Humanities Faculty

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A Critical Assessment of How Local Municipalities Implement Local Economic Development: Case Studies of Bergrivier and Cape Agulhas Local Municipalities.

By

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Abstract

Local Economic Development (LED) has been instrumental in the restructuring and transformation of local government in South Africa's new democratic dispensation. LED facilitates the process through which municipalities could achieve the 'developmental' role they acquired to tackle socio-economic issues such as unemployment, inequality, and poverty. Despite its prominence in various legislative and policy frameworks, municipalities in small towns and semi-rural areas face several challenges in implementing LED initiatives. This study presents a comparative analysis of LED implementation between Bergrivier Local Municipality and Cape Agulhas Local Municipality located in the Western Cape province. The study evaluated internal and external factors influencing the design and implementation of LED strategies. The comparison focused on institutional arrangements, intergovernmental relations, access to resources, and community engagement. Additionally, the research critically assessed the institutional capacity, political commitment and stakeholder involvement which shapes the roll out of LED strategies. Although both municipalities operated in accordance with the prevailing legislative frameworks governing LED, they differed noticeably in their governance structure, collaborative governance, and stakeholder engagement. As a result, the implementation modalities for LED varied, and were shaped by municipality's socio-economic circumstances, operational structure, and resource availability. Therefore, LM 1 has an LED unit with limited capacity, and primarily focus on coordination with national and provincial frameworks. The unit face obstacles with institutional and systemic barriers, resulting in a delicate cross-governmental collaboration, and ineffective participatory approach. This is further aggravated by growing unemployment rate and limited proficiency. On the other hand, LM 2 have a more targeted approach. The municipality benefits from its integrated LED and Tourism unit and pursues local initiatives such as SMME support and mentorship. Also, the municipality showed a more collaborative approach, integrating with the district municipality. Besides, the LM2 recently restructured its governance structure and anticipates improved approaches effectively implement LED strategies and create jobs. The study findings revealed that the intuitional capacity, stakeholder engagement and distribution of resources, plays a pivotal role in shaping the effectiveness of LED. The study suggests that both municipalities should refine their LED strategies with well-defined objectives, realistic financial plans, and sustainable LED principles. Each municipality has the potential to strengthen their institutional capacity, improve stakeholder engagement, and implement strong financial and monitoring frameworks, to ensure effective LED implementation.

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CHAPTER ONE: INTRODUCTION

1.1. Background and Rationale for the Study

Post-1994, South Africa restructured its governance, increasing democratic values to address the legacy of apartheid and improve equitable development within the country. Therefore, local government was established and mandated by the Constitution Act 108 of 1996 to provide basic services, promote social and economic growth, encourage public participation and ensure a safe and healthy local environment. These constitutional mandates were followed by enabling legislative frameworks such as the White Paper on Local Government (1998), the Municipal System Act 32 of 200 to institutionalise the nation's developmental vision and encourage cooperation between the government, business owners and community members. This phase introduced a developmental local government to promote strategic and participatory economic planning at local government (Masango, 2024).

Nonetheless, the spread of unsustainable community projects and politicisation in community development contributes to poor performance of LED strategies (Rogerson and Rogerson, 2012). Scholars assert that poor and marginalised municipalities fail to implement LED. Several studies emphasise research on issues such as inadequate financial and human resources, limited institutional capacity, weak cooperative governance, poor stakeholder engagement and spatial differences (Meyer, 2014; Nel and Rogerson 2016; Nel and Rogerson 2010). Rogerson (2010) argued that the national government does not provide local governments with clear and practical guidance, causing insufficient clarification on LED outcomes. Rather the national government set policy goals and approaches that reflect and respond to the national economic development goals. South African LED policy and legal frameworks lack flexibility to respond to the realities and complexities of local government development concerns (Kamara and Rabie, 2021). This study explored how internal and external constraints affect the implementation for LED policy, amongst two similar Category B municipalities, in different districts of Western Cape. The researcher conducted a system analysis of Cape Agulhas Local Municipality and Bergrivier Local Municipality to study the impact of specific context to achieve LED goals. The study revealed why LED implementation vary across municipalities with similar mandates and structures, addressing the important knowledge gape in literature on local governance in South Africa.

1.2. Problem Statement

In 1994, the African National Congress (ANC) established the RDP to enhance the country's democratic norms and standards for socioeconomic transformation and equitable distribution of resources. The government developed a participatory strategy that would encourage a democratic framework for effective governance. This included the implementation of institutional reforms, a bottom-up approach, and active public participation in decision-making processes. According to section 2.3.5 of the Reconstruction Development Programme, institutions are required to address local socio-economic issues, create job opportunities, and improve public service delivery; this will help reduce poverty and improve the quality of life for all (RDP, 1994). Additionally, the local government is required to foster social and economic development. Section 152 (1) (c) of the South African Constitution Act 108 of 1996 further accentuated this foundation. Local governments play a significant role in the country's economic growth. A stable national economic growth results in improved local capacities, business development, and effective public services (Sallivon and Sheffrin, 2003). However, most local municipalities fail to effectively carry out their constitutional mandate. Therefore, the government undertook reforms at the local level. Between 1997 and 2000, the White Paper on Local Government 1998 and the Municipal System Act 32 of 2000 established an institutional framework for local municipalities to design and implement IDPs. The expectation was to bring government closer to the people and collectively work with communities to find the best solutions to meet their local socio-economic needs and improve their lives (South Africa, White Paper on Local Government, 1998). This implies active collaboration with the government, non-governmental organizations, and local citizens. Binza (2010) accentuates that IDPs, and LEDs are significant strategies to ensure an effective, full developmental approach.

Despite the importance of LED in South Africa, existing literature indicates that many municipalities, specifically those situated in vulnerable rural areas, fail to meet these obligations. To begin with, South Africa's LED lacks a clear definition across policy and practice, and this impairs the strategic implementation at local level. Meyer-Stamer (2003) , as amongst the first scholars who argued that South Africa has not provided a clear articulation of LED from social development initiatives. This view is echoed by recent scholarship, which argued that the conceptualization of LED is shaped by competing views between pro-market and pro-poor perspectives (Sekhampu, 2010). Comparatively, a pro-poor approach is associated with social welfare goals, and to establish developmental initiatives that aim to reduce poverty and promote the inclusion of low-income communities in the process of social

development (Rogerson,2010). Meanwhile, a pro-market approach prioritizes high economic growth by fostering business development, especially in well-developed municipalities (Nel & Rogerson, 2016). Therefore, the dual LED approach exposes municipalities to have irregular objectives and contradicting LED strategies, negatively affecting their efficacy to implement LED.

Second, in South Africa, LED remains an unfunded mandate which is unaffordable and unsustainable for poor and marginalised municipalities (DPLG, 2011). These municipalities are often required to prioritise a limited budget to finance municipal basic services while limiting allocation of funds to LED strategies. As a result, LED lacks full support compared to other municipal initiatives (Nel & Rogerson, 2016). According to other scholars such as Kamara (2017) and Malele (2018), poor municipalities are found to be constrained by a lack of funding, limited staff and opposing political cause to implement LED strategies. Besides, understaffing or unskilled staff undermines the ability to effectively drive LED programmes (Malele, 2018).

Third, weak institutional arrangement continues to hinder the implementation of LED. Most LED plan are project focus, with unrealistic goals (Van der Heijden, 2008). Therefore, LED is often overlooked within municipal structures, generally entrenched within other municipal departments. Weak institutional arrangements often originate from lack of capacity and knowledge within municipalities (Kamara and Rabie, 2021). Nonetheless, the National Framework for LED (2013-2018), encourage for LED to be a shared municipal function and an important strategy to meet local needs. Although, shared municipal functions are inexplicable for municipalities with lack capacity and knowledge on LED processes (Malele, 2018)

These LED challenges demonstrate a persistent gap in policy design, funding, and institutional arrangements to support and enable local municipalities to effectively implement LED. As a result, weak municipalities become more contingent on national and provincial government for assistance, creating a top-down approach and a failed comprehensive developmental strategy. Therefore, the democratic government is failing to meet its democratic goals such as, to create jobs, alleviate poverty, and reduce inequality. Without an inclusive LED strategy, South Africa will struggle to achieve resilience in fostering sustainable social and economic development.

1.3. The Aim of the Study

The aim of this study was to critically assess the implementation of Local Economic Development (LED) in two similarly characterized local municipalities (Category B) from two different district municipalities including West Coast District Municipality and Overberg District Municipality in the Western Cape Province. The purpose was to assess how municipalities configure the implementation of LED in the context of internal and external constraints in their operating environment.

The study objectives:

- To critically compare the key internal (municipal-specific) and external (broader social and economic context) constraints that influence the design and implementation, of Local Economic Development (LED) initiatives within municipalities.
- To compare the institutional arrangements' municipalities, make to implement LED
- To investigate the extent of the support that local municipalities receive to implement LED from other government bodies.

1.4. Research Question

How do internal and external constraints affect the design and implementation of local economic development in local (category B) municipalities?

1.5. Methodology

This chapter outlines the research approach adopted to examine how LED is being implemented in two local municipalities in South Africa. According to Igwenagu (2016), research methodology is a systematic framework that guides the researcher in selecting appropriate research approaches, adopting the best techniques to collect data and using strategic analysis to answer specific research questions. Therefore, a research methodology should indicate the theoretical foundations and practical methods applied to create, analyse, and validate knowledge. This study adopted a constructivist paradigm executed through qualitative research to examine how municipal officials implement LED within their specific institution and socio-political context.

1.5.1. Research Paradigm

According to Honebein (1996), constructivism is a philosophical paradigm that declares individuals actively construct personal understanding of the world through their own experience and reflections. Constructivism contested traditional paradigms such as positivism by highlighting the importance of context, interaction and social processes in formatting knowledge (Adom, Yeboah & Ankrah, 2016). While adding to interpretivism, constructivism assumes that there are multiple realities, a subjective epistemology and a set of methodical procedures (Denzin and Lincoln, 2005). According to the literature review of this study, LED is shaped by decentralisation, pro-growth and pro-poor approaches and the prevailing socio-political conditions withing communities. Therefore, constructivism paradigm was more appropriate to explore South Africa's LED, acknowledging the complexity of LED stakeholders such as municipal officials, business owners and community members. Constructivism paradigm enabled the researcher to learn and understand how different municipalities interpret and apply the concept of local economic development in varying social and economic contexts, instead of applying a one-size fits all model. Overall, the implementation of LED depends on how local municipalities internalise and interpret the concept of LED, creating context-specific responses local development challenges.

1.5.2. Research Approach

Given the LED challenges in South Africa, such as lack of a clear concept, its competitive articulation between pro-poor and pro-growth approaches, limited funding and weak institutional arrangements, qualitative research was found more appropriate to explore the nuanced and context-specific scope of LED in South Africa. Qualitative research is relatively rooted in interpretative and found in social studies. According to Punch (2013), qualitative research approach prioritises the study of human experiences, behaviours and perspectives without using numerical data. Instead, qualitative research collects information in a natural setting to capture the complexity of social phenomena (Gentles, Charles, Ploeg & McKibbon, 2015). Qualitative research is characterised by a multi-method approach designed to explore contextual of an issue (Denzin and Lincoln, 1994). As a result, the qualitative research approach enabled the researcher to explore the experience of LED stakeholders such as municipal officials, business owners and community members. Furthermore, qualitative research allowed the researcher to use primary data techniques such as open-ended interviews to facilitate an ethical engagement with all relevant LED stakeholders.

1.5.3. Case Study Approach

The study adopted a comparative case study approach, using a most similar case selection method. This approach allowed for a detailed examination of how the internal and external surroundings and constraints affect the modalities that local municipalities (LMs) employ to roll out LED initiatives. The two cases chosen for this study were the Bergrivier Local Municipality and the Cape Agulhas Local Municipality, both categorized as Category B municipalities in the Western Cape Province. Research methodology, as defined by Igwenagu (2016), refers to a systematic technique for analysing theoretical methods, principles, and the knowledge gained through research. It served as a study plan to guide the selection of the research approach, design, and data collection instruments, as well as the analysis and interpretation of findings. This study utilized an exploratory design to examine the implementation of local economic development initiatives within the two selected municipalities. By adopting a comparative approach, the research uncovered both shared challenges and distinct strategies employed by these municipalities to foster local economic development (LED). Notably, these municipalities are situated in West Coast District Municipalities and Overberg District Municipality classified as Category C (District), adding depth to the comparative analysis and contextual diversity to the findings.

1.6. Study Design

South Africa's local government is made up of 257 municipalities divided into three municipal categories. Category A has exclusive municipal executive and legislative authority in its area (Thornhill and Cloete, 2014). This includes metropolitan municipalities such as the City of Cape Town Metropolitan Municipality, with big cities. Second, Category B shares its municipal executive and legislative authority with Category C municipalities (Thornhill and Cloete, 2014). Most municipalities in the country are classified as category B municipalities. Primarily the municipal areas consist of a mixture of towns and rural areas, without a major metropolitan hub (Thornhill and Cloete, 2014). Last, there are Category C municipalities has executive and legislative authority in local municipalities that include towns and their surrounding rural areas (Thornhill and Cloete, 2014). The research was carried out in two distinct regions within South Africa. These municipalities represent key regions for exploring LED strategies, accordingly to each municipality's unique socio-economic dynamics and development challenges.

1.6.1. Bergrivier Local Municipality

Bergrivier Local Municipality is in the West Coast District Municipality of the Western Cape province of South Africa. The municipality offer a picturesque blend of coastal and rural landscapes. The municipality includes a mix of urban and rural areas, with the main urban centres being Piketberg, the administrative hub, and smaller towns like Velddrif, Elands Bay, and Aurora (South Africa. Bergriver local municipality, 2015).

Figure 1: Map of Bergrivier Municipality

Source: (Bergrivier Local Municipality. ANNUAL REPORT 2022/2023 VOLUME I)

According to Statistic South Africa Census 2022, there are 70 276 people living in Bergrivier local municipality (South Africa. Statistic South Africa, 2022). The municipality and its people depend on agriculture and tourism, for economic development. Bergrivier is a municipality with average growth prospects, showing varied growth potential for different settlements. Unfortunately, not everyone can financially benefit from the municipality's economic potential. More than 50% of the municipality's population is calculated with people younger than 35 years of age, with no sustainable employment or income, or applicable skills to enter the workforce (South Africa. Bergriver local municipality, 2019). In addition, the following

challenges contribute negatively to the municipality's economic growth and development. For example, the municipality experience seasonal workers, inadequate, negative impact of climate change on agriculture, substance abuse, poor transport facilities, water shortage and increasing levels of inequality. Bergivier municipality has a medium-low economic growth rate, high unemployment, low living standards and low human development. Bergrivier local municipality is able to render basic public services, but the municipality has a limited industrial activity and increasing socio-economic issues including youth unemployment (Western Cape Government, 2023). Therefore, design and the implementation of LED depends on the National Development Plan as well as the Provincial Economic Strategy for the Western Cape. The Provincial Economic Strategy for Western Cape was introduced by Premier Alan Winde, Provincial Minister of Finance and Economic Opportunities (Mireille Wenger), and Provincial Minister of Infrastructure (Tertuis Simmers) to support the "Growth for Jobs" G4J strategy. The G4J strategy has the purpose to increase job opportunities and align the province's economic growth plans with the international sustainable development goals (Democratic Alliance, 2023).

1.6.2. Cape Agulhas Municipality

Cape Agulhas local municipality has a smaller population than Bergriver. The municipality takes the geographic area of 2411km, bordered by the Overstrand, Theewaterskloof and Swellendam Municipalities (Cape Agulhas local municipality, 2016). Cape Agulhas local municipality comprises of nine urban settlements for instance Bredasdorp Napier, Struisbaai, Arniston / Waenhuiskrans, Elim, L'Agulhas, Klipdale, Protem and Suiderstrand, as well as rural areas estimated to take 178 Km of coastline.

