

A Critical Analysis of the Approach to Local Economic Development (LED) in South Africa

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ABSTRACT

The advent of the new constitutional dispensation in 1994 heralded significant transformational and governance reform in South Africa. In particular the Government White Paper on Local Government of 1998 formally introduced the concepts of local economic development (LED) and of developmental local government into the South African vernacular, consistent with the evolving national *zeitgeist* of the developmental state. LED therefore had its genesis in, and was from the start in effect largely consigned by statute to the local government sphere – in the South African context arguably the governmental sphere least equipped to deal with it. From the inception the narrative of LED in South Africa was influenced less by sound economic prescript than by a complex of ideological and welfare considerations.

It has been observed that typically in practice, “...(l)ocal economic development is a highly complex matter, and there is no clear conceptual model available that incorporates all of its potentially important dimensions” (Smoke 1997). There currently is no evidence of the employment in South Africa of systematic methods in the determination of LED goal sets that are informed by coherent theories of change and of action.

The article argues for a fundamental re-conceptualisation and demystification of South Africa’s approach to LED based on *structured integrative engagement* within a value chain approach that harnesses cooperative effort across jurisdictions and governmental spheres in

support of local development that is informed by an internally consistent LED model. The concepts and praxis related to LED are complex and multidimensional. The article proposes a generic analytical model based on a theoretical and conceptual framework which lies on a broad cognitive scale of abstraction. The analytical model is thus extrapolated from a conceptual and contextual framework forged to understand the causal relationships between relevant concepts and processes. The article does not pretend to perform an exhaustive evaluation of LED praxis in South Africa. Rather, it provides a critical heuristic analysis of selected relevant features of the theories of change and of action underpinning approaches to LED in South Africa based on the proposed analytical model. The article reflects the finding that potentially significant elements of South Africa's theories of change and of action insofar as LED is concerned have long remained unsettled.

INTRODUCTION

With the emergence of a preoccupation with LED as a component of South Africa's post-transformation development approach, a plethora of policy papers deriving from various government sources attempting to lend impetus to and operationalise the as yet amorphous concept of LED has compounded confusion and arguably further frustrated the purpose. Though the conceptualisation of LED has matured and morphed over time, the South African Local Government Association (SALGA) in 2009 found that a lack of common understanding of the meaning and role of LED and of LED processes constituted a major obstacle to effective LED in South Africa. SALGA also found that many LED strategies were not grounded in economics and were poorly integrated with other programmes. Indeed, the operative conception of LED has focused largely on community participation, arguably at the cost of cohesion, internal economic consistency and unity of economic developmental purpose. LED initiatives have remained largely disjointed and project-based, and have failed to harvest the synergies inherent in mutual support and cooperative governance – the latter a fundamental tenet of the South African Constitution.

Although it had been debated since before the advent of the new constitutional dispensation in South Africa, LED was first formally introduced into the South African public governance lexicon and canvassed as a developmental tool in 1998 (Republic of South Africa 1998). Yet more than a decade later a study of the state of local government in South Africa in 2009

found LED had been erratic and that "...(p)lans for local economic development, fostering investment, special projects and alignment to national priority policies such as detailed in the MTSF (Medium Term Strategic Framework) are additional responsibilities that many municipalities are unable to respond to effectively..."(SALGA 2009:36). In a separate report specifically on the state of LED in South Africa SALGA determined in 2010 the following key issues in LED praxis in South Africa with specific reference to the local government sphere (SALGA 2010:11):

- A lack of common understanding of the role of LED and LED processes;
- An increasing urban-rural divide in LED processes and practices;
- The practical spatial constraints of economic planning at a very local level;
- A less-than-effective working relationship between provinces, districts and local authorities;
- A lack of effective LED "networks" in many areas;
- The inability of many local authorities to clearly define an LED strategy within the broader IDP process; and
- A lack of planning resources and capacity.

Anecdotal evidence derived by the authors from extensive interaction in the training of officials in local authorities charged with LED responsibilities suggests that these problems generally still persist, despite the enactment of regulatory requirements obliging compliance and a plethora of guidelines. This begs the question – why?

