge has expanded and impacted on local LED policy and practise. They argue that the relevance of LED will less be influenced or determined by the conclusion of policy discussions than by applied experience (Nel & John, 2006).

Although the recently adopted draft IUDF provides some indication of the developing debates around how best to respond to a new and growing urbanism in both large and secondary cities, it remains critical that IDPs and LED initiatives sufficiently respond to the local challenges and opportunities, specifically so in the so-called secondary cities.

CHAPTER 5. CONCEPTUAL ANALYSIS

5.1 INTRODUCTION

This chapter provides a conceptual analysis for a possible LED strategy and approach, a proposed alternative, based on the main characteristics and approaches of problem driven iterative adaption and their implication for implementation as a policy and or reform response to the challenges for local economic development in secondary cities in South Africa.

As shown in chapter 2 and elaborated on in the contextual background that matters for this study (chapter 4), not only the broad public service reform programme in South Africa post 1994 but also the specific legislative architecture, planning frameworks and thinking about integrated planning systems and economic development in local municipalities were heavily influenced by the 'good governance' paradigm and NPM reforms as a policy response in South Africa post the democratic elections in 1994.

As various authors noted at a local government level the results were at best mixed, with the larger agglomerations in the big metropolitan authorities (cities) in South Africa, due to a range of factors, on average performing better. In terms of the so called secondary cities and towns, or intermediate settings, the picture that emerges is one of formal governance structures having been established with regular elections and elected Councils meeting fairly regularly and the basic functions of a local municipality in South Africa being performed with varying degrees of failure, success and results.

In terms of the integrated planning and local economic development, these secondary settings can all point to the 'paper' on which an IDP has been written and some forms of LED responsibilities being performed by an official, in essence what Andrews et al would refer to as isomorphic mimicry. Through the compliance frameworks introduced nationally and provincially the governance structures and planning products in these local settings creates the impression of structural compliance (the form is place) but in terms of expected results (the function that needs to be performed) it is at best patchy. With the resultant 'decoupling' of form and function, specifically as it relates to integrated planning and local economic development in these settings.

In the section to follow, the four strands of alternative approaches to respond to the post-NPM debates, as identified by Brinkerhoff and Brinkerhoff, with a specific focus on the PDIA approaches and guidance for policy reform that has a better chance of achieving results, introduced through the work of Andrews et al, is conceptually analysed and applied with a view to draw lessons for secondary settings in South

Africa, specifically as it relates to local economic development planning and implementation.

It explores the different possible trajectories towards local economic development planning through a PDIA approach which focuses on politically smarter solutions born from flexible and adaptive planning and programming. The intention is to explore whether it is possible to analyse and approach local economic development planning differently, with a better chance of successfully 'looking outwards' at a time of globalisation and a view to participation in and developing linkages that could provide a more sustainable local economic trajectory.

The conceptual analysis is done in the context of Booth observing that there is no single pathway to economic transformation and growth but that there are three basic governance related conditions that need to be satisfied in one way or another to facilitate a different more sustainable economic trajectory. These being the willingness and capacity of the state to make credible commitments to potential investors, the provision of public goods that makes private enterprise profitable and the coordination required for making decisions (Booth, 2016).

5.2 LOCAL ECONOMIC DEVELOPMENT & PDIA

In this context, the question to pursue then relates to what this proposed alternative, a PDIA approach, would look like conceptually in developing and framing a local economic development plan and or strategy in intermediate city settings in South Africa.

5.2.1 The Problem – reframing, a narrative and data

The current LED Framework and the IDP requirements spend little time on identifying the problems beyond an initial situational analysis. To some extent both the framework (LED and IDP) implicitly provides the answers to what it assumes the problems are. In the case of the LED the assumed problem is too little local economic development and in the case of the IDP – not sufficiently integrated planning. The current frameworks focus on the development of a (economic growth) vision, which despite its self-evident and accepted importance as first step in NPM and good governance approaches, places certain constraints on the process towards a more sustainable path for local economic development. As Hirschman noted in 1970: 'My first criticism of the vision ties in directly with my dislike of paradigms laying down excessive constraints on conceivable moves of individuals and societies' (Hirschman, April 1970).

Conceptually PDIA approaches would embark down an inquisitive road to establish what the problem really is, and why stakeholders perceive this particular issue as a problem.

On the face of it the problem in secondary cities is the lack of economic development or insufficient local economic development programmes and maybe in some cases incidents of localised 'service delivery protests' or popular expressions of dissatisfaction with the local governance structures.

PDIA proposes that a real problem, that matters for local stakeholders, be explored and developed. Various techniques and methodologies to do this exist in commonly used planning tools but through the development of a problem tree or fishbone with its attendant branches or bones, a problem can be framed and it also provides an opportunity better to identify why it matters and to whom it matters or not. This exercise provides an opportunity to focus not only on perceived problems but allows an exploration of the local political economy and its actors and incentives, as well as the institutions and the 'rules' by which they function.