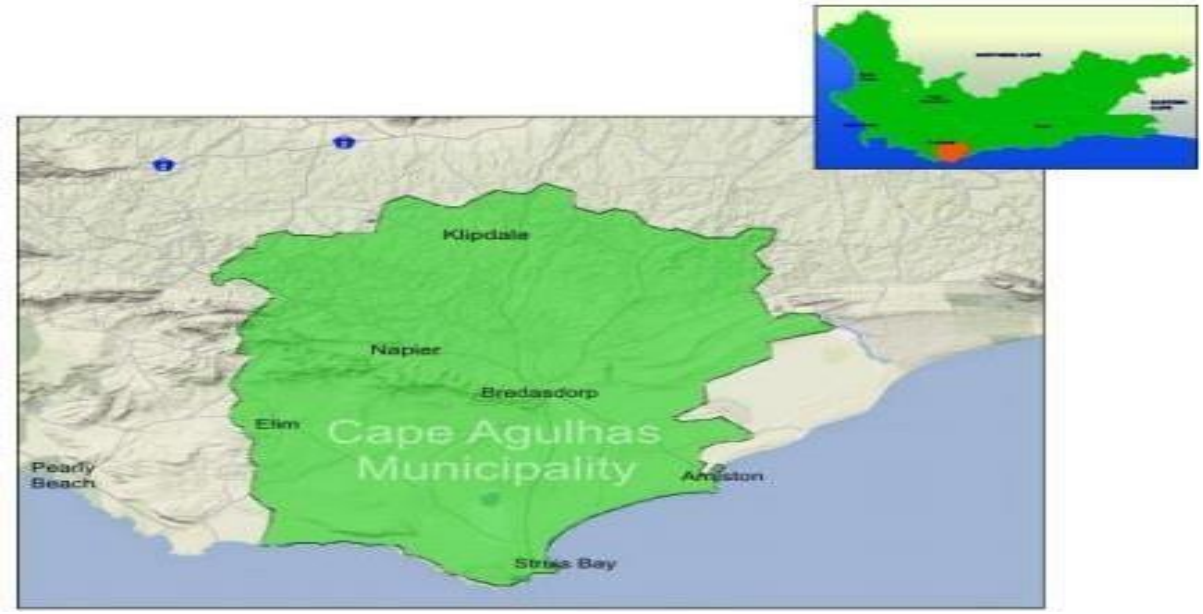

Figure 2: Map of Cape Agulhas Local Municipality

Source: Cape Agulhas Municipality Local Economic Development Strategy Revision (2016).

In 2020, the estimated population was 35 146, with expectation to grow population at 36 409 by 2024 (Cape Agulhas Local Municipality, 2022). The municipality's economic growth is influenced by the local economy from different sectors such as agriculture, forestry, finance, insurance, real estate, wholesale, and retail as well as catering and accommodation, as well as transport and accommodation. Specifically, The Cape Agulhas Municipality is a major tourist attraction due to the Cape Floristic Region and coastline. So, less, or no local business growth has impressively negative possibility to grow and sustain Agulhas local municipality's development. As a result, Cape Agulhas local municipality is characterised with formal and informal labour force, with Semi-skilled workers (46.0%) Low-skilled workers (32.6%), Skilled workers (21.4%) (Cape Agulhas Local Municipality, 2022).

Cape Agulhas local municipalities comprise of a more adaptable socio-economic status, with different and limited LED strategy. Although, the municipality has made progressive remarks on improving LED. Cape Agulhas has a unit dedicated to Tourism and Local Economic Development. The department is responsible to facilitate programmes and projects that aim to enhance local economic development as well as promote tourism (Cape Agulhas Local Municipality, 2016). Although, the department does not provide any financial support or equipment for start-up businesses. The unit can provide empowerment of small, medium, and micro enterprises, training, mentorship and incubation, co-operative development, finance

mentorship, access marking development, enter development programmes, new business registration and more initiatives to help comply with owning a local business in the area (Cape Agulhas Local Municipality, 2016).

The municipality's LED strategy was compiled in October 2009 but only approved by Council on 28 June 2016. The strategy comprises of both internal and external initiatives. The internal initiatives include among others the; Cape Agulhas Municipality PACA Process (2014); Comprehensive Rural Development Programme (2013); Napier Small Town Re- generation Strategy (2016); Cape Agulhas Municipality LED Maturity Assessment (2015) and the Cape Agulhas Socio economic Plan (2017). Additionally, the internal initiatives are complimented by the external programmes such as the Overberg District Municipality PACA Process (2014); Overberg Agri Parks Master Business Plan (2016); Harbours Spatial and Economic Development Framework (2014).

1.6.3. Socioeconomic Issues in Bergrivier and Cape Agulhas Local Municipality

Regardless of their differing economic structure and development opportunities, both municipalities display common social and economic constrains. Both municipalities comparatively rely on dependency ratios approximately 47%, illustrating a population with too young and/or older peoples to participate in labour market (Statistics South Africa, 2022). This indicates common economic constrains, highly depended on a small working-age population. Overall, limited working group reduce the economic efficacy and increase demands for national social services such as SASSA grants. In addition, unemployment is considered an extreme socio-economic issue. According to the Statistics South Africa (2022), Bergrivier has a lower 6% unemployment rate, while Cape Agulhas stands at 13.8%. Paradoxically, Cape Agulhas has a more diversified economic scale and prominent levels of educated people. Nonetheless, Cape Agulhas local municipality has higher unemployment rates. This imply that the local economy is not effective to create jobs. Besides, Cape Agulhas' economic growth is significantly influenced by seasonal tourism and agriculture business.

Furthermore, Bergrivier and Cape Agulhas are centred on agriculture and fishing sectors, showing mutual reliance on natural resources. Therefore, reliance on primary sector industries negatively contributes to the economic vulnerabilities and economic shocks. As a result, both municipalities are exposed to restricting long-term financial stability Additionally, both municipalities have been proven rendering of public services to the communities. However, there are service delivery gaps, amongst Bergrivier and Cape Agulhas local municipality.

According to the Statistics South Africa (2022), Bergrivier, had 97.7 % of households with flushing toilets, 85.4% weekly refuse disposal and 88.7% access to pipped water. Meanwhile, Cape Agulhas had 96.6 households with flushing toilets, 92.8% weekly refuse disposal and 94.4% piped water (RSA, 2022). Furthermore, both municipalities present supply gaps, in not achieving general access to all households.

Notwithstanding these disparities, both municipalities designed and adopted LED initiatives to address unemployment, alleviate poverty, and reduce inequalities. Therefore, the shared similarities and differences that make the municipalities ideal for a comparative case study on how they implement their LED strategies.

1.7. Data Collection

The study employed open-ended interviews. According to Flick (1998), open-ended interviews include predetermined open-ended questions to help guide the responses. This allowed active participants to provide their deepening perspective. The interviews were conducted in English, commonly used by South Africa's administration for communication. In addition, secondary data such as academic journals, government legislative frameworks, and municipalities' reports (IDPs, LEDs and Annual Reports) were used to strengthen the collected data.

1.8. Study Sample

Data was collected from participants who share common characteristics and traits. The study categorized participants into three distinct groups:

- Group 1: Municipal Officials from Bergrivier Local Municipality and Cape Agulhas Local Municipality who have direct functional responsibility and/or oversight for Local Economic Development.
- Group 2: Municipal Officials from West Coast District Municipality and Overberg District Municipality who have direct functional responsibilities and/or oversight for Local Economic Development.
- Group 3: Representatives from NGOs which represent businesses or advocate for the interests of local businesses in Bergrivier Local Municipality and Cape Agulhas Local Municipality.

In addition, the researcher used a purposive sampling strategy; to extract quality information from the focus groups. Notably, purposive sampling is non-probability sampling (Neuman, 2003), enabling the researcher to choose participants who can provide in-depth information on

the topic (Neuman, 2003). This technique helped the researcher to determine the participants who can be part of the study and if this sample aligns with the research aims (Babbie and Mouton, 2001).

Table 1: Number of Participants

All selected participants were recruited based on localization, expertise, and focus. The research purpose is to include the following participants. The following table illustrates the number of participants

Participant	Number
Municipal officials from Western Cape: Bergriver Local Municipality	1
Municipal Official from Western Cape; West Coast Dstrict Municipality	0
Municipal official from Western Cape; Cape Agulhas Local Municipality	2
Municipal Official from Western Cape; Overberg District Municipality	1
Bergriver Non-Governmental Organizations for Economic Development[1]	1
Cape Agulhas Non-Governmental Organizations for Economic Development[2]	1

1.9. Data Analysis

For this study data was obtained through face-to-face, open-ended interviews with participants. Thematic data analysis was applied to analyse the information from the interviews. Braun and Clarke (2006) advocate using thematic analysis based on its flexibility to be tailored to the needs of the overall research project, resulting in detailed and multifaceted records of information. Although this may lead to coherence, an epistemic point that underpins and reinforces empirical claims were required (Holloway and Todres, 2003).

[1] **NGO 1:** Engaged in facilitating local collaboration between business owners and offering training programs and resources to help local businesses improve their skills, stay competitive, and adapt to changing market conditions.
[2] **NGO 2**: Representing local Business Association in Cape Agulhas.

According to Guest, MacQueen, and Namey (2012), thematic analysis begins with organizing, transcribing, and reading the collected data before categorizing it into more minor codes. Thus, the researcher focusses Braun and Clarke's (2006) six-step guide for conducting thematic analysis through this process. The first step involves the researcher familiarising themselves with the data. Step 2 codes initial ideas, whereas Step 3 looks for themes in the data. Step 4 reviews the identified articles, while Step 5 defines those themes. Finally, in step 6, the writing process begins. Through this process, the researcher can identify differences, similarities, and errors in the data, creating a platform for future research (Ritchie et al., 2013).

1.10. Ethical Considerations

Before interviewing respondents, researchers need permission to study human subjects from the ethics review board(s) with which they are associated (Roulston and Choi, 2018). Therefore, the researcher complied with the ethical clearance requirements of the University of Cape Town prior to conducting data collection. The following are ethical considerations for this study: protection from harm, permission to conduct the study, obtaining informed consent, protection of confidentiality, privacy, and anonymity.

1.11. Delimitations and Limitations

The following section discussed the study's delimitations and limitations.

1.11.1. Delimitations

The study adopted a case study to discover shared challenges and context-specific strategies municipalities employ to promote LED. The researcher selected two local municipalities: Bergrivier and Cape Agulhas Local Municipality, both classified as Category B (local) municipality in South Africa. This helped understand the implementation of LED across different municipal districts, in Western Cape Province. The choice of two municipal cases allowed a narrower and more in-depth cross-district analysis of municipalities with comparable social and economic challenges, but which cannot be generalised across similar municipalities across the country

1.11.2. Limitations

i. Unavailable Participants

The study intended to engage with 10 participants, including two local municipal officials, two district municipal officials and six NGOs advocating for local economic development. However, only five participants were available to participate in study. Among the sampled district municipalities, one municipality did not respond to the study's invite and subsequent follow-up communications. In addition, four NGOs were not available during the time of the study. Rather, Data was collected from a smaller population sample, including Bergrivier and Cape Agulhas Local Municipality, Overberg District Municipality, and two NGOs, each from the local municipalities.

As a result, researcher was not able to meet with an official from West Coast District Municipality. This limited the study to have full access to various perspectives regarding LED. At the end, the study had a smaller sample of participants including two local municipalities, one district municipality and two NGOs advocating local business development. The smaller study sample limited the depth of analysis that could be drawn from expected participants.

i. Limited Access to Documents

Access to important documents was restricted by unavailable data. Certain municipalities either have old and unreliable records and/or no records. The most recent LED document relating to Bervergiver Municipality's website only presented the "Local Economic Development Strategy 2015". I tried to get the updated LED strategy, but the official informed me that the unit is currently revising the LED strategy. This reduced the reliability of study findings, thus relying heavily on primary data.

1.12. Outline of the study

The following study adheres to qualitative research principles and structure. It comprises six chapters.

1.12.1. Chapter One: Introduction

Chapter One serves as the study's proposal, outlining its intent and significance. It introduces the research topic of LED and sets the stage for the study.

1.12.2. Chapter Two: Literature Review

Chapter Two provides a comprehensive review of existing literature on LED and specifically examines the context of LED in South Africa. This section synthesizes published works to provide a foundation for understanding the theoretical and practical aspects of LED.

1.12.3. Chapter Three: Policy reviews of Local Economic Development in South Africa

Chapter Three explores LED policies in South Africa, reviewing relevant legislations and policy frameworks that guide the design, implementation, and monitoring and evaluation of LED initiatives. This chapter assessed the progress, purpose, and effectiveness of LED development within the country.

1.12.4. Chapter Four: Research Findings and Data Interpretation

Chapter Four interprets the collected data using thematic analysis to derive research findings. This chapter presents and discusses the findings in relation to the research questions and objectives outlined in earlier chapters.

1.12.5. Chapter Five: Conclusion and Recommendations

Chapter Five concludes the study by summarizing the key findings and insights gained from the research. It provides recommendations aimed at enhancing the role of local government in effectively implementing LED programs based on the study's findings and analysis

CHAPTER TWO:

Literature Review on Local Economic Development

2.1. Introduction

This chapter reviews the literature on LED, focusing on its conceptual foundations, theoretical frameworks, and practical applications in various local contexts. The chapter begins with the conceptual framework of LED. It reflected on the evolution of LED, which gained prominence in the 1960s as a strategy to attract external investment, with a shift in the 1980s towards fostering self-sustaining local economic growth. By the 1990s, LED became more focused on strengthening partnerships between government, private sector, and local communities. LED is not a one-size-fits-all approach but a territorial approach; it includes both pro-poor and pro-growth strategies aimed at leveraging local resources to stimulate economic development, reduce poverty, and promote sustainable growth. This chapter conceptualized LED as a territorial approach with pro-growth LED and pro-poor LED. Scholars emphasized that LED is characterized with territorial development and community-centred strategies, different from the traditional top-down economic models by emphasizing local participation and empowerment (Blakely, 1994; Mufamadi, 2000).

Through a review of relevant literature, the chapter aims to provide a comprehensive understanding of LED as a tool for improving the quality of life and addressing economic disparities at the local level. In addition, the chapter explore the decentralization theory, which has been central to governance reforms in many developing countries. The literature identified several types of decentralization political, administrative, and fiscal and discusses both the benefits, such as enhanced public services and local participation, and the challenges, such as inefficiencies and inequalities, associated with decentralization (Faguet, 2023; Mudalige, 2019).

In South Africa, decentralization plays a key role in the implementation of LED by redistributing responsibilities, authority, and resources from central to local governments. According to Meyer-Stamer, 2009, LED can be viewed from a territorial perspective, with primary principles to focus on and include indigenous knowledge, cultural norms, and public participation. Rodriguez-Pose & Tijmstra, 2007, reiterated that LED is a strategy to target specific local needs. It encourages self-regulation, local knowledge, and local partnerships to promote collaboration between the government, local businesses, and community members in

decision-making processes (Gasser et al., 2004). Under the logic of the territorial approach, LED has the potential to facilitate community-led development and participatory democracy.

Bhandari and Yasunobu (2009), claim LEDs are significant local tools to address community difficulties, encourage social capital and leading to greater active public participation, social networks, and mutual trust within communities. Overall, LED source local resources, create a bottom-up approach and encourage public participation.

2.2. Conceptual Framework: Local Economic Development

There is no universal conceptual framework for local economic development. LED means different things to different people. Rather, the definition of local economic development can be explained in terms of a pro-poor LED approach, and a pro-growth LED approach. These methods ideally contribute to community empowerment and sustainable development.