In 2010 a National Planning Commission was established in South Africa to bring about cohesion and a measure of congruence in national development policy and approach. This represented a significant step toward achieving a measure of coherence and central direction. In 2011 the Commission diagnosed the nine primary challenges still facing the country as follows (National Planning Commission 2011):

- Too few people work;
- The quality of school education for black people is poor;
- Infrastructure is poorly located, inadequate and under-maintained;
- Spatial divides hobble inclusive development;
- The economy is unsustainably resource intensive;
- The public health system cannot meet demand or sustain quality;
- Public services are uneven and often of poor quality;
- Corruption levels are high; and
- South Africa remains a divided society.

LED remains explicitly an instrument to address these problems. Nevertheless its implementation remains problematic.

ANALYTICAL MODEL UNDERPINNING THE NEXUS BETWEEN THE THEORETICAL PARADIGM AND PRAXIS OF LED IN SOUTH AFRICA

A theoretical framework is important to obtain clarity about the relationships between elements or issues in a given phenomenon (Ravitch and Riggan 2011). After a thorough theoretical exploration a conceptual framework emerges, which reveals the scope of concepts, assumptions, expectations, beliefs, and theories that supports and informs the investigation at hand. Such a theoretical framework or “idea context” (Miles and Huberman 1994:440), should be based on theories that embody the existing corpus of knowledge on the phenomena under investigation.

Conceptual frameworks are products of qualitative processes of theorisation (Jabareen 2009:49) and can be according to Levering (2002:38) regarded as a network of interrelated concepts that, when combined, provide a comprehensive understanding and “soft interpretation” of a phenomenon. Rather than offering theoretical explanations, conceptual frameworks provide understanding, are indeterminist, and do not enable prediction of outcomes (Levering 2002:38). Conceptual frameworks are built on ontological, epistemological, and methodological assumptions, and each concept within a conceptual framework plays an ontological and epistemological role (Guba and Lincoln 2005).

In order to facilitate analyses, an analytical model emerges from a conceptual and theoretical framework. An analytical model can be constructed by means of concept “mapping” (Miles and Huberman 1994:133). Concept mapping can take *inter alia* the form of an abstract framework that maps the relationships between concepts, and/or the form of a causal network of variables or influences (Miles and Huberman 1994:133, 249).

An analytical model should be useful for purposes of scientific investigation, and is most applicable for variance mapping in studies of complex social phenomena. Analytical models generally reveal patterns and causal relationships between variances or variables. As such analytical frameworks include research instrumentation, possible solution patterns, a model, and a method for grouping complex information (Imenda 2014:187). An analytical model maps the potential dimensions or vantage points that researchers can use in their analyses (Hasna 2007:48). Conceptual and analytical frameworks flow from the epistemological paradigm a researcher applies when examining a given research problem. Such frameworks also establish a structure that guides the research.

The authors had to consider higher-level complexities regarding the design of both a conceptual and analytical framework as basis for analysing

the interrelationship between the theoretical paradigm and praxis of LED in South Africa. Tewdwr-Jones (2002) developed an analytical model convenient for analysing the LED paradigm and praxis in terms of the three elements to inform the planning of deliberate action in the public space. These elements are:

- **The aims to be achieved** – these generally are derived from a disaggregation and distillation of political manifestos, social mores and other imperatives. In developmental contexts in particular the policy space is generally heavily goal-laden. The major challenges often encountered in deriving clear policy aims are adequacy (does the goal set cover all the issues considered important), and internal consistency and coherence as the lack of an explicit conceptual model of the intervention frequently constrains the formulation of coherent goal sets, in the process compromising from the start the efficiency and effectiveness of policy.
- **The methods by which aims are to be achieved.** Stakeholders' implicit and explicit assumptions on what interventions are envisaged and why the problem is expected to respond to such interventions is necessary for the planning of coherent deliberate action. Programme theory provides, through such tools as causal logic modelling and outcome- and strategic mapping, the means of constructing appropriate intervention methodology (Chen 2004:248; Chen 2005; Funnell & Rogers 2011). Such approaches are also consistent with the value chain-theoretic approach proposed by Porter (1985). They provide not only a deliberative means for developing LED interventions to activate focused change, but also as noted above a convenient model for analysing the LED paradigm and LED praxis in South Africa by distinguishing between:
 - i. Theory of Change (conceptual theory) reflecting the change paradigm – the process by which change is envisaged to come about; and
 - ii. Theory of Action (action theory) reflecting the action paradigm – how interventions are to be best constructed to activate the change process.
- **“Social criticism”** or how actors and processes should be called to account. This encompasses the performance management of interventions and the ongoing interrogation of the validity and appropriateness of the theory of change itself. Performance management has been defined as comprising (United States 2016):
 - i. Planning work and setting expectations;
 - ii. Continually monitoring performance;
 - iii. Developing the capacity to perform;
 - iv. Periodically evaluating performance in a summary fashion; and
 - v. Rewarding good performance.