Reframing a problem related to local economic development in secondary settings in South Africa this exercise could identify the problem for example as "unequal and / or slow socio-economic development" or "insufficient economic opportunities for residents". This reframing allows for the possibility of identifying why socio-economic development in these settings matter and for whom it matters. By departing from an understanding that local economic development should matter for everybody it assists in making the shift to identify those stakeholders for which the problem really matters and those who probably do not feel that disrupted and could quite conceivably continue with the status quo.

Following a process to reframe the problem, PDIA then explores a narrative to support the reframed problem as one that matters. Depending on the reframing of the problem it is important that the narrative explicitly reflects on the different stakeholders and what the problem may be for them and whether it matters for them or not.

An indicative narrative for a problem framed as "unequal and / or slow socio-economic development" or "insufficient economic opportunities for residents" should emerge from the problem tree through which the problem was framed. In this case, it could focus on a problem that matters because despite outward signs of economic and socio economic improvements or at least keeping abreast with the growing populations in these secondary cities, the social fabric will fall apart if it is not addressed. The increasing incidents of social unrest, and xenophobic type, violence and attacks on 'outsiders' (both foreign and from other parts of SA) will make the crisis more visible. The protests will move closer to the established parts of these cities and

it would not only be experienced as labour vs companies or unhappy residents vs the administration and / or the respective political formations. Increasingly space for the emerging local elites to squeeze rents out of the local council will shrink as opposed to grow.

The unequal and or slow socio-economic development or insufficient economic opportunities for residents, and the associated polarisation of different sections of the community, will encourage and reinforce the growing insider / outsider narrative. Similarly, what is currently seen as social unrest, protest or strikes in localised informal settings (away from the city), or in poorer communities will move closer.

Similarly, this can open the space for local politicians to use their influence and capacity for violence to further polarise the population for their narrow ends of retaining access to rents. In short, a problem framed as such matters as ongoing and increasing civil strife and protest will not in the medium to longer term remain something that happens elsewhere without disrupting the status quo for those already sharing in the spin-offs of the current economy.

For the small and local business community and possible investors alike the implications of unequal and slow socio-economic development and the lack of a unified approach to taking advantage of the possibilities for shared economic development will inevitably lead to higher financial and social costs of doing business and managing investments in the area. This would directly impact on the ability of the local administration to provide even the three basic governance related conditions for economic development.

This instability would lead to the closing out of social space and even small business and retailers in these secondary cities would feel the pinch of prolonged unrest and the associated lack of disposable income.

In terms of the Council and the administration of the local municipalities the problem matters as the performance and capacity of the administration is directly linked to the medium to longer term viability of the administration and its control over the resources and budget available to the administration and local politicians. Should the administrative under performance, for example possible due to the low percentages of posts filled, high staff turnover, absenteeism rates, low levels of skill of the senior management cadre and low performance of agreed to financial management criteria such as persistent negative cash balances, overspending and underspending on the capital budgets, persist the Council could be put under administration in terms of Section 138 of the Municipal Systems Act. This would close out the space for both the Council and the administration of the Council to have access to, and squeeze out / distribute rents from the existing budget the Council receives annually from their

equitable share allocations. Control of the supply chain management processes will no longer be controlled by these stakeholders.

Reframing the problem and providing an indicative narrative (as above) to show why it matters to the different stakeholders in these intermediate settings provides, despite its seeming alarmist phrasing, at least in principle reasons why the problem matters for them.

PDIA also proposes that it is important to select data for the problem that matters. The data for a problem that matters is important as it will show the extent of the problem, and track its changes overtime through using both contextual and performance related data. In selecting data to measure if the problem is being addressed as well as to support the crisis narrative of the story, it is important to separate the contextual factors (such as those related to socio-economic conditions, geography, demography, etc.) and the performance related factors –those factors and data sources which assist to provide a view on the performance of the local administration.

The lack of regularly collected localised data in terms of spatial economies as highlighted by StatSA (Chapter 4) has a direct impact on selecting data for development in secondary settings in general and specifically so for tracking economic growth. In these developing contexts, it is clearly not a matter of selecting from a menu of existing data sources and sets which would best track the progress in addressing the reframed problem. In these contexts, the selected data sources should be strategic rather than comprehensive and easily available, possibly collected and compiled on a regular basis through some of the finding and fitting experiments (see finding and fitting strategy below) to provide a time series of information which could be used for trend analysis.