2.2.1. Pro-Growth LED

LED can also be viewed from a pro-growth perspective, which focuses less on the individual and more on the development of private enterprises (Matlala and Motsepe, 2015). The private enterprise will be responsible to create jobs. So, the local government should have power and capacity to create a conducive environment to create employment and grow local businesses (LED Network, South Africa, 2016). This implies that the approach encourages competent urban environments to attract investment and enable local economies that can respond to a macro-economic environment. According to Abrahams (2003), pro-growth LED has the potential to encourage economic development, however it fails to create an inclusive economy, create employment and ensure s sustainable economic growth. Irrespective, pro-growth LED fosters entrepreneurship, attracts local investments, and enhances the competitiveness of local economies (Birkhölzer, 2005). Department of Constitutional Development (1996), denoted that local government should be able to recognise potential business industries and support microenterprises, including informal enterprises. Consequently, local government can create policies to support, include and improve informal and small business (Monyebodi, 2021).

Consequently, decentralization enables local institutions to be more flexible and be able to work jointly with community partners to stimulate economic growth. According to Birkhölzer (2005), job opportunities and skills development programs can empower communities to meet their local needs. Hence, LED can be used to increase local competitiveness, improve skills, and create jobs. Other scholars drew comparative insights on the scope of economic development in local municipalities. Frankema (2014) further asserts that economic

development might be categorized as extensive (resource-driven) or intensive (efficiency-driven). Matlala & Motsepe (2015) argued that local growth is fixed on market-oriented policies and business development. This separates social developments, including job creation and human development. Instead, LEDs are strategies to address local challenges by boosting the open-market economy, reinforcing local small-scale enterprises, creating fair labor conditions, and improving local sectors (Corona, 2012).

2.2.2. Pro-Poor LED

The pro-poor LED approach foster self-growth, self-help projects, and self-development (Matlala and Motsepe, 2015). The purpose of a pro-poor LED is to identify and use local resources to create jobs and alleviate poverty. According to Abrahams (2003), pro-poor LED makes sure that vulnerable, poor, and marginalized groups and individuals can equally participate in the formal economy. This is an inclusivity approach to encourage public participation in the local economy. Scholars link LED to the broader development models, including the focus on improving individual and social welfare. Kent (1982) defined "development" as a process individuals use to gain capacity to solve their problems and change their lives. Sen (1999) argued that "development" should be viewed in terms of both economic and social factors, considering individuals, economic, social, and political perspectives. Terjesen (2024) articulates that LED should focus more on people's liberation to access both economic and social opportunities.

Since the 1970s, economic development was prominent for investment growth and industrialization. However, it failed to address social difficulties such as poverty and inequality. Therefore, scholars expressed the necessity to integrate economic development with social perspectives. Chenery (1974) expressed that an inclusive growth model is an alternative to solve socio-economic issues, meet local needs, increase employment opportunities, and develop human capacity. In addition, human development is strongly associated with economic growth, empowerment, self-control, and social progress (Gran, 1983; Kent, 1982). Authors such as Whitmore (1988) and Perkins & Zimmerman (1995) elaborated that "empowerment" is important to LED and provides people with knowledge and skills required to control their lives and advance individual and community change. According to scholars such as Keiffer, 1984; Zimmerman and Zahniser 1991, a successful empowerment process includes personal development, political activism, and public participation, required for social justice and improved quality of life.

2.3. Theoretical Framework

Decentralisation theory is related to South Africa's LED processes. Effective implementation of LED depends on the country's intergovernmental relations between the national, provincial, and local governments. LED allows local municipalities to use their capacity and resources to improve local social and economic development. According to South Africa's Constitution, local governments have the object to promote social and economic development (1996). This should respectively be within their independent administrative and financial capacity (RSA, 1996). Decentralization theory provides a more applicable theoretical approach to interpret how local municipalities implement their LED strategies to address context-specific demands and foster sustainable development. For this study, decentralization theory is more applicable to assess the design and implementation of LED. This reflects on South Africa's constitutional mandate to decentralize government from national to local government and allow local governments to promote social and economic development in their respective territory.

2.3.1. Decentralization Theory

Decentralization comes from the Latin meaning "away from the centre." Meenakshisundaram (1994) denotes that decentralization is important to reform institutions. Ideally, decentralization has the purpose of deregulating centralization, privatizing markets, and limiting state intervention in local economic growth (Sato and Yamashige, 2005). However, decentralization is interpreted and applied differently across the world. The following will define its concept and types of decentralizations, compare the advantages and disadvantages, and explain its influence in policy design and implementation.

2.3.2. What is Decentralization

The idea of decentralization is concerned with transferring decision-making power, financial authority, and resource allocation from national to lower levels of government (Falleti, 2005). Tiebout (1956) expressed that decentralization promotes accountability at the local level and improves equal distribution of resources, community engagement, knowledge exchange, and service delivery. Ozmen (2014) reiterated that decentralization strengthens collaboration between the state, service providers, and community members. However, other scholars argued that decentralization induces dependency, allowing lower levels of government to heavily rely on the federal government. Besides, decentralization seeks to meet local needs and improve service delivery, stimulating public satisfaction (Mudalige, 2019).

2.3.3. Classification of Decentralization

Academics classify decentralization in terms of devolution, delegation, and deconcentration. According to Parker (1995), decentralization comprises the transferring of (deconcentration) authority to local government administrators; giving authority to state-owned enterprises or subnational parastatals (delegation); and allocating authority to political parties or local government (devolution). Therefore, this section will comprehensively compare devolution, delegation, and deconcentration. **Deconcentration** allow power to remain under the central government's control, but certain functions, personnel, and resources are transferred to regional branches. It is considered an incomplete form of decentralization because the central government retains the authority to recall transferred powers (Parker, 1995). Ozmen (2014), express that lower-tier government has no independent power to make decisions, but liable to central government. Faguet, (2023) agreed that deconcentration still operate through a top-down approach, restricting subnational government to be autonomous. Regardless, deconcentration allows local governments to collect information about local needs. Therefore, more applicable for political decentralisation. Meanwhile, delegation is the process of transferring selected responsibilities from the national government to other entities such as SOEs or parastatals (Faguet, 2023). Schneider (2003) emphasized that such entities function outside the central bureaucracy, yet they report directly to the national government. This is to ensure that SOEs and parastatals adhere to the national development goals. Parker (1995) argued against delegation and ineffectiveness to develop rural areas. Besides, the government has central authority to repossess transferred authority from ineffective entities (Hope, 2000). Faguet (2023) highlighted that delegation allow central government to use legislation to impose accountability on subnational. On the other hand, Faguet (2023), **devolution** explain the transfer of responsibilities to subnational, enabling them independently to function within their own powers and work collectively with local citizens Therefore, local governments are alternatives to national systems and are more flexible in making their own decisions (Silverman, 1992). Mudalige (2019) indicates that devolution allows local government to manage their own financial, human, and material resources. However, other authors revealed the threats found in the devolution of powers to local governments. Ozamen, elaborate that central government has the potential to influence local governments, especially those that depend on central government to provide them with aid.

2.3.4. Types of Decentralization

In addition, 'decentralisation' is polysemic" (Slater, 1989 & Faguet, 2012). There are three types of decentralization, including political, administrative, and fiscal decentralization. Although this study reflects only on political, administrative, and fiscal dimensions. LED is a public sector initiative. **Political decentralization** has the purpose to stimulate political activism for subnational governments through reformed elections and constitutional amendments (Falleti, 2005). Diamond & Tsalik, 1999, explained that political decentralization is grounded in the principles of liberation and the objective to strengthen and consolidate democratic values; this enables elected subnational actors to have more political power. Ozmen (2014) reiterated that political decentralization allows local units to comprehensively communicate the local's demands to the federal government. Parker (1994) anticipated that community-centred decision-making will result in active community engagement and effective governance. Mudalige (2019) expressed that political decentralization stems from devolution and allows the transfer of powers from national government to local governments. **Political decentralization** has a role to match local needs with government objectives, boost accountability, and promote political competition. Faguet (2023) argued that ineffective political decentralization can lead to political instability, weak political representation, and violence. Successful political decentralization needs a strong legislature with amended constitutional mandates and an enabled environment to support competition amongst political parties. Second, the term administrative decentralization allows the transfer of administrative duties from national to subnational governments. According to Ozmen (2014), decentralization involves deconcentration, delegation, and devolution of powers, which leads to indirect accountability to the national government. Besides, **financial decentralization** is essential to administer subnational government (Falleti, 2005). Scholars criticize administrative decentralization because it has the potential to erode the authority of local governments. Ozmen (2014) explained that administrative decentralization enforces indirect centralism, especially in terms of finances and administrative planning. Falleti (2025) highlighted that administrative decentralization requires necessary training for authorities to efficiently use available resources. Therefore, administrative decentralization provides only partial independence to subnational government, limiting them to making their own decisions (Ozmen, 2014). Furthermore, financial decentralization concentrates on the transfer of financial resources, from national to subnational governments. Falleti (2005), indicates that fiscal decentralization comprises of policies that enable local government to have financial independence and make

their own decisions on how they will source revenue and budget their expenditures. Ahmad et al. (2005) identify four key components of fiscal decentralization: (1) allocation of expenditure responsibilities between central and local governments; (2) assignment of taxes to different government levels; (3) the design of an intergovernmental allowance system; and (4) the formulation and monitoring of fiscal flows across government layers. Ozmen (2014), highlighted that fiscal decentralisation can be fulfilled through self-control (local taxation) or intergovernmental fiscal transfers, where central government distribute available resources to local governments. Although, other scholars claim that fiscal decentralization can lead to lack of accountability, and corruption such as wasteful and unauthorized spending (Falleti, 2005). Governments must therefore set up formal rules to affect financial decentralization. The implementation of revenue-raising strategies, the government's complete accountability for public spending, and equitable and responsible tax collection should be the main goals of these frameworks (Oates, 1972; Faguet, 2023). However, other scholars stressed that financial decentralization is crucial for assisting local government in effectively meeting local requirements (Ozmen, 2014). Financial decentralization should be modified to address local issues, according to Parker (1995).

2.3.5. Decentralization in South Africa's LED.

In South Africa, LED frameworks support the devolution of powers from national to local governments. The White Paper on Local Government (1998) and Schedules 4 and 5 of the Constitution (1996) mandate the local municipalities independently regulate local economic development. Therefore, local municipalities have legal control over the function of implementing local economic development, improving local tourism, regulating municipal planning, and trading regulations (RSA, 1996 & RSA, 1998). The White Paper on Local Government (1998) developed the framework for developmental local government, clarifying the roles of municipalities in implementing LED strategies, while the national and provincial governments should provide policy guidance, oversight, and financial support.

Decentralisation (delegation) further strengthens the role of national and provincial governments in LED. According to the White Paper on Local Government (1998), LED is a function that falls under the jurisdiction of municipalities. Both national and provincial governments play a key role in supporting and facilitating municipalities to effectively implement LED programmes. The Department of Cooperative Governance and Traditional

Affairs (CoGTA) and the Provincial Economic Development Departments have the role of guiding and assisting municipalities to develop their capacity and better the implementation of LED initiatives.

Additionally, decentralization relates to LED through financial and political channels. **Political decentralization** allows local governments to drive their mandate through elections (political support) from their voters. As a result, elected local governments have the role of providing legitimate democracy and accountability to their constituents. Furthermore, political decentralization enhances public participation in the decision-making process and makes sure that LED strategies meet the local needs of communities. So, local governments have the direct responsibility to implement LED projects within their jurisdictions. Frameworks such as the Municipal Structures Act (1998) and the Municipal System Act (2000) enable municipalities to design and implement local economic development that meets the local needs of communities. Overall, political decentralization enhances local governance, institutional capacity, and local partnerships and assists municipalities to improve service delivery. However, the effectiveness of political decentralization and LED depends on sufficient financial resources and adequate administrative support from other spheres of government.

In terms **of fiscal decentralisation**, local governments have the authority to generate their own revenue through property rates, service charges, and other local levies (National Treasury, 2021). Scholars such as Bahl & Smoke (2003) argued that municipalities are financially constrained to fund LED initiatives. Therefore, the national and provincial governments financially support local governments through intergovernmental transfers such as unconditional transfers (local government equitable share) and conditional grants, for example, the Municipal Infrastructure Grant and other conditional grants (National Treasury, 2011).

2.3.6. The Role of Decentralization in Shaping Local Economic Development Strategies

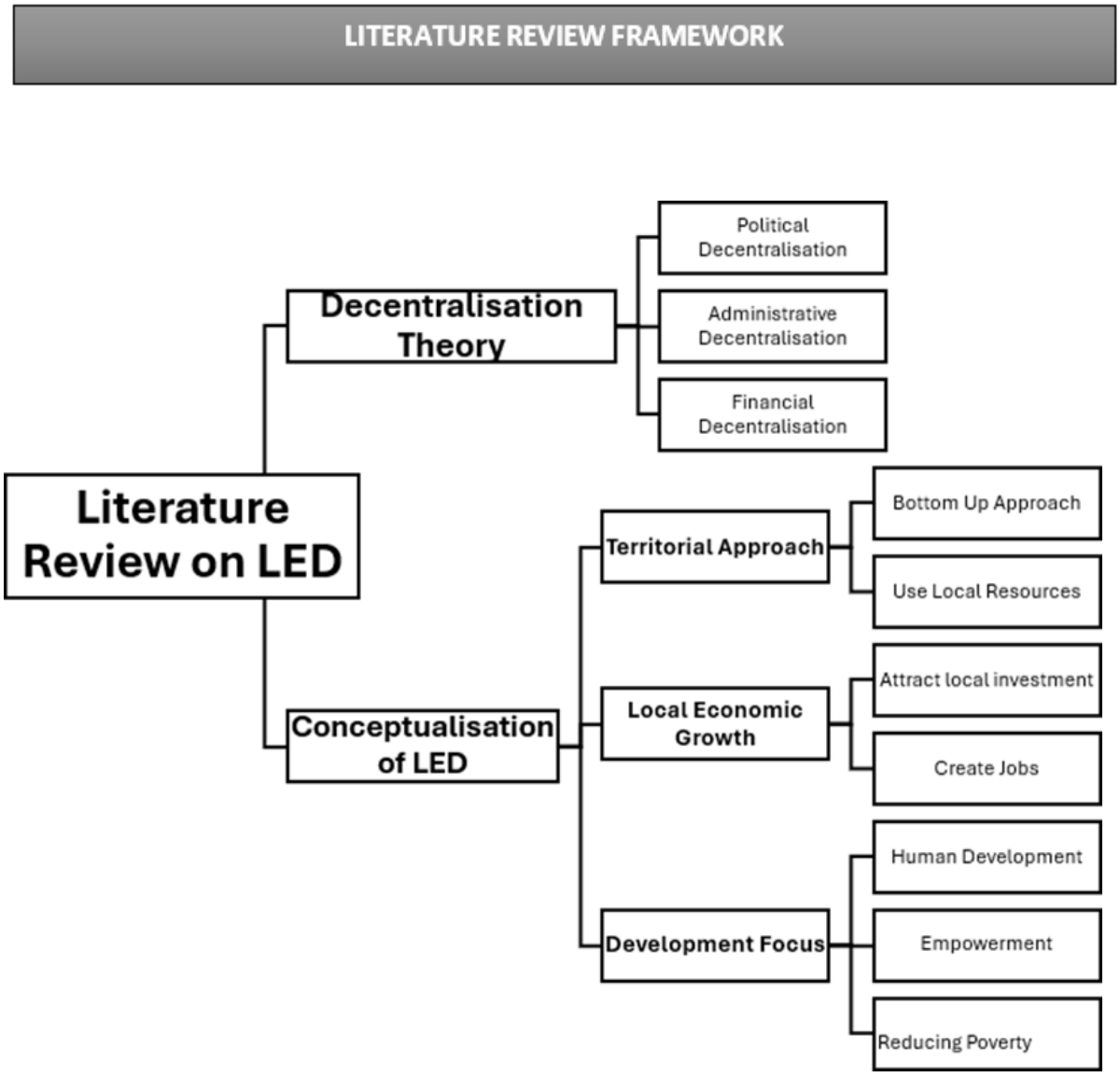

Figure 3: LED Attributes

Source: *Author's Synthesis of Literature 2024*

According to figure 1, Local Economic Development (LED) is an important local strategy to address socio-economic issues in communities. In addition, LED reflects both a pro-growth approach and a pro-poor approach. Both approaches have the potential to balance social equity, inclusivity, and economic competitiveness. Therefore, decentralization theory encourages the implementation of LED in relation to the importance of local autonomy. Decentralization

theory comprises political, administrative, and fiscal dimensions to influence how local governments design and implement their LED strategies. Decentralization theory is a framework that grounds the study's focus to investigate the relationship between political autonomy, distribution of resources, and stakeholder engagement in municipalities independence, resource allocation, and stakeholder engagement in LED implementation.