THE EVIDENT METHODOLOGY OF CHANGE

As noted above, it is not the intention of the article to pretend to perform an exhaustive evaluation of LED praxis in South Africa, but rather to provide a critical heuristic analysis of selected features based on the above generic analytical model. In particular it engages with relevant aspects of the theories of change and of action underpinning approaches to LED in South Africa.

Development aims to be achieved—a first step toward a programme-theoretical approach to development

The environments in which development practitioners operate are typically goal-laden, with numerous competing ends deriving from development agendas. A number of tools have been suggested to assist in rationalising development goal sets. Strategy mapping processes for example explicitly interrogate how organisations propose to create value by connecting objectives in explicit cause-effect relationships (Kaplan & Norton 2000). These comprise value chains (Porter 1985) explicitly linking interventions to one another and to strategic goals. As noted above, it is suggested in the analysis that follows that potentially significant elements of South Africa's theories of change and of action insofar as LED is concerned have long remained unsettled.

Locating South Africa's Macro-Development Paradigm as a Constituent of the Theory of Change

Faced with the challenges of reconstruction and development following the adoption of a new democratic constitutional dispensation after the Convention for a Democratic South Africa (CODESA), negotiations of 1994, South Africa has affirmed its commitment to development in all spheres of its natural life. This imperative to “improve the quality of life of all citizens and free the potential of each person” is enjoined in the preamble to the Constitution (Republic of South Africa 1994). The broad parameters within which the developmental purpose is to be pursued are established in the Bill of Rights comprising Chapter 2 of the Constitution. At various junctures since the accession of the African National Congress (ANC) to government following the elections of 1994, and spurred by the relative success perceived to have been achieved by the model elsewhere, the notion of a “developmental state” has surfaced as a vehicle for furthering developmental purpose in South Africa. It has been suggested that the notion has, in fact, become a unifying project within the governing alliance (Institute for Democracy in South Africa (IDASA) 2010). It was also explicitly extended to the realm of local government in the White Paper on Local Government which

appeared in 1998 and which defined “developmental local government” as “... local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives...” (Republic of South Africa 1998). As will be suggested *seriatim*, this has set the local government sphere on a developmental path that has had implications for the interpretation and praxis of LED in South Africa.

There has, however, been significant divergence of views on the construction to be placed upon the as yet relatively amorphous notion of the “developmental state” that is a recurring theme in the national developmental debate in South Africa. This divergence has also reflected in a degree of confusion of roles and responsibilities in promoting LED. To some the imperative of the developmental state has come to represent an admission of critical weaknesses in governance that has failed to prioritise economic development and to mobilise a broad base of resources and support, combined with a preoccupation with industrialisation with insufficient diversification of the economic base ((The Congress of South African Trade Unions (COSATU) 2005). To others it represents a response to the perceived neo-liberal approach epitomised by the so-called Washington Consensus, itself a loose compendium of essentially structurally regulatory policies that appeared in late 1989 to command some currency for application in Latin America at the time (Institute for International Economics 2004 in Auriacombe & Ackron 2015:78). These policy reforms, comprising the “Washington Consensus” and originally rendered as a list of 10 heads of policy, generally envisaged a more facilitative and less prescriptive and interventionist stance on the part of government and included such provisions for example as (Institute for International Economics 2004 in Auriacombe & Ackron 2015:78):

- “Redirecting (public) expenditure from politically sensitive areas (that)... receive more resources than their economic return can justify... toward neglected fields with high economic returns and the potential to improve income distribution, such as primary health and education, and infrastructure”;
- “(Unified) exchange rate(s)...at a level sufficiently competitive to induce a rapid growth in non-traditional exports”;
- “Barriers impeding the entry of foreign [direct investment] should be abolished...”;
- “Privatization of state-owned enterprises”; and
- A legal system providing “...secure property rights without excessive costs and (making) these available to the informal sector”.

The pursuit of enhanced economic competitiveness formed an important centrepiece of the approach, to be enabled mainly through human resources

development (education and training) and infrastructure investment. Contemporary World Bank policies also shied away from “selective interventions” on the part of the state, proposing such neutral facilitative interventions as infrastructure development and the development of a skilled and healthy workforce through education and training together with essentially institutional interventions to ensure contract enforcement and the protection of property rights, effective regulation, private capital formation and the expansion of financial markets (World Bank 2005).