For the purposes of the indicative problem framing in secondary cities, StatsSA census data for these settings can assist in tracking the contextual changes overtime. Similarly, for example for the purposes of tracking the performance levels of the local council or LED responsible officials a set of key financial and administrative performance measures can be tracked to reflect on financial and administrative performance of the local administration

Although regularly collected localised data sets poses a problem when working with problems and challenges in secondary cities there are some reputable data sources which could provide metrics against which to measure progress. With regard to population sizes and shifts as well as the general household conditions and access to basic services Statistics South Africa through their census data, with annual updated projections as well as the annual household survey results provides credible

basic demographic data which could be used. In a similar vein, annual financial and performance assessments for from example the Auditor General of South Africa and SARS Tax Administration Data are publicly available and provide programmatic and compliance data which could be added to the metrics. Given this situation it points to specifically in the finding and fitting strategy, to paying attention to implementing and testing initiatives which over time can build a more consistent regularly updated data set of both performance and context measures to assist in tracking progress of LED in secondary cities in South Africa.

5.2.2 Stakeholders - in a problem that matters

Following the identification / nomination of a real problem that matters by local actors PDIA approaches pay specific attention to identifying the stakeholders, who they are, but also how and why the reframed problem matter or doesn't matter to each of these groupings.

With the problem reframed and the extent of the problem identified, with the metrics which will assist in tracking the problem, it is important to do a stakeholder analysis and establish not only the stakeholders but also those for whom the problem matters and for those to whom it probably does not matter..... at the moment.

The stakeholders for which the problem of "unequal and / or slow socio-economic development" or "insufficient economic opportunities for residents" in secondary cities in South Africa matters would probably include wide ranging groupings from the local poor community which do not receive basic services or have access to the economic / employment opportunities around them; organised business representatives such as a local business forum representing older and emerging local small businesses who may see larger and multinational companies thriving in the single sector industries (such as mining, agriculture, etc.) but do not feel that they have an opportunity to share in the wealth and opportunities around them; labour (both organised and non-organised) who have fears around the inevitable cut back on employment opportunities when disinvestment starts to bite; elected local councillors who through their current positions forms part of the frontiers of new elite formation in town and the region and if not elected during the next round of local government elections will lose these positions and the access it allows for distributing local rents; and regional, provincial and national political parties and elites who are aware of the shifting political party support and continuing perceptions of slow delivery on previous election promises and how this could harm their future provincial and national election performance.

For this group of stakeholders, the problem matters as they cannot feel assured that they will necessarily retain or improve their positions through economic shocks (negative) or that they will benefit from positive economic growth prospects if / when these happen.

The stakeholders for which the problem as phrased does not really matter but who are central to addressing the problems related to “slow and unequal socio-economic development” or “insufficient economic opportunities for residents” would range from the current management / investors in the dominant single sector industries who in their current activity probably benefit from the large pool of unskilled labour available in the area and do not feel the pressures of under development and lack of services. Their economic decisions are not based on the local economic prospects but rather through their connectedness to the national and international economic landscape; the old ‘white’ community are already sharing in the current economic conditions and they are better placed to respond to either adverse economic shocks or positive opportunities; prospective new business and or investors have no reason to feel disrupted by the problem as they see the relative comfort with which current investors navigate the inequalities and take advantage of cheap labour; national / provincial governments who are through central planning identifying large strategic infrastructure projects and who develop their investment and development plans removed from the local challenges and problems and probably feel that their plans for strategic infrastructure will solve whatever problems may exist; and lastly possibly the local administration who feels that the challenges of inequality and unequal socio-economic growth is not specific to secondary cities as it is largely a national problem – the so-called national triple challenge of unemployment, inequality and under development – and in their interaction with established business in the area, employees of the local council / administration believe they have the socio-economic challenges under control and through their close interaction with these established business elites they speak to the converted – essentially a discussion between the undisrupted.

5.2.3 Finding and Fitting Solutions – for a problem that matters

With an understanding of, and reframed, local problem that matters with clarity regarding for whom it matters and why, PDIA approaches can then identify possible entry points for a range of smaller projects through adaptive and flexible programme responses.

In making strategic choices about both where to start and to guide the sequencing of possible entry points to finding policy responses, and solutions, it is important to

consider not only practically possible initial steps but also consider the politically possible / acceptable. This is particularly important in the context of the emerging political economy and its players in secondary cities with strong and oppositional stakeholders amongst the emerging elites which are carving out control over the rent seeking possibilities implicit in the running and control of the local councils and emerging development and business fora.

In addition to the politically possible, the entry points should be responsive to criteria that will assist in building and consolidating additional and easily obtainable alternative data points and sets, providing for opportunities for applied experiments which can build consensus and capture lessons of things that can work among the different players, facilitate opportunities to learn more about the underlying problems which underpins the lack of more inclusive and or equal socio-economic growth (not only focusing on the regulatory but also unlock an understanding of the normative and cultural cognitive content of the situation), and facilitate opportunities for participants to learn and experiment with action-based interventions which could lead to context specific hybrid solutions. Based on these broad criteria and with the problems that were identified as contributory on the original problem tree, some initial areas for intervention can be identified.