Scholars such as Smoke, 2003 and Satio, 2001, emphasized that decentralization plays an essential role in determining the effectiveness of LED and its impact to promote sustainable local economic growth. Decentralization theory offers comprehensive information on how municipalities implement LED through various mechanisms such as intergovernmental relations, LED agents, public-private partnerships (PPPs), and public participation. According to Smoke (2003) and Saito (2001), decentralization creates a poisoned chalice" scenario. Bardhan, 2002; Shah & Shah, 2006 revealed that stakeholders like private enterprises, NGOs, and donors can twist local priorities or create local competing agendas, hindering successful decision-making processes. Besides its advantage of enabling local municipalities to design and implement their LED, it fails to support poor and vulnerable municipalities, such as rural municipalities facing internal and external constraints. Therefore, decentralization helped determine how municipalities navigate through their internal and external constraints in promoting local economic development (LED).

2.4. Local Economic Development from A Global Perspective

Since 1960s, the conceptualization of LED underwent meaningful modification. In the beginning, central government strategically applied LED to attract investment, and increase local markets through the amalgamation with international markets (World Bank, 2002). By the 1980s and 1990s, a transformative shift was evident, and most local governments from developed countries adopted an independent sustainable development approach. Therefore, local governments reduced their dependency on external markets. According to Issac (2006), there was great emphasis on retaining local enterprises and the advancement of establishing strong business. Thereafter, the approach to LED became more refined and included the adoption of cooperation between the governments, businesses, and communities. Post 1990s, the implementation of LED became appropriate in policy discussions for Anglo-Saxon countries, Western Europe, Africa, and Latin America (Birkhölzer, 2005; Nel & Rogerson, 2005).

However, the application and achievement of LED initiatives vary across developed and developing countries. Ideally, countries are inclined to take on LED to create jobs, alleviate poverty and stimulate economic growth. Developed countries including Japan, those from regions such as Western Europe and North America have used LED an intervention tool to tackle industrial recession (Pike et al., 2007). Meanwhile, in developing countries such as South Africa LED seem to be growing. Most developing countries considered LED as a strategy to address social and economic issues. Although, many developing countries are challenged to effectively implement LED initiatives.

The following section will discuss the most common LED constrains found in developing countries, across the globe. Many developing countries constrained by weak institutional frameworks; and continue to undermine LED efforts. As a result, there is poor policy coordination between spheres of government; thus, ambiguous and overlapping responsibilities. Scholars found that in Nigeria the federal-state dynamics cause (Olowu & Wunsch, 2004; Scott & Storper, 2003). First, lack of strong institutional frameworks significantly undermines LED efforts. Poor coordination between national, regional, and local governments results in fragmented policy frameworks and overlapping responsibilities. In Nigeria, federal-state dynamics often contribute to disparities in LED implementation, impeding effective development (Olowu & Wunsch, 2004; Scott & Storper, 2003). In addition, developing countries are reported to have insufficient financial resources. According to World Bank (2015), lower levels of government run with restricted budgets, and experience limited ability to finance and tolerate LED programmes. Ntheta (2021), exemplified that in Romania population and economic issues limits financial availability, resulting no or limited finance to LED projects.

Furthermore, no or limited resources contributes to lack of technical expertise; and cause ineffective design and implementation of LED projects. Specifically, rural areas have limited access to skilled staff, and experience no or insufficient capacity building initiatives. According to scholars, these challenges negatively undermine LED and its impact to improve life for all (Helmsing, 2003; Rodriguez-Pose, 2008). Likewise, struggling local governments are challenged with pervasive top-down approach. Consequently, local opinions become suspended in decision-making processes, impairing the local relevance LED projects (Rodríguez-Pose & Tijmstra, 2005). For instance, in Mozambique, the “Mozal Aluminum Smelter Project” concentrated more on attracting foreign direct investment than to create an enabling environment for community engagement. This resulted in minimal community

advantages, creating inequality, and overlooked prospects to localise development priorities (Krause & Kaufmann, 2011).

Besides, structural, and economic challenges result to constraints that challenge the success of LED, for instance inadequate industrial base and insufficient infrastructure. Studies from Yatta (2015) and Turok (2010), illustrated that countries like Ghana and Uganda are more likely to reflect vague implementation guidelines and to have poor alignment of LED with the national development strategies. Thus, unable to create employment, reduce inequality and improve life for all. In addition, political instability corruption and incompetence governance worsen the ineffectiveness of LED. Many areas within emerging economies are characterized with weak and conflicting political priorities, causing delays in LED implementations (Olowu & Wunsch, 2004). For instance, Nigeria's federal system and overlapping responsibilities between all three spheres of government cause conflicts in decision-making processes (PLATFORMA & CLGF, 2015). Similarly, Uganda's unclear governance causes the government to carry out developmental strategies (Helmsing, 2003).

Equally important, globalisation constrain successful implementation of LED. According to Rodríguez-Pose & Tijmstra, 2005, African countries continue to become vulnerable to international financial instability and economic turbulence, restricting poor countries to develop sustainable local economies. So, globalisation benefits developed countries. In addition, environmental challenges negatively impact the potential of rural countries to focus on successfully implementing their LED initiatives. According to the World Bank (2015), environmental issues disrupt the livelihoods and economic activities in vulnerable countries. Therefore, there is no or less focus on addition impulsive LED strategies. Overall, many developing countries have unreliable and poorly defined LED policies. As a result, rural areas are more likely to be marginalized, and not receive advanced economic opportunities (Helmsing, 2003; Turok, 2010).

2.5. South Africa Practicing Local Economic Development

In South Africa, the implementation of LED has evolved significantly over the years. Recent scholars emphasize that post-apartheid LED strategies are combined with pro-market and pro-poor elements. According to Chomane and Biljohn (2023), South Africa has a dual economy, including both formal and informal economy. Withstanding the country's dual economy, the government introduced LED to address socio-economic issues such as poverty and unemployment, at local level. In South Africa, LED is important to create jobs and create new

local economic opportunities to generate individual income and broaden revenue base for municipalities, to provide basic service, supporting small medium and micro enterprises, poverty alleviation projects, such as EPWs, (Koma, 2014). Therefore, municipalities have the mandate to create an enabling environment for social and economic development. LED facilitate partnerships between municipalities and local stakeholders to prioritise pro-poor LED initiatives.

The first LED implementation was shaped by the Stutterheim effect, where Eastern Cape inhabitants developed the Stutterheim Development Forum (SDF) to unite the local authorities, business owners, and community members to rectify local social and economic problems (Dyosi, 2016). This initiative achieved successes in housing, small business support, job creation, and education, demonstrating the power of public-private partnerships and public participation in LED (Dyosi, 2006; Birkhölzer, 2005). Despite its success, the small and unified nature of Stutterheim's community limits the replication of this model on a broader scale (Nel, 2001; Nel & Binns, 2002). The Stutterheim Effect influenced the beginning of local economic growth and a bottom-up community-led initiative. The Stutterheim Effect can be described as a theoretical concept in social science, focusing on sociocultural effects such as social exclusion in economic development. Dyosi (2016), the effect promoted inclusive community building in the small South African town "Of Stutterheim.". The idea explains the community's values, changed self-understanding, and improved community engagement towards local economic development. Additionally, the Stutterheim Effect summarized the impact of poverty, historical inequality, and discrimination within communities. Besides, discriminated people have the intent to adopt coping mechanisms to influence and access social resources and opportunities and develop their well-being (Hatzenbuehler, 2009). Therefore, the effect provided an important approach to addressing socio-economic issues, improving policy frameworks, and promoting resilience in marginalized communities. Link and Phelan (2001) emphasized that the social disparities influence the development of targeted interventions to end the cycle of social exclusion. These interventions have the potential to promote equal access to local opportunities and resources, similarly to the Stutterheim Effect.

After the Stutterheim Effect, major cities such as Johannesburg, Cape Town, and Durban implemented LED initiatives. According to Rogerson & Rogerson (2010), these initiatives were induced by Western European and North American perspectives to encourage innovation, improve infrastructure, and develop a connected global market, including national metropolitans. Cape Town's LED initiatives focused on tourism, Johannesburg leveraged

financial services, while Durban concentrated on economic and sectoral development. However, Rogerson argued the metro LED initiatives neglected all social issues such as poverty, unemployment, and inequality in less developed areas (2005). According to Turok, 2003; Rogerson, 2005, South Africa required an inclusive LED model to address both unique social and economic issues faced by various local regions across the country.

Thereafter, South Africa's democratic government established legislative frameworks to regulate municipalities' design and implementation of local economic development (LED). The structure of South Africa's Local Economic Development (LED) programs represents a step forward in providing direction for effective LED implementation. South Africa's LED Framework include four focus areas: "(a) Improving good governance, service delivery, public and market confidence in municipalities, (b) Spatial development planning and exploiting the comparative advantage and competitiveness of Districts and Metros, (c) Enterprise support and business infrastructure development, and (d) Introducing sustainable community investment programs" (Patterson, 2008). Ideally, these are international requirement for a developing country to development a competitive economy, promote competitive advantage while, responding to pro-poor needs. LED has a significant role to reduce poverty and required to initiate groundbreaking policy initiatives that incorporates micro-business development and tourism.

In South Africa, LED strategies vary in terms of quality and capacity to address poverty and inequality. Pro-growth LED is important and applied in large municipalities. According to Gaffney (2014), LED is a primary development mandate and a tool to promote tourism. Major cities such as Johannesburg, Cape Town and eThekwini use tourism to improve the local economy (Mckelly, Rogerson, Huysteen, Maritz and Ngidi, 2017). These cities use tourism to attract tourists to shop and play a role in the local economic growth. Juta (2023), assert that LED is an important tool that facilitate economic development, encourage local people to work and achieve sustainable local growth and development. Unlike metropolitan cities, most municipalities that include marginalised cities in South Africa design and attempt to implement a pro-poor approach and community-based focus to LED (Nel and Rogerson, 2016). Nonetheless, some municipalities do not have LED strategies, missing the opportunity to implement pro-poor LED initatives. In 2016, Emfuleni Local Municipality was found to not have an LED; rather, the municipality aligned its LED initiatives with Sedibeng District Growth and Development Strategy (Lairi, 2016). Additionally, some municipalities have not yet integrated LED into their institutional frameworks. According to Meyer (2014), Fezile Dabi

District Municipality, including Metsimaholo Local Municipality, Mafube Local Municipality, Ngwathe Local Municipality, and Moqhaka Local Municipality, has not yet integrated LED into its municipal structures (Meyer, 2014). Also, municipalities such as Alfred Duma Local Municipality have weak LED strategies, suffering under structural, operational and non-structural challenges (Vhumbunu, Hlomuka and Rudigi, 2020). Furthermore, municipalities lack community-based focus and cooperation between the government, the private sector and community members. In 2022 scholars such as Mkhize and Mutereko examined stakeholder participation in LED projects in eThekwini Metropolitan Municipality and revealed that some groups are not included in the LED process. As a result, LED practice on the ground has not been effective.

Therefore, most municipal LED strategies do not always yield the desired results for LED (Dyosi, 2016). Nel and Rogerson (2005), argued that under-resourced municipalities are not capable to effectively implement LED strategies. Therefore, many poor and rural municipalities are facing internal and external constraints. According to Pieterse 2010; Nel, 2001, some municipalities still experience a top-down approach and less active public participation in decision-making processes. Masiloane (2021) emphasized that rural municipalities battle with poor infrastructure and lack of investment. According to Subban and Vyas-Doorgapersad, 2014, noted that most municipalities experience fragment decision-making process, comprising of inadequate information and exclude women. Weak decision-making processes impact the implementation of LEDs. The limitations further aggravate ineffective implementation of LEDs (Fakudze, 2015). Mashinini revealed that Gert Sibande District Municipality faces institutional and funding constraints, thus delaying social initiatives alleviating poverty and reducing inequalities. In addition, Mbombela Municipality's LED indicates misaligned LED priorities and resource limitations, causing ineffective pro-poor LED initiatives (Mahlalela, 2014). Other scholars denote that social disparities across urban and rural areas further impede municipalities potential to harness LED strategies with real-life experiences. Implementing successful LED projects is challenging for many weak and impoverished towns because to restricted market access and infrastructure deficiencies (Kamara, 2017; Mukwarami et al., 2020). Additional, social, and political factors have a significant role in shaping the implementation of LEDs. Modirapula (2023), states that Mangaung Metropolitan Municipality go through fragmented supported, which delay inclusive local development. In addition, institutional constraints and lack of political participation

presents local municipalities to leverage on regional opportunities such as border-area trade near Lesotho, limiting the possibility of a growing economic growth (Masiloane, 2022).

Overall, municipalities lack contextually relevant intervention (Rogerson, 2010). Despite being under-resourced, under-resourced municipalities have the potential to establish grassroots-driven initiatives to improve local economies (Nel & Rogerson, 2007). However, Radebe and Maphela (2019) revealed that the local economy of municipalities such as Emakhazeni Local Municipality is heavily influenced by national government frameworks and policies aimed at reducing poverty. As a result, municipalities fail to address the specific needs of various local demographics, including the middle class and their respective areas. Bond (2002) argued that LEDs fail to tackle grass-rooted socio-economic inequalities but expect the government to encourage equitable and redistributive methods. Likewise, Auriacombe and van der Waldt (2020) acknowledge that the country's LED policy does not consider the influence of local politics. Consequently, weak municipalities have no instruments for accountability and commitment from LED officials; they lack an effective strategic orientation; they are challenged by limited funding opportunities; and they have non-existent monitoring and evaluation (Auriacombe and van der Waldt 2020). Also, Ivan Turok revealed the relationship between LED and urban development (2010). Ideally, it is important for the government to align provincial and local policies, allowing integrated development frameworks. Turok (2010) highlights the important roles major cities play in deriving LEDs but argues against incoherent and poorly integrated governance frameworks.