But if the compendium of policies initially advanced by Williamson as the “Washington Consensus” was loose, the body of response characterising the notion of the so-called “developmental state” initially coined by Chalmers Johnson arguably appears in important respects even less coherent. Johnson initially envisaged the developmental state as characterised essentially by (Johnson 1999:38–39):

- “...a small, inexpensive but elite state bureaucracy staffed by the best managerial talent available in the system...”;
- “...a political system in which the bureaucracy is given sufficient scope to take initiative and operate efficiently...; and
- “...a perfection of market-conforming methods of state intervention in the economy”.

This appears to be a far cry indeed from the current expanding governmental monolith erected in South Africa to serve a developmental purpose under the mantle of a “developmental state”.

Where Johnson (1999) had conceived the developmental state as characterised by focused state intervention to achieve economic development as its primary goal through mobilisation of resources within an explicitly capitalist paradigm, others sought for example to broaden its focus into such areas as equitable development, sustainable development, and democratic development not necessarily as means to an economic end, but as ends in themselves (Stiglitz 2004; Leftwich 1995). Whereas some would go so far even as to equate the essential developmental state with direct intervention in business decision-making, state ownership of the means of production or command of the economic high ground, others would suggest a more nuanced, interventionist role limited essentially to selected direct interventions in both macro- and micro-economic planning (Marwala 2009). The establishment of a National Planning Commission in May 2010, to develop a long-term vision and strategic plan for South Africa and to rally the nation around a common set of objectives and priorities to drive development over the longer term, is consistent with the notion of a stronger, more structured and central role for government at least at the helm of state planning and the determination of the way forward

for the country. Yet others would posit the developmental state as somewhere in the middle between the far left and the far right and characterised in essence by the ability of the state to “drive development by guiding capital toward new activities while maintaining broad-based support, including the support of workers” ((The Congress of South African Trade Unions (COSATU) 2005).

That the notion of the developmental state provides a home to so many diverse interpretations arguably erodes its value as a determinant of coherent deliberate action toward the achievement of development aims in accordance with the requirements of programme theory. Indeed, the modalities of its interpretation and implementation are crucial to the definition of coherent and internally consistent approaches for example to LED and other developmental imperatives that flow from it. South Africa’s National Development Plan makes reference in its executive summary to the priority of “...building a capable and developmental state...” (National Planning Commission 2012a:16) and to a “...developmental state [that] builds the capabilities of people to improve their own lives, while intervening to correct historical inequalities. Neither government nor the market can develop the necessary capabilities on their own...” (National Planning Commission 2012a:17). However, it does so without defining the term other than to observe that “...(a) developmental state tackles the root causes of poverty and inequality. A South African developmental state will intervene to support and guide development so that benefits accrue across society (especially to the poor), and build consensus so that long-term national interest trumps short-term, sectional concerns” (National Planning Commission 2012a:44). The reader is left substantially at large to infer a construction of the core notion of the “developmental state” in the South African context. The preoccupation of South Africa’s Public Service Commission with the Far Eastern experience in which “developmental states”, characterised by “ideological capacity (with)... political leaders that are driven by a developmentalist nationalist ideology” (Public Service Commission 2014), has been perceived to have contributed to rapid economic development, provides a further small dimension to the (evolving) construction of the as yet largely amorphous notion in the South African context.

South Africa’s National Development Plan reflects the need to build a capable and professional developmental state (National Planning Commission 2012b:407 *et seq.*). The Public Service Commission also opines:

“...A key feature of a developmental state is strong institutions, especially an efficient and effective bureaucracy. Its institutions (organisational structures and rules) enable a developmental state to act authoritatively and in a binding fashion to achieve its goals and objectives. One of the main institutional attributes of a developmental state is its ‘autonomy’. Indicators of autonomy include meritocratic recruitment, career paths for public servants, insulation

of bureaucratic elites from direct political pressure (which also speaks to the administrative political interface), and the existence of a 'super-ministry/ coordinating ministry' managed by professional and competent public servants. A professional, prestige-laden and competent public service is one of the main determinants of the capacity of a developmental state, and it is its key driver of success. These institutional characteristics underline the technical and organisational capacities of developmental states, such as those in Asia and they account for their superior development performance that has been celebrated across the globe. That East Asian Developmental States, including Japan, South Korea and Singapore, have become developed economies is largely due to the quality of these states' institutions in general and their Public Services in particular. Similarly, that Brazil, China and Malaysia are among the fastest developing economies and have removed millions of people from poverty within a generation is primarily due to their capable public services. The fact that China is the factory of the world and will soon become its largest economy is primarily because of the quality of the Chinese Public Service" (Public Service Commission 2014).