Some of the branches of the problem tree may relate to areas where strong and 'invested' agents and elites have control and or could block initiatives as they feel that it is politically not a 'good idea' and it is best to rule out these areas as possible areas for initial or 'first step' interventions. In the secondary settings, these types of areas may include the local political elites using their capacity for 'violence' or incapacity of local elected councillors to lead complex multi stakeholder consultation processes.

There may also be branches on the problem tree that can be considered for inclusion during the initial / first step interventions as they are politically acceptable, but should be ruled out based on the complexity involved. This complexity could relate to the design of first step experiments in these areas or the complexity of the problem area – problems such as addressing the deteriorating quality of road surfaces or the quality of local educational institutions is clearly politically acceptable but does not lead itself to small incremental and adaptive first step experiments.

The most like likely candidates among the branches on the problem tree are those that provide for entry points and related small step and applied experiments which in some way or another links to an initial data sourcing or gathering or sharing process which can show quick results and provide a better picture of the context and hopefully in the process unlock some of the normative and cultural cognitive content.

In the context of LED in secondary cities in South Africa problem areas such as the incapacity of local council to plan and collect revenue or local small and emerging businesses not managing to break in to the existing established industry through for example getting contracts or the cost of doing business leads themselves naturally to be considered for inclusion as areas for first step / entry point interventions.

Based on the last three identified entry point problem areas what would the sequencing, metrics, learning and iterative and adaptive approaches for implementing such experiments look like?

Broadly speaking and following from the above analysis a sequencing strategy will focus on implementing initial experiments that relate to the three 'problem' areas identified as first step entry points. Following these initial interventions and with some progress, learning and demonstrable successes the second set of 'problem' issues related to unemployment, quality of infrastructure and the delivery of basic services can be tackled to provide an updated and lived experience picture of the nature of the unequal socio-economic development in the municipality. The last set of 'problem' areas, which are the most politically sensitive and definitionally complicated, should only be approached when sufficient 'trust' in the muddling process has been established. At that point the agents who can authorise experiments related to those sensitive 'problems' will also be clearer.

The nature of the entry point experiments outlined below allows for the metrics of success in all cases to be related to the levels of success for which data can be sourced, collated and collected as required. In addition, some possibilities are provided through small applied projects which can engage role players, they can work together and together find solutions. Following the sourcing, collation and collection of data success will be measured against the level of analysis the data allows for, and whether the analysis assists in understanding and add value to the understanding, of the problem in each case.

The entry point experiments should in all cases require short time frame check-ins with the teams collecting the data (initially daily), and in addition to the learning opportunities at each check in related to the problems experienced in locating the data, the data 'collectors' should be asked what they learnt through trying to access / collating / collecting the data.

With the three entry points identified as the incapacity of Local Council to collect revenue and develop plans (including not knowing who to collect debt from and or having the required skills in the planning department), local small business not getting access to contracts from the established business / industry (including uncertainty as to what services / goods can local small business provide) and the cost of doing

business, issues such as the length of time it takes to get the approvals / certificates and the costs of licensing and registration, what would the design of potential experiments look like?

In the first area where the issue is knowledge of who is in debt with the Council and why the experiments could be designed around three processes, ask the finance department for an analysis of debtors, identifying the area with the largest debtors through an assessment of Council creditors and or asking the metering division to share their information on actual metered services (water & electricity) as well as where they know where services are provided without metering (illegal connections).

Through these initial experiments one or two areas where services are metered but not paid for, a small group made up of 1 or two people from the finance department, a councillor and local residents can be requested to do a small-scale survey to try and find out what the reasons are for not paying and see if possible solutions can be found.

In addition, these experiments will also identify one or two areas where services are provided but not metered. A small group can then be mobilised from the metering and engineering divisions with a representative or two from an area where the services are metered to find out what leads to these illegal connections, who is responsible for making them and how much it cost a resident to get an illegal connection made. Also, see if it is possible for this group to establish how much such an illegal connector earns from making these connections.

With regard to the skills requirements or profile for planning department initial experiments can be designed through convening a meeting with engineers and technicians (water, electricity) to ask them what will help them for bulk services planning and doing an analysis of the IDP to make an assessment of what types of skills would be required to implement and update the plan – this could also be done by a small team comprising a technician / engineer and some representatives one from an area where services have been promised but not yet installed and lastly through maybe paying a visit to neighbouring local councils to see how they structured their planning departments and what skills sets they required.

In the second area - local small business goods and services and the cost of doing business – experiments can focus on calling the local business forum to a meeting to check what data they have for their members; asking the business forum to do a small survey with their members to establish what it cost them in time and money to register a business; engaging the established business community to get information on what goods and services they source(d) locally and from whom; asking the licensing department to provide lists of all types of businesses registered with the council, information on the permits issued and assessment of validity; and asking the licensing

department to provide a breakdown of the tariffs and costs for business registration and licenses.

With this information, some additional applied experiments can be done. Such as requesting a representative of municipality and the local business forum to register a new small business venture of their choice with the municipality and keep track of what it costs and how long it takes. Similarly, a small group represented by one each of the established businesses, the local business forum and the municipality should attempt to register as a service provider with one of the established businesses and see what it takes to get to the point of actually getting a contract from one of these companies.