Furthermore, scholars recommended suggestions to improve the effectiveness of LED. Local development initiatives should demonstrate coherence and strategic alignment with comprehensive and integrated LED (Auriacombe and van der Waldt, 2020). Nel & Rogerson (2015) advocated for a strategic intervention to improve local economic development. LED policy should consider local Indigenous knowledge and link the information with policy requirements. Scholars such as Parnell (2008); & Pieterse (2010) encourage an inclusive participatory approach to improve LED. According to Parnell (2008), pro-poor initiatives such as the Expanded Public Works Program (EPWP) have the potential to improve service delivery, address poverty, and increase employment opportunities. However, using EPWP is not effective to successfully alleviate poverty and offer mass employment. According to Naidoo (2013), EPWP comprises the following constraints: lack of clear job roles and responsibilities, fragmented operations between specialized entities, and inconsistent policy aims. EPWP is an important instrument to help municipalities create jobs and alleviate poverty. At the municipal

level, lack of clear job roles and responsibilities hinders the municipality's capacity to execute sustainable LED programmes. Furthermore, inconsistent policy goals result in fragmented operations, therefore making it difficult for municipalities to align EPWP initiatives with broader economic development strategies. As a result, pro-poor LED struggles to reduce the country's poverty and inequality. Parnell (2008) Pieterse (2010), it recommends cities build institutional frameworks that directly support LED and incorporate economic goals with social perspectives in urban development planning. According to Leibbrandt, Finn & Woolard (2012), LED should comprise policies that address structural inequalities and ensure that there is meaningful local economic growth. Bhorat & Kanbur (2006) further emphasized that effective LED requires structural reforms and targeted interventions. LED reforms will foster inclusive policies that ensure increasing equitable access to employment opportunities in both urban and rural areas (Bhorat & Kanbur, 2006). Furthermore, Du Plooy (2017) advocated for municipalities to adopt "Problem-Driven Iterative Adaptation" (PDIA) to understand the local challenges. PDIA offers municipalities realistic goals and effective LED results, such as addressing the context-specific constraints while offering opportunities for the cities to improve their development (Du Plooy, 2017). Also, social innovation (SI) can be employed as a sustainable approach to improve the implementation of LED (Chomane and Biljohn, 2023).

2.6. Conclusion

The chapter provided a detailed literature review on LED. According to the available literature, LED is a territorial approach that comprises of a pro-poor Led and a pro-growth LED (Nel & Humphrys, 1999; World Bank, 2000). Meyer-Stamer (2009) emphasized that LED is a situation-specific approach that enables communities to use local resources and indigenous knowledge, culture, values, and leadership to address local needs. Additionally, LED drives both economic and social development, including job creation, microenterprise development, skills development, human development, poverty alleviation, and decrease in social inequities (Blakely, 1994; Birkhölzer, 2005; Sen, 1999). According to Rodriguez-Pose & Tijmstra (2007), LED is a decentralized approach to help community members use local resources to create jobs and improve their living conditions. Scholars such as Falleti (2005), Tiebout (1956), and Ozmen (2014) described decentralization theory as the transfer of powers, resources, and duties from nation to subnational governments. Decentralization includes deconcentration, delegation, devolution, and privatization (Parker, 1995). In addition, there are four types of decentralization, such as political, administrative, financial, and market decentralization

(Slater, 1989; Faguet, 2012). Scholars such as Tiebout (1956) and Mudalige (2019) highlighted that decentralization can foster public participation and improve service delivery. Faguet (2023) argued that decentralization causes struggling municipalities to extend their reliance on national government and can result in ineffective governance or political disorder. Besides, the implementation of LED differs across the world, constituting developed and developing countries. Developed countries, including Japan, and those from regions such as Western Europe and North America have used LED as an intervention tool to tackle industrial recession (Pike et al., 2007). Meanwhile, many African countries continue to become vulnerable to international financial instability and economic turbulence, restricting poor countries from developing sustainable local economies (Rodríguez-Pose & Tijmstra, 2005).

In conclusion, the study incorporates decentralization theory and LED concepts to assess the design and implementation of LED in South Africa. Decentralization theory is the foundation of LED policy, which anticipates that local governments would deploy LEDs lawfully and autonomously. Consequently, the theoretical framework provided insight into the complexities and difficulties of implementing LEDs in a complex socio-political environment. Decentralization theory served as the foundation for this study's evaluation of LED installation in the local municipalities of Bergrivier and Cape Agulhas.

CHAPTER THREE:

Policy reviews of Local Economic Development in South Africa

3.1. Introduction

The economic structure of South Africa and the remaining effects of apartheid spatial settlement patterns significantly contribute to the country's current economic disparities. According to the World Bank (2005), the poor people have no capacity to participate in local economic growth. Post 1994, South Africa is a country valuing democratic norms and standards. South African government adopted democratic frameworks such as the "RDP", "ASGI-SA", and "GEAR" to overcome the legacy of apartheid. Besides, all public policies must and should be designed, implemented, and evaluated with the consideration of South Africa's Constitution Act 108 of 1996.

Section 151 (1) of the Constitution mandates that the local government should be made up of municipalities. Each municipality (metro, district, and local) should provide a democratic and accountable government, ensure sustainable provision of public services, promote social and economic development, promote a safe and healthy environment, and encourage public participation (RSA, 1996). This encourages the local government to be the custodian of local economic development. The White Paper on Local Government (1998) expands on these constitutional duties. Mashamaite & Lethoko (2018), highlighted that municipal development outcomes for municipalities include the provision of adequate public services and infrastructure, the creation of sustainable livelihoods and integrated environment and the promotion of LED, community development and equitable distribution of resources.

In addition, more comprehensive frameworks have been created to strengthen the implementation of LED. This includes the "First National Guidelines in 2000 and later the National Framework for Local Economic Development in 2005. Irrespective, most municipalities still face challenges hindering the implementation of LED. Many municipalities face strategic, institutional, and financial gaps, negatively impacting the implementation of LEDs (Ntheta, 2021). The chapter reviewed South African legislative frameworks and policies driving the design and implementation of LED.

3.2. South Africa's Legislation and Policies on Local Economic Development.

This section will review all the relevant South African laws and policies relevant to local economic development.

3.2.1. Reconstruction and Development Programme (RDP).

Post-apartheid, RDP was the first democratic policy introduced formally by the ANC government. The government established the Reconstruction Development Programme (RDP) 1994, as a socio-economic policy to promote national democracy and ensure social equality through modernization and development. Therefore, the RDP (1994) is the foundation for national development that should include LED programmes. Section 2.3.5 of the RDP indicates that to promote local economic development, institutions must be established to address local economic development, with the purpose of creating jobs and sustainable community development (South Africa. RDP, 1994). These institutions should be able to redistribute necessary public services; to improve the lives of people living in South Africa. Hence, the Constitution Act 108 of 1996 mandates the local government to promote social and economic development. Moloi (1996) summarised the vision of RDP including the strategy to popularise LED in South Africa; participate in preparing skills development for LED, coordinate projects interested in promoting LED, accept supplementary research on frameworks for LED, assess series of case studies on best practices to implement LED.

3.2.2. Constitution Act No. 108 of 1996.

South African Constitution Act 108 of 1996 is the foundation of all legislative frameworks that exist in the country. The Act is considered the country's supreme law, and primary regulator for the planning and implementation of Local Economic Development (Ntheta, 2021). Chapter 7 provides for the status of local government. Section 151 (3) mandates local municipalities to be autonomous in governing its own initiative and local affairs. In addition, section 152 indicates the objects of local municipalities; among others to (b) make sure public services are provided in a sustainable manner; (c) promote social and economic development; (e) encourage public participation. These are the three aspects of local economic development; to be territorial, improve local economic growth and allow community engagement from the non-state actors including local community citizens. South Africa's constitution stipulates for municipalities to structure and manage their administration, budgeting, and planning processes to prioritise the community's basic needs (South Africa. Constitution, 1996).

3.2.3. White Paper on Local Government 1998

The White Paper introduced the concept of developmental local government. The paper ensures commitment of collaborative governance. This is a system of partnership between the local government, non-governmental organisation, and citizens within the community to find sustainable ways to meet their social, economic, and material needs, and improve the quality of their live (RSA, 1998). However, the White Paper on Local Government is not responsible for creating jobs. Although, the local government has the role to create an enabling environment for development Triegaardt (2007), This includes the providing matters stipulated in Schedule 4 B and 5 B of the Constitution Act 108 of 1996. Therefore, the local government must provide sustainable household infrastructure and services, the creation of liveable and integrated local areas and the promotion of LED and community empowerment and redistribution (Mashamaite & Lethoko, 2018). As a result, the local municipalities should invest in effective public services and ensure a safe and healthy local area conducive for working condition. The White Paper on Local Government 1998 suggested the following characteristics to ensure a developmental local government. These are among others maximising social development and economic growth, integrating and co-ordinating, democratising development and leading and learning (South Africa. Department of Provincial and Local Government, 1998).

3.2.4. Municipal Systems Act (MSA) (No. 32 of 2000)

According to the South Africa Constitution Act 108 of 1996, the local municipalities are the primary catalyst of economic development. Therefore, the Municipal System Act 32 of 2000 ensure municipalities design and implement frameworks for effective and efficient local economic development (Mashamaite & Lethoko, 2018). Second, the Act empowers local municipalities to provide affordable services and promote public participation. The Systems Act authorised, the Integrated Development Planning (IDP), a municipality's long-term tool to plan for local development; and strategies that link coordination amongst all relevant sectors in the municipality. (Van Rooyen, 2013). Every municipality is legally required to develop an IDP that comprises of LED strategies. IDP, enables municipalities to realise their developmental local government objectives. However, IDP was discouraging and failed to promote public participation; effective collaborative governance including departmentalism (Madzivhandila and Asha, 2012). Third, the Act plays a significant oversight role to encourage the Department of Cooperative Governance and Traditional Affairs (CoGTA) to guarantee all municipalities can promote LED. The role is to make sure that the local municipalities are

empowered to comply with the developmental duties as set out in the Local Government Municipal Structures Act 117 of 1998 (Kamara, 2017). As a result, the Municipal Systems Act requires the municipal council to design a service delivery mechanism that can provide quality service with less costs.

3.3. South Africa Socio-Economic Development Plans and Strategies

The National Development Plan, focuses on the country's long-term goal to create jobs, eradicate poverty, reduce inequality, and encourage inclusive growth. Mashinini, 2021, emphasized NDP guides local economic diversity, microenterprise development and modernization of rural businesses. Therefore, the plan identifies the roles played by different actors to create a conducive national economy that will create jobs and reduce poverty by 20230. According to the NDP, the government (a) "should develop IDPs and Strategies/Economic Development Masterplans that encourage economic diversification; (b) support and encourage small business development at municipal level; (c) and develop inclusive rural and township economies10 driven by local economic planning which recognises spatial development frameworks, unique value chain architectures, development corridors, climate change and green economies, and science and technology" (South Africa, Department Cooperative Governance, 2018).

Therefore, the national plans aim to formalize businesses, create jobs, and encourage local participation in the national economy, significantly impacting and improving national economic growth. As a result, municipalities consult the national policies to design and implement a credible LED strategy, able to address the effects of apartheid relation to labour market access, the unequal distribution of resources, eliminate monopoly structure of the economy and readdress spatial marginalisation (Sibisi,2009). Successful local business contributes to increasing national economic growth and competitive regional advantages (Ketels and Memedović, 2008). So, the government designed spatial strategies to ensure the local business operate within and around industrialised environments. The following are policies that strategies spatial development.

3.3.1. National Spatial Development Perspective (NSDP) 2006

South Africa's intergovernmental system combines federal features with centralizing tendencies. First, the National Spatial Development Perspective (NSDP) addresses apartheid's spatial legacies and promotes equitable service delivery, poverty reduction, and economic growth (Patterson, 2008). In addition, the National Spatial Development Perspective (NSDP) addresses apartheid's spatial legacies and promotes equitable service delivery, poverty reduction, and economic growth (Patterson, 2008). While the Provincial Growth and Development Strategies (PGDS) support Local Economic Development (LED) by providing a regional framework that aligns provincial priorities with local objectives, focusing on economic inclusion, infrastructure, and job creation (Rogerson, 2006). So, the NSDP aligns with LED by guiding spatial development and optimizing local resources, while balancing power relations across municipalities.

3.3.2. The Industrial Policy Action Plan (IPAP-2007/8)

The Industrial Policy Action Plan (IPAP) is designed to address the unequal structure of South Africa's economy by promoting the development, growth, and competitiveness of the country's manufacturing sectors (DTI, 2012). Its aim is to create sustainable and reliable job opportunities by fostering long-term industrialization and diversifying the economy, reducing dependence on traditional commodities and non-tradable services (South Africa, Department of Environmental Affairs: National Strategy for Sustainable Development and Action Plan, 2011). IPAP (2008) enables local economies to attain skills on ways to improve value-driven sectors that produce high employment opportunities. According to Mashinini (2017), the IPAP outlines a comprehensive LED framework that focuses on "strengthening engagement between government, business, and labour; investing in skills development programs to meet labour market demands; expanding regional relationships with neighbouring countries; strengthening intergovernmental relations to support local economic development; and developing sector-specific and industrial cluster programs to drive local economic growth". IPAP influences national LED frameworks to ensure local municipalities can coordinate their LED strategies with the IPAP (DTI, 2012). IPAP 2008 enables local municipalities to access resources, receive support for sector-specific growth, and improve their cooperation with relevant stakeholders.

3.3.3. Integrated Sustainable Rural Development Strategy (ISRDS)

In 2000, the South African government established the ISRDS with the purpose to promote sustainable development and address socio-economic issues within rural areas. The strategy combines social, economic, and environmental strategies, to include rural communities in the country's national development plannings. The vision of the ISRDS is to create socially cohesive and stable rural communities with viable institutions, sustainable economies, and universal access to essential services. It seeks to attract and retain skilled individuals who can contribute to the growth and development of these areas (South Africa, Integrated Sustainable Rural Development Strategy, 2000). The strategy acknowledges local economic development (LED) as a critical component for addressing economic challenges in rural areas, particularly in impoverished regions. According to the Local Government Summit 2022, this can be achieved through active participation from all stakeholders, particularly the private sector, in the One-Plan and IDP processes. As a result, local economic development has the potential to foster financial sustainability for municipalities (South Africa. Department of Cooperative Governance and Traditional Affairs: Strategic Plan 2020 To 2025, 2023).

3.3.4. District Development Model

In 2019, The District Development Model (DDM) was established to react to the fragmented intergovernmental planning system. The model expects to strengthen the integration and collaboration of government resources and activities amongst all three spheres of government. According to Kamara (2017), the DDM enables the state to become more capable, moral, and developed to provide communities with better public services. In addition, section 154 of South Africa's Constitution Act 108 of 1996 mandates national and provincial governments to support and strengthen the capacity of local municipalities to manage their autonomous matters and perform their functions. The DDM fosters cooperative planning amongst the metropolitans, districts, and municipal governments to address critical issues such as poverty, inequality, and unemployment (RSA, 2019). The DDM has the purpose of capitalizing on large-scale development projects, particularly those directed at infrastructure improvement, to create jobs, alleviate poverty, and reduce inequality (RSA. Department of Cooperative Governance and Traditional Affairs, 2023). DDM promotes the principles of the White Paper on Local Government (1998) to ensure planning and implementation of development initiatives are integrated across all three spheres of government.

Overall, the above section reviewed relevant framework and policies that jointly promote the South Africa's LED. The frameworks and policies are important to influence the creation of an inclusive economic growth, encourage local capacities and address the country's socio-economic issues. The amalgamation of LED in South Africa's policy framework empowers municipalities to foster economic growth, alleviate poverty and reduce inequalities at the local level. Irrespective, municipalities are still struggling to implement existing LED initiatives. Scholars such as Madzivhandila and Asha (2012), argued that many municipalities have lack of resources, sufficient institutional capacity, and face weak intergovernmental relationships. This hinders the country's LED process. Effective implementation requires active cooperative governance, equal public participation, and constant capacity-building at local levels.

3.4. Local Economic Development: South African Guidelines

The above section outlined South Africa's constitutional and distributive laws relevant to implementing local economic development. The following section will focus on the guidelines established to directly regulate local economic development in local government. After the weak LED Fund, the government realized a new direction for LED. The Department of the Local Government encourages less financial dependency on the national government. Therefore, the local government should be excused from creating jobs but be able to invest in an enabling environment for local businesses to improve local economic and social conditions conducive to creating employment opportunities (Patterson, 2008).