But, apart from some measure of congruence around the need for sound and capable institutions of public governance in keeping with a more direct interventionist role on the part of the state, a unified and more comprehensive definitive notion of the "developmental state" for South Africa as yet remains largely elusive. The need for improved efficiency and capacity where a more direct interventionist role is envisaged for the state would, however, seem self-evident. But at a deeper level the suitability in the South African context of constructions of the notion of the developmental state that have been concluded in different contexts elsewhere in the world to have provided successful development paradigms has been challenged. It has been suggested that whereas South Africa at present in key respects constitutes a transfer welfare state, neither the East-African, the present transfer of welfare, nor the liberal state paradigms can sustainably address South Africa's challenges of unemployment, inequality and poverty going forward. A social investment state, founded on human resource investment and increased absorption in skilled and more lucrative employment, and predicated upon improved efficiency and performance of the public sector is indicated (Burger 2014). In addressing particularly the replicability of the conditions precedent for a successful developmental state modelled after the style of those of East Asia in particular it has been observed that "...(w)hile some aspects of this model (for instance, greater political insulation of economic policy makers) could reasonably be achieved in African countries, the extensive co-ordinated economic interventions of the East Asian states are well beyond the administrative faculties of most African governments" (Mkandawire 1996).

Notably, the basic macro-paradigm for South Africa thus remains as yet in key respects undefined and unsettled. This has potential implications for the LED mandate and the achievement of a *structured integrative approach* to local economic development that harnesses all available synergies. That an element of central direction is required seems clear. It is the nature and measure of that direction, and the capacity of the state to undertake a role in it, that remains at issue. The appointment in May 2010 of the National Planning Commission heralded a significant and concerted attempt to achieve coherence in development policy and approach and, provided that a *structured integrative approach* is followed, provides potentially decisive leverage for revitalising and refocusing flagging and as yet relatively unrequited LED effort.

South Africa's local economic development paradigm has evolved through a number of iterations over the years. Where initially, though avowedly "economic", it was characterised by a strong, explicitly pro-poor social welfare bias, and located as a community development function essentially within the welfare sector, it has now evolved to a more comprehensive economic approach, albeit arguably one still narrowly focused on communities as closed entities substantially in isolation rather than on communities within their more comprehensive open economic context. The initial LED Guidelines issued by government in 2000 (Republic of South Africa 2000a) reflected a rejection of earlier market- and primarily industrial investment-driven development policy based on subsidisation. In de-emphasising the market the approach had, however, arguably removed itself substantially from the "economic" milieu. The early guidelines identified a number of imperatives as pillars of the new "LED" approach namely: community development, the development of human capital, improved provision of municipal services, the reduction of "leakages" from local economies and the retention (and, where necessary, protection) of local economic activities (Bond 2002). LED was promoted essentially as a "bottom up" approach which tended further to suggest "new local economics" and to miss the essential fact that often solutions to community developmental challenges are not to be found in those communities but require integrated solutions and engagement across many jurisdictions outside of those communities. The "bottom-up" approach therefore may be argued to have had the effect of fragmenting the LED initiative that should in fact have been integrated from the start. It also tended to suggest a role for municipalities in parochial economic development for which they were inadequately capacitated and for which in fact they were not constitutionally mandated. The year 2000 also saw the enactment of legislation enshrining in statute the policy principles reflected in the earlier White Paper on Local Government and enjoining municipalities to engage in integrated development planning and to produce Integrated Development Plans (IDPs) (Republic of South Africa 2000b:36–46)

regulated to contain an explicit LED component. A problem was, however, that these provisions appeared in local government legislation, fortifying the notion in the bureaucratic mind that LED was a local government matter and arguably further alienating it from the larger economic fabric and cementing it as a largely parochial community activity. An IDP is in fact defined in the relevant statute as "...a single, inclusive and strategic plan for the development of the municipality..." (Republic of South Africa 2000b:36). However, the nuance of interpretation of the term "municipality" whether as an "entity" (*the municipality*) or as a "geographic area" (*the municipal area*) as defined in Chapter I of the Act is most often missed. IDPs and their associated LED strategies are narrowly viewed to be proprietary plans for and by the local government, frequently not recognising or engaging with activities of other agencies, or external influences, affecting the municipal area and its residents, or indeed the local economy. Likewise, departments and other agencies in the national sphere in particular, but also in the provincial sphere, do not participate sufficiently actively in integrated development planning activities. The results frequently are "integrated" development plans that are anything but "integrated".