As can be seen from the indicative small initial experiments above the intention of these are not to solve the overall problem and evaluate the progress in 6 or 12 months. The experiments are designed within what is possible at the moment, and in these cases focusing on collecting data through a process that breaks down barriers to engagement between the different stakeholders, which could inform next experiments.

5.2.4 Improving Agency through finding and fitting solutions

In finalising a conceptual approach to a PDIA strategy for LED in secondary cities in South Africa it is important to consider agency, and the agents, to ensure that the entry points for access and the potential 'first' experiments (the 'find' an fit' strategy) is approached in a manner that ensures as broad a group of multiple agents (both internally and externally) are engaged and mobilised through the process with a view to ensure that all the functional leadership roles are present for the best chance of long term reform success. These multiple agents have been alluded to in the experiments in the previous section and includes where possible role players across the spectrum of those for whom the problem matters as well those for whom it currently does not matter.

The strategic agency approaches in the reform initiative for secondary cities must ensure that both at the start of the reforms and during implementation specific attention is paid to establishing and nurturing amongst others multifunction reform communities as opposed to looking for 'champions'; identifying, cultivating and supporting mobilisers; and consider the appropriate and possible involvement of external agents.

The agency strategy acknowledges that reform has a better chance of success if it is done through a broad range of mobilised agents, that these agents are best mobilised

through convening, connecting and motivating and that the envisaged institutional change will probably require some help to construct and communicate the problems and come up with ideas for reform.

With this in mind the agency strategy should pay specific attention to, and focus on, identifying and cultivating mobilisers that can fulfil the functional roles of convening, connecting and motivating. Given the shifting requirements for functional leadership roles (agency) at the start and during implementation the multiple agents cultivated during the initial experiments to open some space for reform will probably shift in their functional contributions to the process as the envisaged local solutions develop and take root.

The purposive muddling described in the find and fit strategy above and the agents involved in the process of finding and fitting a diffusion of local solutions should be designed to ensure broad engagement based on the mobilisation of a range of agents which can contribute substantive, procedural and maintenance functionality from the start.

Given the context in secondary cities and the existing patron / client relationships at the heart of the political leadership in the local councils, the identification of champions would have additional inherent dangers attached (what happens if the 'wrong' champion is identified and backed just to loose political support). With this in mind, the strategy will initially not only focus on ensuring that each of the initial experiments is tackled by multifunction reform communities but that this will probably require multiple multifunction reform communities clustered around the identified entry point and experiments. These multiple communities can be connected over time as the space is opened for reform and the construction and communication of problems coalesce towards the central or root of the problem tree.

Similarly, the mobilisers (convenors, connectors and motivators) would in the initial stages be identified in the execution of the possible first experiments and play an experiment specific mobilising role but should over time provide the basis for broadening and connecting the multiple communities.

In the context of the possible lack of initial overall formal authorisers or empowering agents, these mobilisers will be cultivated through the early check-in meetings and probably receive formal and practical authority for the experiments from experiment specific authorisers, both formal and practical.

Appropriate external agency involvement is complicated by the nature of the stakeholders and specifically those stakeholders identified as central to addressing the problem but not necessarily understand that the problem matters for them or feel

particularly disrupted. Specifically, the established businesses, in some cases with their head offices in one of the metropolitan areas / big cities or internationally, and operations on the locales of the secondary cities as well as the so-call 'old white community.

In the initial stages of the reforms these external agents have specific contributions to make in relation to possible financing, and problem and idea identification. There are inherent dangers in these agents not being connected and drawn into the process of reform as they have both the power and resources to 'go at it alone' which will just over time exacerbate the identified problem as opposed to providing longer lasting local solutions.

It is also important to look a little bit closer at the indicative initial experiments identified above and explore the agency and function for each are where these experiments are planned. This will provide an indication of whether the iterative and adaptive (flexible) processes introduced through the initial experiments provided space for the improvement of individual and collective agency.

In the experiments focusing on unpacking the knowledge of who is in debt with the Council the substantive functional roles for these first experiments would best be played by mid-level / administrative employees in the finance section / metering department of the council administration – probably an employee(s) who either has a long work history in the administration or other local councils and may have had exposure to other transversal systems training. It is most likely someone who feels that they have been trying to bring the problem to the attention of a supervisor and in meetings but feel that they have been ignored and or misunderstood. Procedurally the functional role of the formal authoriser would probably be found in the person of the CFO or maybe a member of the mayoral committee responsible for finance. The maintenance of the experiments, the convenors and connectors should be identified in the regular check in meetings and assigned specific small group convening / connecting tasks to allow them to gain confidence. These could be employees from the finance and or metering section or maybe serve in an administrative capacity in the offices of the formal or practical authorisers.