In 2000, the LED Guidelines focused on institutional arrangement. The Department of Provincial and Local Government (DPLG) presented the "Toolkit for Local Economic Development" to practically guide municipalities on how to design and implement their LED strategies. The resource presented guidance on community engagement, IDPs, and capacity building (DPLG, 2000). In addition, the LED Guidelines 2001 introduced a comprehensive framework for fostering local economic development (LED) (DPLG, 2001). However, the LED guidelines of 2001 lacked specific implementation tools, practical plans, and a strong monitoring system to ensure effective action (Parker, 2004). In addition, LED guidelines 2001 failed to address the diverse socio-economic contexts in which municipalities operate, especially in rural or marginalized areas. (Hodge, 2005). Therefore, the policy failed to capacitate local municipalities with means strategies for their plans. So, local municipalities were uncertain about their role and function in addressing poverty. Meyer-Stamer, 2002:3).

Subsequently, the LED Policy (2002) was established to reduce poverty in a more structured and practical manner. The purpose was to balance qualifying means for all municipalities to be able to implement LED. In practical terms, "relatively balanced qualifying means" refers to ensuring fairness and equality in the criteria used for assessing and providing opportunities or resources (DPLG, 2002). The policy's catalyst includes, among other things, creating local economic growth, getting sustainable rural development and urban renewal, as well as including the poor in the center for local development (Modirapula, 2023). According to Nel (2005), LED should have been innovative, creative, and redistributive.

However, the 2000-2005 period was a challenging period for the consolidation of the national laws, policies, and guidelines. Therefore, the department established a National Local Economic Development (LED) Framework in 2006 to help municipal authorities to understand their role and be effective in implementing LED (Rogerson, 2008). The National LED Framework shared a comprehensive interpretation of local economic development practice. The purpose was to create a vision for 'vigorous and inclusive local economies, explore area-based opportunities, identify existing potential and competitive advantages, address local needs, and contribute to national development objectives' (DPLG, 2006). Municipalities play a crucial role in providing adequate physical infrastructure and basic services, creating an environment that encourages community growth and supports business development. Overall, the LED Framework included ten (10) guiding principles, seven (7) main objectives, and eight (8) main outcomes. Among other things, the framework includes the following objectives: building a diverse economic base for the local economy; developing learning and skilful local economies; developing inclusive local economies; and supporting enterprise development and economic governance and infrastructure (South Africa. Department of Provincial and Local Government. National Framework for LED, 2006-2011). So, the framework was promising to oppose dictating what should happen in each municipality but provided a participatory approach.

In 2009, the GTZ produced a report for Minister Sicelo Shiceka of the former Department of Provincial and Local Government (DPLG), advocating for a comprehensive strategic review of Local Economic Development (LED) in South Africa. As a result, Local Economic Development (LED) has had a negative impact on local communities. According to Christian Rogerson in the GTZ LED Review (2009), the following are determined LED challenges and recommendations from 1994 to 2019:

- There is lack of clarity on the concept of Local Economic Development (LED).
- There are weak cooperations between LED stakeholders.
- The role of provinces is minimal, and municipalities are also weak to design and implement effective LED initiatives.
- There are gaps between LED strategies and practices in large centers, small towns, and rural areas.
- The funding challenge remains a fundamental issue.
- Appropriate scaling of LED is necessary.
- There is an important requirement to strengthen good practices through LED networks.
- Professionalization of LED is required.
- Business promotion and enhancing local competitiveness are crucial.

Following the GTZ LED review, the COGTA outlined several horizontal initiatives to improve LED implementation at the municipal level (cited in South Africa. Department of the Cooperative Governance and Traditional Affairs, 2021). COGTA underscored the systemic weaknesses within local government that undermined efforts to foster sustainable economic growth. According to the 2009 State of Local Government in South Africa report by the Department of Cooperative Governance and Traditional Affairs (COGTA), many municipalities in South Africa faced such as, poor service delivery , weak financial mismanagement, governance failures marked by corruption and weak accountability, and a lack of institutional capacity with skilled personnel and efficient administrative systems, all of which constrained local economic growth and undermined the effective implementation of LED initiatives.

In addition, the paper recommended implementation process should begin with:

i. **Planning:** This includes Integrated Development Plans (IDPs), spatial planning, economic development strategies, and the development of indicators with clear, achievable targets.
ii. **Financial Alignment**: To Ensure that financial budgets are aligned with local priorities.
iii. **Action Plan**: Develop an action plan that encourages public participation, fosters partnerships to enhance institutional capacity, and maximizes the use of available resources.

Despite the existence of guiding frameworks, South Africa still lacks resilience in addressing its challenges; furthermore, the country's development was further disrupted by the COVID-19 pandemic, exacerbating existing vulnerabilities. This unprecedented crisis severely impacted all municipalities, exacerbating their limited capacity and inefficiencies in fulfilling their constitutional mandates. Therefore, the Department of Cooperative Governance and Traditional Affairs development a post-COVID recovery plan for municipalities (South Africa. Department of the Cooperative Governance and Traditional Affairs, 2021).

The plan comprises of the following eight pillars.

1. Social and Solidarity Economic Reforms: Designing and implementing economic reforms within municipalities.
2. Labour-Intensive Economy: Building an economy that focuses on creating jobs.
3. Developmental Infrastructure Financing: Introducing infrastructure financing that supports development.
4. Developmental Agenda for Local Government: Creating a development-focused agenda for local governments.
5. Competitive Local Economies: Creating economies that benefit local businesses, SMMEs, and cooperatives.
6. Inclusive Agrarian Reform: Promoting a productive and inclusive agrarian sector.
7. Cohesive Community through Mining: Building cohesive communities through the mining sector.
8. Minimizing COVID-19 Impact on Construction: Reducing the adverse effects of COVID-19 on the local construction industry.

As a result, 44 Economic Recovery Plans have been developed (South Africa Department of the Cooperative Governance and Traditional Affairs, 2021). However, many municipalities still lack the capacity to continuously review and update their strategies. Since 2021, 198 municipalities had LED strategies in place, while fifty-nine did not. Provinces with municipalities lacking LED strategies included KwaZulu-Natal (22), Free State (14), Northern Cape (7), and Eastern Cape (7). In contrast, municipalities in KwaZulu-Natal (32), Eastern Cape (32), Limpopo (27), Western Cape (27), and Northern Cape (24) had developed LED strategies (South Africa Department of the Cooperative Governance and Traditional Affairs, 2021).

Furthermore, the Local Government Summit 2022 identified the Local Government Summit Commitments including among others the focus on local economic development. The purpose is to ensure municipalities promote local economic development, sustainable growth, and investment to combat poverty, inequality, and unemployment. Municipalities are encouraged to (a) develop an Invest-Rural Master Plan linked to Local Economic Development (LED) strategies and integrate it with all local and district plans; (b) facilitate investment and development funding opportunities between local governments and investment agencies, such as DBSA, IDC, and local and international private equity partners; (c) provide equitable support to identify and attract opportunities for anchor businesses and value-chain opportunities for SMME; (d) assist municipalities in geo-referencing economic activities and correlating them with community migratory patterns and trends; (e) ensure LED units in municipalities incorporate private sector business plans into municipal plans; (f) explore the introduction of a special grant for LED; (g) convene a special summit on LED to report on development initiatives, programs underway, and those planned within district spaces; (h) prioritize and support small and medium towns in operationalizing the Small-Town Regeneration Strategy (STR) (i) introduce incentives for water harvesting in communities; and (j) engage the Chinese Embassy for support in eradicating or alleviating poverty.

3.5. Conclusion

In conclusion, this chapter has highlighted South Africa's approach to LED which has evolved significantly since the post-1994 democratic transition. The country's development policies, designed to rectify the injustices of apartheid, have fostered a more inclusive policy-making process at national, provincial, and local levels. While South Africa's policy-making framework remains structured and multi-tiered, with a blend of government and extra-governmental institutions contributing to decision-making, the actual implementation of LED remains hindered by several persistent challenges. These include inadequate financial resources, limited administrative capacity, and uncoordinated efforts across municipalities, which often lack alignment with overarching LED strategies. Despite these challenges, the establishment of the national LED framework in 2006 and various legislative policies have laid the groundwork for addressing issues such as governance, spatial planning, enterprise support, and sustainable community investment. However, the effectiveness of these policies hinges on local governments' ability to overcome institutional and resource constraints. The chapter underscores the importance of local government as the key player in LED implementation, but

questions remain regarding whether existing laws adequately support municipalities in overcoming these barriers. To effectively drive economic growth and reduce poverty at the local level, a deeper examination of how the legal and institutional framework can better enable municipalities is needed, along with a focus on enhancing their capacity to implement comprehensive LED strategies. The next steps in understanding LED's potential impact lie in exploring how legislative reforms and institutional strengthening can address these implementation challenges to foster sustainable development in South Africa's diverse municipalities.

Chapter FOUR:

Research Findings and Data Interpretation

4.1. Introduction

This chapter presents the findings from the study, which explored the implementation of LED practices within selected South African municipalities. The data is drawn from interviews with officials in the Bergrivier and Cape Agulhas Local Municipalities and focuses on key themes such as organizational placement of LED units, interdepartmental collaboration, sector prioritization, and challenges encountered in promoting LED initiatives. These findings are analysed thematically, offering insights into the practical dynamics of LED implementation, the constraints faced by local governments, and their strategies to address these challenges.

The presentation of results is structured to reflect the study's research objectives, linking empirical data to theoretical frameworks such as Decentralization Theory. This approach highlights how legislative, and policy frameworks influence local government efforts to enhance economic development. The findings are complemented by an in-depth discussion of their implications, providing a nuanced understanding of the interplay between policy design, institutional capacities, and local realities.

4.2. Research Findings

This thematic analysis determines the modalities utilized by Bergrivier local municipality and Cape Agulhas local municipality to implement LED projects. The search concentrated on how these methods are influenced by internal and external constraints, including among others organisational structures, lack of resources, political instability, and socio-economic issues. In addition, the assessment collaboratively acknowledges the perception of decentralization theory and LED conceptual framework, to further assess the institutional arrangements and external support for LED implementation.

4.2.1. Theme 1: Institutional Arrangements for LED

i. Organisational Arrangements.

Bergrivier and Cape Agulhas local municipality each have their own Integrated Development Plans (IDPs) that incorporate LED strategies, designed to guide local initiatives, and ensure effective resource allocation. Nonetheless, the function of the IDP is significantly influenced by organisational hierarchies. For example, the municipalities highlighted that the municipal

manager of their respective municipality manages their LED units. A municipal manager can be regarded as the municipality's accounting officer who needs to ensure that there are no financial losses caused by weak administration (Thornhill and Cloete, 2014). According to the

LM 1 official, the LED unit is situated in the *"strategic management, under the Office of the municipal manager*" while LM2 reiterated that "*we are situated within the office of the municipal manager*". Combining LED strategies, with the executive municipal plannings appears to be proactive, but there are evident weaknesses. Ideally, the council priorities should be closely aligned with the LED unit, however the hierarchical structure inadvertently sidelines LED objectives. As LM 2 observed, "*One might argue that reporting directly to the CEO (in this case, the municipal manager) creates an opportunity to gather internal buy-in across various departments, as the CEO can serve as a strong advocate for initiatives. However, in practice, this is often not the case."* The official from LM2 highlighted that, "*one time, the LED unit was expected to maintain community business* hubs, irrespective of the fact that this is a role within the mandate of the Public Services unit.". According to the LM 2, "*these complex roles burden the LED with other administrative roles"*. Similarly, an external organization reached out to the municipality for investment in skills development programs, and the municipal manager pulled in the LED to lead the initiatives. An official from LM 2 argued that "*this role emphasized skills development units, with the HR (human resource) as an important stakeholder. Besides, the LED unit had an insufficient budget to execute the task.*" Further, the LM 2 official noted that *LED has a role to support job creation, but the tasks on skills development programmes fall under a different municipal unit, HR*. As a result, the LED unit is a scapegoat for other municipalities' economic development initiatives.

Both municipalities have limited capacity and resources, constraining both institutions to implement their LED projects effectively and efficiently. Therefore, LM 1 is very much dependent on the other departments. According to LM 1 official, *"the LED unit cannot function in isolation and relies on technical, financial, and supply chain departments to provide the necessary support, like spaces for small businesses or resources for project implementation*". Therefore, the municipal manager helps facilitates the integration of LED within municipal strategic objectives. In contrast, LM 2 argued that the current municipal structure limits active support from the management. "*We are reporting to the municipal manager, who acts both as a municipal manager and the director. Simply meaning that, there is a lack of support."* Ideally, the municipal manager is designated to manage and oversee infrastructure development, service delivery, human resources, and fiscal management. Meanwhile, LED tends to receive limited attention and advocacy from the municipal manager. LED unit function on a budget constrain. According to LM 2 official, *the LED and Tourism units share a budget worth R400 000*. The available budget is insufficient to incorporate LED objectives with other local

development programmes. Without a dedicated budget, LED initiatives overlap with other municipal departmental responsibilities. This leads to reduced LED resources and impair progress to effectively implement LED initiatives. The above-mentioned instances develop conflicting priorities, inefficient decision-making, and lack of dedicated leadership for LED.

In addition, under the municipal manager's concurrent leadership, LED struggles with limited interdepartmental coordination. According to the LM 2 official, LED depends on infrastructure developments. However, the LM 2 official emphasised that, "without LED advocacy there is limited guarantee that infrastructure updates and resource allocation will be allocated to economic development initiatives such as, creating cycling routes to promote tourism, important to the local economic growth". Also, the LED officials are burdened with overlapping responsibilities, which hinders their effectiveness in implementing LED initiatives. Furthermore, there are cases where the municipal manager does not consider clear specific roles amongst the LED unit, and other local development divisions. LM 2 official highlighted that, *there was a time when a considerable number of pig farmers required support to commercialise their business*. The LED considered that the farm sites are no longer suitable to farming pigs, due to its proximity to a community. According to the LM 2 official, *"the LED reached out to the Department of Agriculture to help fund the relocation project. But the Department of Agriculture indicated that it cannot help proceeding of relocating the pig farmers, because some pig farmers were denoted as government employees*." Nonetheless, the municipal manager continued to task the LED with relocation process. The LM 2 official argued that "*LED was relevant in the beginning*". However, the relocation process was an unrelated LED function and required the Protection Services to enact various regulation enforced by the municipality's by-laws. Therefore, the LM 2 official argued that "*because of the current structure you are then dumped with work that is not relating to the task that you need to be doing at the current stage".*

Furthermore, human, and financial resources have a considerable influence on the implementation of local economic development (LED), in both local municipalities. For instance, LM1 highlighted that their lack of capacity to implement comprehensive LED initiatives cause them to heavily depend on other units. Because *"we do not have the budget or funding to drive projects independently.*" However, the LED unit leverage from working interdependently with other municipal departments/ units to ensure effective implementation of LED initiatives. According to the LM 1 official, if the LED unit wants to support small businesses in a particular area, the Technical Department plays a crucial role by assessing

whether we can utilize certain spaces or facilities. They may need to advise us on the availability of land or municipal buildings that could be repurposed for this purpose, ensuring we have the necessary infrastructure to support these businesses.

ii. Interdepartmental Collaboration

To effectively implement LED, municipalities are required to strengthen their cross-departmental collaborations. Both municipalities value interdepartmental collaboration to ensure LED units acquire sufficient capacity to effectively implement LED initiatives. An official from LM1 expressed their dependency on technical services for infrastructure support; and the finance department to access required and additional resources. "*The technical department advises us on whether spaces can be used for small businesses, and the finance department ensures that budgets are aligned with LED objectives."* However, such dependence cause challenges for the public members who are not aware of systems from other departments. For example, not all local people know about the National Central Supplier Database does not sufficiently support small business owners. According to the National Treasury, the Central Supplier Database is a registry for business to register and access public sector procurement opportunities (RSA, 2024) According to LM 1 official, there is not enough awareness about the conditions for small business to qualify for doing business with local municipalities. Therefore, some people (new and small businesses) do not know they need to pay an annual fee required to maintain their registration and access the benefits of the CSD. (Central Supplier Database). The CSD is important to facilitate SMMEs' and align with the LED objectives. Furthermore, an official from LM 2 emphasized that their efforts to encourage "*emerging individuals to integrate into the mainstream*" are hindered by significant challenges. According to the LM 2 respondent, this includes "*non-compliance with regulatory requirements and the financial and operational difficulties faced by individuals, particularly those in start-up ventures, such as meeting fees and fulfilling other associated obligations, which collectively create substantial barriers to advancement*". Therefore, weak internal collaboration and aspects of coordinated planning can lead to delays, hampering the achievement of LED goals. In addition, an official from LM 2 expressed the struggles they face to take LED process through strategic management "*The LED forums bring departments together, but sometimes it feels like a tick-box exercise rather than a genuine collaboration*". As a result, LED projects are vulnerable to inefficient bureaucracy and/or conflicting department agendas, which eventually inhibit prompt LED implementation. Rather, local municipalities have the potential to establish effective coordination mechanisms and foster shared understandings of key LED strategies.