Further LED guidelines appeared in 2001 (Republic of South Africa 2001) and a draft LED policy appeared in 2002 (Republic of South Africa 2002). In 2003 Meyer-Stamer (2003a:5) observed that "...in South Africa, LED is a mandatory task of local government. However, there is no clear concept and no consistent pattern of implementation...". Similar findings on the state of confusion prevailing in the interpretation of an LED paradigm were also expressed by others at this time. A study led by Rhodes University found in 2005 that "...(t)here is a need to ...arrive at an acceptable series of definitions of just what is meant by key terms such as: LED, pro-poor LED, pro-growth LED and pro-poor growth /inclusive LED. Given the lack of consensus about these terms nationally and internationally, consensus is clearly needed..." (Rhodes University 2005:87). Further LED guidelines appeared in 2005 (Republic of South Africa 2005) and 2006 (Republic of South Africa 2006a).

But a shift in emphasis was indeed taking place away from the earlier narrow communo-centric, pro-poor view toward a more comprehensive and inclusive developmental approach that embraced local "community" economies as elements or building blocks of an integrated economic developmental ecology. Economic growth and poverty eradication were key preoccupations of the 2005 guidelines (Republic of South Africa 2005) while by 2006 the emphasis had shifted explicitly to "stimulating and developing sustainable local economies" (Republic of South Africa 2006a). More nuanced perspectives such as those of Meyer-Stamer (2003b) regarding more effective LED in South Africa, and as summarised as follows by Meyer (2014:5), were increasingly evident in the evolving avowed LED intent, if not in its execution:

“...the creation of a clear distinction between LED and community development initiatives, refrain to solve problems by throwing money to the problem, ongoing analysis of local economic sectors and address market failures, stimulate entrepreneurship and business development, maximize existing local resources such as finance, natural resources, and human skills by the utilisation of mentors, identify and implement “quick wins” projects and creation of a strong partnership between public and private sectors...”.

Indeed, the approach to LED has finally evolved to a point where it “... is concerned with creating robust and inclusive local economies that exploit local opportunities, address local needs and contribute to natural development objectives such as economic growth and poverty eradication...” (Meyer 2014:5). The nuance shift appears, however, not to have been effectively communicated to all practitioners in the LED value chain, many of whom are insufficiently capacitated for such a process. Blair and Carroll (2009:250), in supporting a nuanced approach as between “welfare” and “economics” in community development, observe: “...Communities that tilt too far in favour of programs that assist the poor at the expense of wealthier population cohorts face the destabilising prospect of attracting more poor and discouraging wealthier residents.... (On the other hand) state and local governments may seek to attract businesses and wealthy residents at the expense of low income groups. A race to the bottom can develop in which benefits to low-income groups are reduced to make the area more attractive for more affluent groups...”. Blakely and Leigh (2010:329–356) draw a significant distinction between “community development” and “community economic development”, the latter itself an element of a more comprehensive notion of “local economic development”. Where community development traditionally focuses on a broad range of development issues, “...community economic development focuses on the neighbourhood scale of socioeconomic transformation in a distressed locality. Community economic development seeks to improve conditions within a geographic area that is populated by the disadvantaged and unable to control its socioeconomic direction or resources... Development efforts...within the neighbourhood may very well need to focus on strengthening linkages external to the neighbourhood. Strengthening those linkages often entails the economic side of community development...” (Blakely & Leigh 2010:329). By this measure it seems that what in the South African development paradigm had for over a decade passed for “local economic development” was in fact the more limited notion of “community development” or “community economic development”, with a relatively unstructured approach to, and de-emphasis of, the building and strengthening of economic linkages. This approach manifested in an emphasis on “popular participation” and the designation in the main of Community Development Officers (so-called CDOs), with a

welfare rather than an economic background, to perform the LED role in the local government sphere.