For the experiments in this area it is important that the teams for the applied experiments are designed in such a way as to lay the foundations of a possible future coalition of those who understand the problems and reasons for not-paying for services. For example, if the experiments can help the finance department officials understand why non-payment happens it will assist them in future to design debt collecting processes with better results. Similarly, with the applied experiment related to the non-metered connections a nascent coalition between residents, who pays to

get connected without metering equipment, and those who are metered but don't pay can be formed with possibilities of in future working together when demanding better services.

In the area of experiments related to the skills requirements / profile for the planning department the substantial functional role should be found in the human resources or planning department or the technicians who interact with disgruntled residents when they attend to power outages and other basic service delivery failures. They will probably be the lower to mid-level employees at the periphery of their respective units. They've probably attended district level meetings and have some exposure to the bulk service supply institutions or neighbouring local government administrations. The formal authorising function would be the HoD of the planning or service delivery departments or even a mayoral committee member responsible for these functions, with the practical authority probably an engineer at the council. The convenors and connectors should be identified in the regular check in meetings and assigned specific small group convening / connecting tasks to allow them to gain confidence. These could be employees from the finance and or metering section or maybe serve in an administrative capacity in the offices of the formal or practical authorisers.

In this area of experiments, it would be important to informally (initially) engage the technicians and engineers to participate in the area of planning which previously have been the reserve of planners. This could well lead to a stronger formal relationship between the planning functions and the technical areas where they previously worked in silos.

In terms of the experiments related to the local small business goods and services and the cost of doing business the substantial functional roles should be found at the administrative secretariats of the business and other forums, the procurement officers at the established business community and / or the licensing officers in the local administration. The formal authorisation for this set of experiments will probably involve formal authorisation on three different levels – for access to the established businesses procurement information it would probably emanate from the official representative of these organisations in the local development forum, for the local business forum the chairperson of the forum would be required and in the Council, probably the head of the licensing department or his / her direct superior. In terms of practical authority for provision of the implementation view, agency would reside in the general secretary or CEO of the local business forum. The convening role would have to be identified and supported to grow but would probably emanate from the secretarial functions in the head of the licensing department. Given the nature of the stakeholders for the experiment the identification of the connector roles will be critical

and would probably require substantial support and motivation initially – this could be done at the regular check-ins.

In this area, it would be useful to initially build informal relations and teams between the local business community and approachable representatives of the established companies with a view to longer term coalitions and understanding.

5.3 FINDINGS SUMMARY

From the above it is clear that utilising the approaches and framework of problem driven iterative adaption for local economic development in secondary cities in South Africa it has the potential to open up a range of related governance areas, not normally considered when approaching local economic development as part of the integrated planning and LED planning frameworks prescribed in the legislative architecture for the local sphere in South Africa.

PDIA through its problem focused identification of local problems and stakeholder interrogations open up space to anew consider and understand the political economy, its institutions and the dominant incentive structures at play.

Similarly, the finding and fit analysis of what is possible and practically implementable explicitly considers function as opposed to form. It addresses processes to respond in a manner that provides good enough administration with a focus on better understanding the pieces of the problem which should ultimately lead to reform processes that would in the context address Booth's three governance related conditions required to be satisfied for sustained economic growth vis the ability of the state to make credible commitments, the provision of public goods and addressing coordination failures. The iterative and adaptive nature of the initially identified entry points and experiments builds on what is possible in the current context to support learning through experimenting, and the considered analysis of the substantive, functional and authorising roles required to implement the first step experiments builds both individual and collective agency.

A conceptual analysis of implementing PDIA approaches for LED in secondary cities provides an indication of the possible realistic solutions to what has seemingly become intractable problems with inclusive economic growth in secondary cities in the recent past. Some issues remain with regard to opening up the space for these approaches to be implemented in a highly regulated, bureaucratic and compliance driven architecture which at its design stages were heavily influenced by 'good governance' debates and NPM responses to public sector reform in the 1990s. It seems that the critical question to find an answer to is, how to find an entry point for

authorisation to explore these approaches at a local municipality in this context and in general with no external incentives such as aid agencies or institutions. The study returns to this question in the final chapter and make some recommendations in this regard.

CHAPTER 6. CONCLUSION AND POLICY IMPLICATIONS

6.1 CONCLUSIONS

In the final chapter, we return to the hypothesis, test whether the evidence outlined in the preceding chapters supports the claims the study makes and the alternative it proposes, draw some conclusions and think through the implications and possible recommendations for local social and economic development approaches and planning frameworks for secondary cities in South Africa.