This approach actively promotes independence and addresses the constraints hindering the achievement of LED goals.

4.2.2. Theme 2 Stakeholder Engagement.

Municipal operations are fundamentally structured around the institutional arrangements of local government, which guide stakeholder participation, policy implementation, and resource management (Thornhill & Cloete, 2014).

i. Engagement of District Municipalities in Local Economic Development

According to both municipalities, it is important to include external stakeholders in promoting LED projects. District municipalities are reported to making active efforts to effectively facilitate and coordinate local development efforts. According to LM1, the district organizes LED forums, guaranteeing municipalities have the tools and direction required to progress their projects. An official from LM1 highlighted that the district forums do offer guidance and advise on how the local municipality can develop and improve their LED strategies. According to the LM 1 Official, "*the guidance helps to take these initiative ideas to higher level*". On the other hand, an official from LM2 emphasised their role in working cooperatively with other local municipalities. According to the LM 2 official, the district worked collectively during the World Travel Market exhibition in Cape Town. According to the LM 2 official, their municipality helped manage the financial responsibilities, as the districts lacked the funds to support the trip as a collective. Besides, these forums help to share information and best practices amongst local municipalities within the region. LM2 official exemplified that, "*in instances where challenges arise, and another municipality has potentially overcome them, we frequently make contact for support*". This excludes, the providing any LED funding to local municipalities. A respondent from DM emphasized that *"there is no budget available to directly support local municipalities."*

Rather, the role of district municipalities is to act as a facilitator to local municipalities. A respondent from the DM mentioned that "*We establish a LED Tourism Forum in the region to support and strengthen local municipality's*." According to the 5th Generation Integrated Development Plan for 2022/23-2026/27, Local Economic Development (LED) is identified as the second national KPA (RSA, 2022). In response, the District Municipality formulated various strategies, including the "RED & Tourism Strategy," Job Creation Initiatives, and SCM/LED initiatives, to facilitate the implementation of LED (RSA, Overberg District Municipality, 2022). The DM respondent emphasized that, "*the four B municipalities are active*

in our region and we as the district support each of them to bring about sustainable economic development and maximize the potential of the local areas." In addition, the district municipality use tools such as Project Consolidate assessments, Treasury evaluations, and the Capacity Assessment Tool" to monitor and collect data on local capacity.

Another critical role of district municipalities is fostering collaboration between local municipalities. A respondent from LM1 reported that "*quarterly Local Economic Development forums are held where information is shared, and these forums help initiate development initiatives".* As a result, the respective district municipality provide simple primary consultative support. In this context, the district municipality plays a crucial role in facilitating collaboration among local municipalities. Although, an official from LM 2 argued that this cooperation is frequently undermined by *"political instability and a top-down approach, where decisions are driven by personal or political agendas*", which hinder effective LED implementation. Meanwhile, a district municipality express that the creation of the Regional Economic Development (RED) initiatives, ensures local LED matches with general district goals. Additionally, the recent appointment of the new LED and Tourism Manager holds significant potential to enhance the district municipality's contribution to the advancement of equitable and sustainable local economic growth within the region.

However, questions persist regarding the effectiveness and functionality of these forums. The implementation of these tools is often hindered by structural inefficiencies, such ambiguous LED roles, lack of finance and human resources, and inadequate interdepartmental coordination resulting in their ineffectiveness and a lack of active reliance on district support policies. There is a lack of clarity regarding the structure and scope of support between district and local municipalities. Furthermore, these engagements are considered inconsistent. An LM 2 official express "*The LED forums and district meetings are helpful, but we need more consistent engagement and better alignment of goals*". This indicates a misalignment between stakeholders' goals and the actual outcomes of their cooperation, potentially diminishing the effectiveness of LED forums.

ii. NGO Engagement in Local Economic Development (LED)

In addition, LM1 mentioned their prospects to actively seek and engage with private investors and NGOs, to help recognise opportunities for small businesses. According to LM 1 respondent, " *we also looking to identifying other informal training areas; and be able to train our informal business owners*". In contrast, an NGO 1 criticized the LM 1 for its lack of

engagement with informal businesses and recommended that the municipality enhance its public engagement strategies. Therefore, community members have lost interest in actively participating in local government matters. Therefore, community organisations have lost faith in actively participating in local government matters due to the reactive responses from municipalities. An NGO 1 respondent highlighted that the existing engagement might be more reactive than proactive. According to the NGO 1 respondent, *"the municipality may engage with your organization when approached but might not consistently initiate discussions on broader economic development opportunities*". In addition, local municipalities are reported to be less accommodating towards civil society organisations which it perceives as less influential. Another respondent from NGO 2 stated that "none of our recommendations are considered". This marginalizes the role of NGOs in the local economic development (LED) process. According to the NGO 1 *"strengthening their (in this case the respective local municipality) representation and support within the LED strategy could enhance these positive outcomes and further bolster the local economy"*. Furthermore, the municipality presented its prospect to "review the tourism mirror," said an official from LM 1, implying that the major sector has great potential to enhance local economic growth. This cannot be effective, especially when tourism is a mere seasonal advantage to local economic growth.

iii. Private Sector Engagement in Local Economic Development

Furthermore, Bergrivier and Cape Agulhas local municipality, both have economic and social contexts which significantly influence the design and implementation of Local Economic Development (LED) policies. One of the municipalities reported lack of economic diversity because of heavy reliance on seasonal business such as tourism and agriculture. An official from LM 1 highlighted *"economic activity is mostly concentrated over weekends when farm workers come to town, but during the week, there is little movement, limiting the growth of local businesses."* As a result, seasonal business growth takes away the prospects of local economic growth, and assurance of a sustainable local economy. In addition, the second municipality's rural location impede the opportunity to attract investment. According to LM2 official "*local entrepreneurs are frequently deterred from engaging in the economy by the start-up costs for small businesses and compliance requirements*." These socio-economic contexts, show how challenging it has been for these local municipalities to empower local citizens and enable long-term business environment, which can advantage and enhance economic flexibility. Although, amongst the municipalities, LM2 recently re-structured its LED division and use the new Director (manager) to advocate for LED priorities. Expectedly, the unit will

integrate economic and social strategies, to meet the local needs. Through the alignment of LED projects with socio-economic activities, municipalities may promote integrated development, optimize resource use, and more thoroughly solve local issues. Therefore, the new governance structure has the potential to improve the capacity of LED officials to deliver effective and efficient LED implementation.

4.2.3. Theme 3: National and Provincial Government Support for LED

The implementation of LED is partially supported by both the national and provincial governments. One local municipality stated that the national government do conduct research at the municipal level and provide feedback based on their findings. According to the LM 1 officer, "*The very first assistance would be the advice that they give us... They are doing their research, and after that, they give us feedback on what is happening*". The external perspective aims to enhance local municipalities, enabling them to achieve greater social impact. On the other hand, this support can be ineffective due to insufficient operational and financial resources necessary for the successful implementation of local programs. As a result, local municipalities struggle to implement LED policies in practice, even though advisory roles establish crucial foundations. Furthermore, the assistance offered by the national and provincial government is sometimes unpredictable and motivated more by obligation than by a planned, long-term strategy. An official from LM 2 reported that the support from national government is "*ad hoc,"*. In addition, the LM 2 official indicated a financial advantage received from a particular instance "*where the Department of Small Business Development provided equipment worth R10,000 to local entrepreneurs*". However, occasional support cannot help local municipalities deal with structural economic issues. As a result, local municipalities need more active engagement from national and provincial spheres of government. According to LM 1 official, "*National departments should be getting more involved locally, with more outreach programs to our region and area, particularly since we don't have any departments for economic development here*". Thus, the national and provincial governments have the potential to play a better role in directly engaging with local communities and conducting targeted research. As a result, national evidence-based policies will enhance and complement the limited capacity of municipalities.

In addition, one municipality recognizes and values the support provided by the national and provincial governments in facilitating the implementation of LED initiatives. Although, the support is insufficient to addresses structural issues. According to LM 2 official, "*we sometimes get training or funding from the province, like for marine guides or the Tourism Monitor*

programme, but these interventions are limited and not integrated into our long-term strategies". This reflects ad hoc cooperative governance and a lack of effective intergovernmental relationships, which are crucial for the successful and sustainable implementation of LED at the local level. However, this does not imply that the national and/or the provincial government are neglecting opportunities to support the local municipalities, in carrying out other constitutional duties. Rather, it highlights a requirement for a better coordinated and integrated effort for all levels of government, to effectively plan for localised and sustainable LED projects.

Therefore, it is important for local municipalities to take the opportunity to interact with both national and provincial governments, to help and support the implementation of LED projects. However, this should not instigate local municipalities to have grand expectations and continuous dependency for aid. Rather, local municipalities should be precise and involve political involvement in local economic development. LM 1 official argued that *politicians are only present during the planning stages*. Effective political involvement has a significant role in strengthening intergovernmental relations. Local municipalities were established to bring the government closer to the people and improve public participation (Khan et al, 2011). As a result, grass-root information help strengthen cooperative governance amongst the national, provincial, and local government, especially in implementing LED. Successful cooperative governance should be founded with effective communication, strategic coordination, transparency, and provision of special resources. Without strong intergovernmental collaboration and access to specialized expertise, local municipalities may continue struggle to implement LED strategies that are both sustainable and contextually relevant. So, its urgent that local municipalities improve their strategic communication, with other levels of government.

4.3. Analysis of Findings: Decentralization Theory in LED

Scholars emphasized that decentralization theory transfers decision-making authority from central to local governments. Decentralization theory encourages efficiency, responsiveness, and public participation in governance (Falleti, 2005; Tiebout, 1956). In South Africa, decentralization was formally stipulated by national legal frameworks and public policies. This includes, among others, the Constitution Act 108 of (1996), the White Paper on Local Government (1998), and the Municipal Systems Act (2000). Therefore, local municipalities,

including Bergrivier and Cape Agulhas, have the autonomy to develop tailored local economic strategies. However, the findings revealed that there are structural weaknesses and contradictions within the country's decentralized governance model. Therefore, the weak, poor, and vulnerable municipalities struggle to capitalise on decentralization. Consequently, the findings demonstrate a major gap between South Africa's LED Framework (de jure decentralization) and decentralization practice (de facto decentralization). Therefore, most municipalities struggle with limited resources, insufficient institutional capacity, and weak intergovernmental relations with other spheres of government. The findings revealed that limited financial capacity and skilled personnel constrain the implementation of LED in LM 1. Meanwhile, LM 2 demonstrates a more autonomous authority in their own administration but strongly anticipates that improved cooperative governance between all three spheres of government will help the municipality to gain increased financial support and technical capacity. To some extent, this contradicts the aspects of decentralization, from national to subnational governments. South Africa's decentralization illustrates that local municipalities are subjected to national or provincial spheres of government. In South Africa, this is object section 151 (3), which stipulates that a municipality has the right to self-govern its local affairs in compliance with national provincial laws, including the Constitution (RSA, 1996). Besides, all spheres of government must be different, independent, and related (RSA,1996).

In addition, the study establishes that both LM 1 and LM 2 lack effective public participation mechanisms in LED decision-making processes. This indicates weak political decentralization and local governance structure, inadequate to reflect the needs of local communities. According to scholars such as Rodriguez-Pose & Tijmstra (2007), municipalities should be politically empowered to make their own decisions on the implementation of strategies that will meet the needs of their communities. Nonetheless, local governments are failing to promote grassroots-driven strategies in LED. Rather, the national and provincial governments overshadow their local strategies. Both municipalities are constrained by poor coordination between local stakeholders. According to Olowu & Wunsch (2004), decentralization should enable local governments to operate more effectively than national bodies, especially in local matters. However, the study shows that a municipality's internal and external constraints negatively impact the capacity of local municipalities to effectively implement LED. Both municipalities struggle to practice administrative decentralizations. Also, both municipalities struggle to effectively implement LED due to limited financial capacity. Faguet (2023) emphasized that fiscal decentralization is important for effective and efficient LED. However, the findings

revealed that LED remains an unfunded mandate and continue to encourage local governments to depend on national provincial governments for financial support. Besides, both municipalities are required to prioritize basic services such as water, sanitation, and housing over LED strategies. As a result, both LM 1 and LM 2 are not sufficiently provided to alleviate poverty and reduce inequality in their local communities.

Furthermore, decentralization enables public participation in local matters (Bhandari & Yasunobu, 2009). In South Africa, the local government encourages public participation (Khan et al., 2011). Therefore, local governments are expected to encourage and practice a bottom-up approach and collaboratively involve the government, private sector, and local communities to design effective LED initiatives. However, the findings indicate that both municipalities are constrained with weak stakeholder engagement. In the study, NGO 2 emphasized that the local municipality does not consider their recommendations. As a result, weak political decentralization discourages local communities to interact with local municipalities. In summary, the findings underscore that both LM 1 and LM2 are structurally decentralized. But each municipality struggle to independently administer and manage their own local initiatives.

4.4. Future Research

The study aimed to include relevant NGOs and local business representatives. However, only a few organisations were available to participate in the research. The study was unable to represent the varied perspective of external stakeholders, including the private sector, civil society and informal economic actors. Therefore, this study encourages future research to explore the impact of similar LED initiative from municipalities such as Bergrivier and Cape Agulhas local municipalities.

Chapter Five:

Conclusions and Recommendations

5.1. Introduction

The study evaluated the implementation of LED comparing two Category B municipalities: Bergrivier and Cape Agulhas Local Municipality. Bergrivier and Cape Agulhas local

municipalities are both situated in the Western Cape Province. Although each municipality is distinctively situated in a different district municipality, Bergriver is situated in West Coast District Municipality, while Cape Agulhas is in Overberg District Municipality. Bergrivier local municipality leverages the fishing and agriculture sectors to improve local economic growth. On the other hand, Cape Agulhas capitalizes on tourism, fishing, and real estate development. Municipalities face significant challenges in local economic development, including unemployment, poverty, and rising inequalities.