6.1.1 Local Government, good governance and NPM

The current architecture for local governance in secondary cities in South Africa in general, and the evolving nature of the frameworks for local planning and economic development demonstrates significant characteristics of the new public management paradigms and good governance policy responses which were part of the mid-1990 international public reform agenda. This is evident from the approaches taken by the Presidential Review Commission which looked at reform in the public sector. Although the PRC in the end did not make specific recommendations, or spend substantial time on considerations regarding the local governance sphere, the die was cast. Public sector reform in South Africa post-1994 was formed and influenced to great extent by the introduction of a culture of good governance, right-sizing, re-engineering business processes, the establishment and development of a professional management corps, alternative service delivery systems, outsourcing and public private partnerships. The principles of effectiveness, efficiency, economies of scale and integrated (or 'joined-up') governance across the three spheres were uppermost in the minds of those actors engaging with the form and function of the post-Apartheid state across all spheres.

In terms of the local governance sphere this reform agenda found expression in a raft of legislation specifically designed for this sphere, which included detailed legislative frameworks for the demarcation of these geographical spaces, the structures (electoral and institutional) to ensure democracy in these spaces and the systems for governance and financial management, including initially integrated planning. This soon included a specific focus on local economic development, which although largely supported by local actors and academics where influenced extensively by international development and reform practitioners. This was done in pursuit of the creation and establishment of truly developmental local governance as espoused in the 1996 Constitution.

The integrated planning framework for local government, the IDP, and the local economic development guidance and frameworks for this sphere heavily reflects the 'joined-up' or integrated, cooperative governance debates and the approaches to stimulating economic activity in the local governance sphere, which were pre-eminent during the period in which these were designed. As seen, the results and outcomes of these approaches, legislative requirements and reporting responsibilities across local government in South Africa seem varied. In the bigger conurbations or metropolitan settings, the results on average are more favourable due to a range of circumstances. But in the secondary settings, even by an assessment of just the most basic functional responsibilities of governance institutions results are less than satisfactory.

Although IDPs and local economic development officers are largely in place, and being reported on regularly, the envisaged results of truly developmental local government in secondary cities, that is local government working with the community to find sustainable ways to meet social, economic and material needs and improve the quality of life, has not materialised in these settings. Good governance and the approaches of new public management did not deliver on the promise of a better life. It did though deliver on ensuring that the 'form' of governance and planning are in place with clear attempts at complying with the prescripts and planning, but consistently executing the functions remains evasive.

Local governance structures in secondary cities, specifically where it relates to integrated planning and initiating local socio and economic development have successfully made the self-defeating transition from process to product. This is largely due to the new public management orthodoxy and 'good governance' best practise underlying the relevant legislative frameworks and practise which requires compliance with reporting requirements and ensuring that all the boxes are ticked.

In addition to the results, or lack of results, from these paradigms as outlined above, there are two additional issues which specifically acts as constraints for local governance structures in secondary cities as it relates to exploring and initiating local socio and economic development initiatives.

The local granular data to support planning processes and identify metrics against which progress can be measured in local secondary settings is not available from regularly collected and verified actors such as StatsSA. Beyond the StatsSA easily available, regularly updated and verifiable demographic data in these settings – standard and regularly updated metrics related to the local economy and its structure is just not available. The second constraint relates to a lack of capacity in local

councils in these settings, for a range of reasons specific technical expertise and experience is not always available.

6.1.2 Local government (economic development) doing it differently?

From the findings summary in the previous chapter it is clear that a conceptual analysis of the proposed alternative, PDIA approaches, for the purposes of searching for a different trajectory towards local economic development can provide for approaches which can incrementally build towards Booth's three basic governance related conditions for economic development to be sustainable.

Following these three governance conditions – the ability and willingness to make credible commitments, the provision of public goods and coordination – the indicative conceptual analysis of PDIA in secondary city settings showed through the identified small step and applied experiments related to revenue collection, capacity to plan and cost of entry for small businesses that albeit small initial steps, these early experiments can add value and build capacity in relation to all three the conditions. The experiments related to the cost, and possible entry, of small businesses will provide valuable experience and build trust amongst stakeholders to improve the coordination role of the local government. Similarly, the experiments related to the capacity to plan and ability to collect revenue will positively influence and impact on the ability of the local governance structures to make credible and lasting commitments as well as for the provision of public goods.

The conceptual analysis further confirms that PDIA approaches can credibly contribute to assist local government officials and development practitioners to focus on the local political economy, consider function as opposed to form to address the risks associated with mimicry and decoupling, utilise iterative and adaptive processes and experiments, and improve both individual and collective agency.

With regard to the focus on the local political economy, its institutions and incentives – the approaches to reframe the problem as a problem that matters as well as the process to identify stakeholders for the which the problem matters and those for whom it doesn't, provides a focus on the local political economy, its actors, institutions and incentives. In addition, the iterative processes of designing experiments, learning from them and designing new experiments will ensure that a focus on the political economy is not a once off exercise but a continuous consideration. It also supports the lessons learnt from the case study publication of DFID, that the adaptive and flexible working processes provides the best chance for taking, and adapting to, opportunities as they arise, and for the contention that the political economy in its full complexity can best be understood and navigated by local actors (Booth, 2016).

In terms of addressing the considerations of 'good enough' governance and focusing on function as opposed to form to address the risks associated with mimicry and decoupling – the indicative experiments in all three the entry points identified through the finding and fitting strategy explicitly focuses on function. In the case of the revenue collection experiments it focuses on the functions and challenges associated with collecting revenue as opposed to relying solely on the administrative section dealing with collecting revenue to resolve the issues. The planning experiments explicitly places the planning capacity and function beyond the confines of the planning department and the cost of small business entry experiments focus on broadening the understanding of the functions required to successfully design and administer the business registration process. All the finding and fitting entry point experiments also consciously build into the process a broader set of stakeholders which focus on the functions required as opposed the positions on an organogram to filled.

Through all the small step initial experiments, the quick feedback loops and check-in meetings, as well as the conscious search for authorising agents lays the basis for utilising flexible iterative and adaptive processes to address the reform challenges and improve individual and collective agency. The conscious approach not to select 'champions' for these initial experiments provides for the possibility to build multiple, internal and external, agents which in the long run ensures that the agents form multifunction reform communities and mobilisers are present to ensure sustainability of the reform processes.

From the above it is clear that for local economic development in secondary cities, the question is no longer so much about whether 'doing it differently' or 'political smarter' or 'problem driven iterative adaptation' can provide better outcomes or results. It shows that the search for these post NPM orthodoxy approaches can play a valuable, incremental and flexible role in assisting low capacity administrations in secondary settings, not to do nothing and hope for growth spill overs, but to actively build sustainable approaches to local economic development and governance which can interact with local and external stakeholders, and identify and take advantage of linkages in the increasingly globalised world.

The real question and focus should be on whether 'doing it differently' can be introduced, practised (even institutionalised) in the context of institutional constraints and a culture of inertia (Yanguas & Hulme, 2015).

6.2 POLICY IMPLICATIONS AND FUTURE RESEARCH

6.2.1 Policy

In terms of policy implications this study provides some indication that the ongoing local governance policy discussions which ranges from the demarcation of municipal boundaries, the scope, nature and functions of local administrations, local economic development, the trade-offs between rural and urban development to differentiated approaches to incentivise performance and accessing local government grants will not necessarily provide adequate policy responses. In a sense, all these debates assume the problem to be inadequate and or imperfect implementation of, and compliance with, the existing local government architecture and frameworks. It argues for implementing the current plans better, or going back to the basics of the plans and frameworks that are already in place.

The policy response solicited through this conceptual analysis relates to finding and providing the space for introducing these analytical, problem focused and iterative processes at local governments in secondary settings to provide for sustainable reform to support local governance and economic development. It should not be to develop another single unequivocal model and or toolkit which could be introduced and requires compliance. As Yangas and Hulme indicated it is about 'positing a single unequivocal logic' (Yangas & Hulme, 2015).

6.2.2 Limits of the study and future research

The study focused on conceptually analysing the possibility of introducing PDIA approaches in the context of local secondary settings in South Africa. It did not attempt to evaluate and redesign either the frameworks for integrated planning and or local economic development. The study also did not test whether the PDIA approach would in practise work better but rather focused on providing a reasoned and detailed rationale for adopting such an approach and explained what this could look like. Further work is required in three specific areas.

One relates to practically identify a local secondary setting and through the involvement of external facilitators embark on identifying a problem that matters and then through iterative and flexible processes implement a range of experiments with a view to build local capacity and find sustainable solutions. I.e. in practise implementing PDIA approaches in an experimental fashion in secondary city settings.

The second relates to paying specific attention to and consider introducing external facilitators, possibly through a nationally supported intervention programme or through creating incentives through the conditional grant system for local government, to pursue these kinds of experiments and approaches in local government settings given

the current administrative constraints and requirements for reporting against the raft local government legislation.

The third area for additional research relates to consciously support the building of a set of credible socio economic indicators, which are granular enough, appropriate and regularly collected, to support problem identification and measuring progress against a range finding and fitting experiments in these secondary settings.

6.3 CONCLUSION

The current local government policy debates should be broadened to explore utilising existing national support interventions and or access criteria for grant allocations to more explicitly make provision for introducing flexible and adaptive processes which consciously take cognisance of, and try to understand, the local political economy with its complexities. This would require some form of acceptance of the complexity of the task at hand and then adequately accept levels of uncertainty, i.e. uncertainty related to which interventions will lead to, and work best for, inclusive growth in the specific context, uncertainty about the politics and which role players will support or oppose which types of interventions, and uncertainty about advance predictions of the consequences of certain initiatives.

Daunting as that may sound, as Hirschman said in 1970, ‘...I shall suggest that large scale social change typically occurs as a result of a unique constellation of highly disparate events and is therefore amenable to paradigmatic thinking only in a very special sense.’ (Hirschman, April 1970), the way forward does not seem to lie in developing another watertight paradigm or LED framework, but rather in starting with what is available and slowly build upwards.

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