This study investigated the role of local government in implementing LED to address local socio-economic issues. The study compared internal and external constraints influencing the implementation of LED, across Bergrivier and Cape Agulhas local municipalities. The objective was achieved through thematic analysis on municipal planning for LED, which identified internal challenges (weak institutional arrangements, limited capacity, and over-centralised approaches) and external constraints (seasonal economies, political instability, and heavy dependence on intergovernmental support). Secondly, the study was able to explore the institutional arrangement the municipality established to implement LED. According to the study, LED units are ad hoc in design and function. Both municipalities are impaired by bureaucratic rigidity, causing poor planning and budgeting frameworks within each municipality. Third, the study was able to investigate the support national and provincial governments provide to local governments. However, limited access to a district municipality restricted a more balanced comparison across both cases. Notwithstanding this, the study discovered inconsistent and ad hoc intergovernmental relations in terms of financial and technical support.

Overall, the study provides some comparable impressions about how local municipalities approach local economic development which contributes to existing literature on the contextual determinants of LED implementation in South Africa.

5.2. Summary of Key Findings

The study provides valuable insight into the obstacles and opportunities municipalities face in relation to the implementation of LED. The insight revealed three primary themes, including institutional arrangements for LED, stakeholder engagement, and national and provincial government support.

5.2.1. Institution's Planning for LED: Impact of internal and external constraints

The findings indicated that both municipalities' LED frameworks exhibit structural and operational constraints. Overlapping roles between the LED unit and other municipal units cause performance gaps, hindering the effectiveness of LED. Additionally, both municipalities have limited capacity and financial resources to promote LED initiatives. Strict hierarchical structure and adherence to stringent national regulatory frameworks limit the opportunity to promote and support LED projects. Furthermore, lack of direct funding from district municipalities worsens the ability of poor and vulnerable municipalities to effectively implement LED.

5.2.2. The Engagement of Stakeholders

Both municipalities show a range of collaboration with key stakeholders. However, the effectiveness of these collaborations differs from one municipality to another. LM 1 regularly interacts with external stakeholders, including district forums, private investors, and NGOs. A relevant stakeholder argued against the effectiveness of these efforts. The existing stakeholder engagements exclude the informal sector in LED processes. Rather, the municipality has strong collaborations with major sectors and seasonal businesses in agriculture and tourism. On the other hand, LM 2 collaborations are constrained by political instability and top-down approaches, limiting the opportunity for effective stakeholder engagements with NGOs and local businesses. Nonetheless, LM 2 is currently restructuring their LED unit and expecting to integrate social development goals with LED priorities. Ideally, the new LED structure will improve stakeholder engagements and promote LED priorities.

5.2.3. The Support from National and Provincial Government

Bergrivier and Cape Agulhas local municipalities recognize the vital role of national and provincial government in enhancing LED. However, both municipalities are dissatisfied with the unstable and ad hoc cooperative governance they received from other spheres of government. The inconsistent and temporary support does not effectively contribute to the municipality's capacity to design and implement long-term initiatives. Lack of valid and reliable information results from absent political will, limited public participation, and community dissatisfaction, especially in economic development initiatives. Therefore, LM1 proposes that the national government should conduct research that focuses on area-based

outreach and provide evidence-based policies effective to address capacity gaps. Furthermore, lack of funding and guidance from national and provincial governments limits the municipality's capacity to solve persistent social and economic problems. Both municipalities desire growing and regular cooperative governance in support of implementing localized social and economic initiatives.

5.3. Decentralization Theory on South Africa's LED in Bergrivier and Cape Agulhas Local Municipality

Decentralization theory guided the assess of LED in Bergrivier and Cape Agulhas local municipality. Both municipalities are legally considered as Category B municipality, however each municipality is situated in a different district municipality. Decentralization transfers political, financial, and administrative powers from central government to local municipalities. In addition, all municipalities have independent authority to manage their own approaches to address local matters, subject to national and provincial government (RSA, 1996). However, the study demonstrated that poor and vulnerable municipalities remain dependent on the concept of a top-down approach. Officials from Bergrivier and Cape Agulhas local municipalities emphasized their dependence on the national and provincial governments. This obstructs municipalities' autonomous status to structure and manage their financial and administrative capacity to design and implement effective LEDs. In addition, the study emphasized the relationship between pro-poor and pro-growth in LED. In theory, LED is a local tool that comprises developmental initiatives to improve local economic growth and promote community (human and social) development. Effective implementation of LED needs a comprehensive approach to incorporate economic perspectives with social demands. LM 2 officials emphasized their current operation to restore the LED unit and to incorporate economic and social development. In this instance the municipality should be proactive to ensure that economic priorities do not compete with social needs. In addition, the study demonstrated that both municipalities do not have area-based strategies that align with the municipality's capacity and developmental goals.

5.4. Recommendations

5.4.1. Policy and Institutional Reforms

The study recommends both municipalities to rise their LED strategies by embracing a clear definition of contextual-specific LED, along with strategic goals and clear budgets. In addition, both municipalities have the potential to separately identify social development goals, along with the prospects for economic growth. Specifically, both municipalities should set their goals in terms of protecting their potential growth sectors such as agriculture and tourism industries. The study encourages municipalities to incorporate sustainability principles in LED initiatives, use local resources and indigenous knowledge to drive sustainable local economic development and develop programme that meets climate resilience. Besides, the municipalities can use their administrative capacity to realistically balance the social and economic priorities, in a manner that will improve the effectiveness of their LED initiatives. Overall, both municipalities will benefit from a clear and focused approach to economic development.

Furthermore, refined LED strategies will require enriched expertise and capacity building. Both municipalities can leverage from existing human resources. Nonetheless, the study advises both municipalities to establish training programmes for existing municipal officials, especially to all officials directly involved in the design and implementation of LED initiatives. The municipalities have the advantage to create and host skills development workshops for LED officials. These workshops can be designed to ensure existing LED knowledge is applicable to the municipalities needs, and effective to apply in terms of administering and managing the design and implementation of LED strategies. In addition, each municipality can reach out to accredited institutes that provides skills development in public administration and management. The training programmes should be based on application of strategic plannings, stakeholder engagement and financial management.

Therefore, all LED expertise should work cooperatively to effectively administer and manage the implementation of LED. The study proposes all LED officials to work in teams of knowledge and capabilities. This will help clear operations and save time, to meet LED goals and all other municipal objectives. LM 2 restored LED unit has the potential to experience the advantage of consolidated units, between the LED and Tourism unit with the Community Service Directorate. Although, this should be applied in consideration of competition between social and economic priorities. Furthermore, LED units should be adequately funded and/or provided with sufficient support from national and provincial governments. This will require

both municipalities to clearly communicate their challenges and opportunities to national and provincial governments, including district municipalities.

5.4.2. Improved Stakeholder Collaboration

Stakeholder collaboration is central to the design and implementation of effective LED. The study recommends both municipalities advance their relations with NGOs, local businesses, and community stakeholders to attract resources and knowledge about community needs. In this instance, both municipalities should be initiative- taking and have human resources able to attract, manage, and sustainably make available and/or acquire resources and information. Municipalities can use public participation to mirror the local needs with the capacity of LED units. Second, the study advises the municipalities to establish public participation mechanisms that cater to community members. The process of public participation can include both traditional public participation mechanisms, such as public meetings. Municipalities can use advanced community engagement tools, for example, use social media to collect and share contextual information within the community. Social media serve as a modern and time fast serve as digital tool collect data from the public, share information and encourage transparency amongst the government, private sector, and community members. Also, communities can establish community forums to ensure inclusivity and adequately report on local needs. Similarly, the municipalities can use available information to strategically meet local needs within the existing municipal capacity. Both municipalities have the advantage of transferring direct communication to national and provincial governments. Additionally, each municipality has the advantage of strengthening its intergovernmental coordination with the other two spheres of government, including the district municipality. This should be in the place where municipalities are able to use their independence municipal status to advocate for their individual needs and disadvantages towards the application of any ambiguous law, policy, or relations they face within the country. Besides, the study suggests LED units to have a legal expert that will help capitalize on the national laws and policies.

5.4.3. Financial and Technical Support

The study suggests both municipalities have a specific LED budget. Therefore, it is important for the municipalities to have a resolute LED unit that has adequate and sufficient skills to strategize available resources and use them to better the capacity of the municipality to effectively implement LED initiatives. In addition, the municipalities can adopt private sector budgeting tools to adequately use available public resources. Although this should be applied

in terms of the Public Financial Management Act 1 of 1999 and the Municipal Finance Management Act. On the other hand, municipalities could explore and attract alternative funding from the private sector, donor funding, and potential investors. This relies heavily on improved community engagement mechanisms and cohesive private-public partnerships. In addition, the LED unit can leverage technical support from other municipal divisions, such as the municipality's department of finance, to help create realistic budgets for LED initiatives.

Furthermore, both municipalities can consult and use the insight from SOLAR White Paper. This paper was developed by the South African Local Government Association, the Department of Cooperative Governance and Traditional Affairs and other vital role players to improve the role of local government. The SOLAR White Paper proposes a policy framework to improve local governance and service deliver. According to the SOLAR White Paper, both municipalities can implement MFMA and ERP systems to strengthen financial management; seek government funding (to improve infrastructure and service improvement) from National Treasure, DBSA and CoGTA; modernise IT systems, revenue collection processes and data analytics to enhance technical capacity; improve public-private partnerships (PPPs) to gain technical experiences; and address community concerns, improve transparent and ensure effective governance (Miemoukanda, 2020).

5.4.4. Monitoring and Evaluation

The study suggests both municipalities create and improve existing monitoring and evaluation frameworks. To protect and sustain improved LED processes, both municipalities should track their LED progress and measure the impact of their LED initiatives. Ideally, LEDs are strategies to help the municipalities meet their constitutional mandate to promote social and economic development while addressing local socio-economic issues. Therefore, both municipalities should conduct regular LED reviews to ensure their relevance and responsiveness to changing local and global social and economic conditions. In this instance, the LED units can work favourably with the municipality's strategic management to set monitoring and evaluation indicators relevant to LED goals.

The researcher proposes both municipalities adopt tailor made monitoring and evaluation tools. Each municipality has the potential to consider the guide from the national Planning, Monitoring & Evaluation Diagnostic Assessment Tool. This tool was developed by the

National Planning Monitoring and Evaluation (PM&E) Capacity Development Directorate, along with the contributions form[3].

The tool comprises six steps:

- Step 1: The local municipality should customize the generic assessment according to the LED's mandate. This will leverage municipalities to develop clear LED goals.
- Step 2: The LED unit should conduct self-assessment. This will help determine the unit's strengths, weaknesses, threats, and opportunities. Therefore, local municipalities will use strategic plans, annual reports, previous assessment reports, and policy documents to identify important stakeholders required to improve the design and implementation of LED.
- Step 3: The LED unit must develop an assessment report and improvement plan. This will help develop a clear theory of change, objectives, and implementation strategy.
- Step 4: The LED unit can start to analyse data and compare best global practices with existing and future LED plans. This will help facilitate feedback and improve LED plans and support mechanisms.
- Step 5: The LED unit can develop an action plan. During this stage, the LED unit should prioritize key areas for improvement, delegate responsibility, create time plans, and ensure that the LED strategy aligns with the national LED frameworks and M&E guidelines.
- Step 6: The LED unit can start to implement the improvement plan. This should include regular reviews, follow-up assessments to measure improvement, and valid and reliable feedback to all relevant stakeholders.

In general, these indicators should promote transparency and accountability in LED implementation.

5.5. Concluding Remarks

In conclusion, local municipalities have a critical role in promoting social and economic growth. However, the study found that both municipalities struggle to apply the pro-poor LED,

[3] Dr. Victor Naidu, Ms. Morakane Segopolo, and Mr. Tshepo Mosana contributed to the establishment of the Planning, Monitoring & Evaluation Diagnostic Assessment Tool.

causing slow economic growth. Nonetheless, the effectiveness of economic growth and increasing the quality of life significantly depends on the capacity of the municipality to design and implement effective LED initiatives. According to the findings, Cape Agulhas has moderate institutional capacity, while Bergrivier local municipality is facing more challenges. In addition, the study revealed both municipalities use their legislative mandates to design and implement LED started. This often challenges the effectiveness of municipal LED, because context-specific needs are overlooked with municipality's capacity. Therefore, municipalities are challenged with ambiguous LED policies, and continuous socio-economic issues such as unemployment, poverty, inequality. Furthermore, both municipalities agreed that the national and provincial governments have a significant role in facilitating LED. However, inconsistent, and temporary support does not effectively contribute to the municipality's capacity to design and implement long-term initiatives. On the other hand, Strong municipalities have full potential to contribute to contribute to South Africa's developmental goals, including job creation, alleviating poverty, and reducing inequalities. Furthermore, municipalities have the opportunity to correct institutional constraints, encourage public participation, and accentuate sustainable developmental goals that directly meet their local needs.

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Appendix A: Summary of Research Findings

Summary of Key Findings		
Theme 1: Institutional Arrangements for LED	**Theme 2: Stakeholder Engagement.**	**Theme 3: National and Provincial Government Support for LED**
Local Municipality 1		
LED unit under Municipal Manager	Active involvement in district forums	Agree that the national and provincial governments play a crucial role in facilitating LED
LED unit often relies on another municipal unit	Acknowledges shared goals in development but reports occasional misalignment in objectives between the district and local municipality	Agues the unpredictability of national and provincial government interventions limits the municipality's ability to plan and execute sustainable projects.
Public's lack of awareness about the operational systems within different departments, also challenges the implementation of LED	Political leaders are seen as involved during the planning stages, but they do not push for implementation support	Need for evidence-based policies from the national level to address capacity gaps.
District municipalities play a supportive role	Proactively works with private investors and NGOs to identify small business opportunities and training for informal entrepreneurs	Advocates for greater engagement from national departments, including local outreach programs and targeted research
	Criticism comes from NGO 1 that the municipality lacks engagement with informal businesses	

	Seasonal businesses (agriculture and tourism), limiting consistent local business growth	
Local Municipality 2		
Current LED unit Under Municipal Manager	Engages with district municipalities. However, the LM 2 experiences political instability and a top-down approach in decision-making which hinders collaboration	Agree that the national and provincial governments play a crucial role in facilitating LED
Resulting in overlapping responsibilities and inefficiency.	Need for more consistent engagement and better alignment of goals	Training and financial support are appreciated but inadequate for tackling the municipality's deep-rooted economic and structural issues
Resource constraints because the current LED units share budgets and/or depend on other departments for capacity	Politicians are involved during planning but lack follow-through in resource mobilization and support for implementation	Criticize the limited scope and ad hoc nature of their support.
The hierarchical structure creates lack of support and hinder LED progress	The lack of political will leads to community disengagement and lack of participation in economic development initiatives.	Advocates better integration of national and provincial interventions into the municipality's long-term strategies.
Currently working cooperatively with other municipalities	Engages with NGOs and private sector less actively. However, the new restructuring of the LED unit under a new director is considered as a positive step to advocate for LED priorities and integrate socio-economic strategies.	

The complexity of regulatory compliance, create challenges in effective implementation of LED	Seasonal business challenges long-term economic diversification and growth.	
District municipalities play a supportive role, but lack of direct funding limits their ability to directly support local LED activities.	The rural location of the municipality also presents a barrier to attracting investment and scaling local businesses	
The LED unit is being restructured.		

Appendix B: Ethics Letter

UNIVERSITY OF CAPE TOWN
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16th July 2024

To:	Keabetswe Modise
From:	Ethics Committee
Subject:	Ethics Clearance
Clearance	No. 008
Research:	A critical assessment of how local municipalities implement Local Economic Development
Date:	16th July 2024

This letter confirms that the student researcher, Ms Keabetswe Modise's Ethics Project Title: A critical assessment of how local municipalities implement Local Economic Development was approved by the Political Studies Ethics Committee on the 16th of July 2024

Yours sincerely

Signed by candidate

A/Professor Vinothan Naidoo
On Behalf of the Ethics Committee
Department of Political Studies