South Africa's National Spatial Development Perspective that appeared in 2006 further informed the apparent catharsis in thinking regarding the LED paradigm in South Africa (Republic of South Africa 2006b:70–90). This national policy perspective on spatial development explicitly recognised that a disjuncture existed between the needs of communities on the one hand and the potential of those communities to address and sustainably satisfy those needs *in situ* on the other, and provided a more explicitly regional rationale for economic development with which the prevailing “LED” approach had to come to terms. The national perspective had been preceded by a pioneering initiative in similar vein in the Western Cape to perform a matrix mapping of the growth potential of towns in the province and their developmental needs that also suggested a more spatially nuanced and widely strategic approach to LED (Western Cape 2004). It was increasingly evident that LED involved a great deal more than the comparatively banal parochial conception of “...local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives...” as envisaged in the 1998 White Paper and still a stubbornly pervasive theme in conventional LED thinking. In reality, as suggested by Blair and Carroll (2009:89–130), LED is a proposition within the wider context of regional development and needs to be informed by that body of knowledge. Local economies are largely open systems, interacting dynamically with the wider regional contexts in which they are located. A parochial view of LED frustrates such perspectives. National legislation providing for example for the establishment of industrial development zones (IDZs) in South Africa (Republic of South Africa 1993) and special economic zones (SEZs) (Republic of South Africa 2014) have direct LED implications for communities and are thus, in an informed and comprehensive LED paradigm, integral elements of nuanced LED strategy and practice that admits all available means to optimise interventions in support of development in local communities, irrespective of whether or not they fall within local government mandates or indeed originate within local communities.

Locating South Africa's Theory of Action in Local Economic Development

That local government has a role in LED is generally not in doubt. However, what seems to be a problem is the assignment of roles in LED and the commensurate capacitation of government in accordance with those roles. Blair and Carroll (2009:249) observe:

“The role of government in economic development goes beyond subsidies and tax abatements that directly affect business decisions. An equal or more important role is performing a number of traditional tasks well, creating the overall atmosphere that encourages economic development. Accordingly local economic development (LED) officials are involved in a wide variety of local governance issues...”

Indeed, the potential impact of local government actions on the local economy generally goes far beyond the direct effect of its comparatively limited explicitly “economic” functions. From its inception LED in South Africa was synonymous with local government. Yet the Constitution (Republic of South Africa 1994) in Section 156 assigns only a relatively limited number of explicitly “economic” functions to the local government sphere. A common problem is encountered with the uncritical and insufficiently nuanced interpretation of the local government mandate and particularly of the provisions of Section 152 of the Constitution dealing with the objects of local government. These “objects” are often erroneously interpreted as “functions”, fortifying the impression that local government is comprehensively responsible for the promotion of economic development, a role for which it is insufficiently capacitated. The National Planning Commission in regard to the interpretation of local government mandates also had cause to observe (National Planning Commission 2011:24): “...A lack of clarity about the powers and functions of local government exacerbates the financial problems faced by municipalities and is a critical factor impeding progress in service provision. This has led to municipalities being saddled with a burden of “unfunded mandates” in areas such as housing, libraries, roads, water treatment and other infrastructure...”

The White Paper of 1998 in Section B explicitly addresses as follows the nuanced role of local government in LED (Republic of South Africa 1998):

“...Through its traditional responsibilities (service delivery and regulation), local government exerts a great influence over the social and economic well-being of local communities. Each year municipalities collect a large sum in rates, user charges and fees. They employ thousands of people throughout the country. In many cases they are responsible for the price and quality of water, electricity and roads, and they control the use and development of land. In parts of the country they own substantial amounts of land. They purchase goods and services and pay salaries, and therefore contribute to the flow of money in the local economy. They set the agenda for local politics, and the way they operate gives strong signals to their own residents and to prospective migrants or investors. These functions give local government a great influence over local economies. Municipalities therefore need to have a clear vision for the local economy, and work in partnership with local business to maximise job creation and investment. Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active

steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities. Provision of basic household infrastructure is the central contribution made by local government to social and economic development...".

In 2005 it had been opined that, "...The recognition of LED as a function has mostly come from IDPs, not from a formal allocation of functions and indeed this is not recognised in Schedules 4 and 5 of the Constitution which define the functions of provincial and local government..." (Rhodes University 2005:87). A similar theme is developed in paragraphs 28–30 of the LED guidelines of 2005 (Republic of South Africa 2005):

"Whilst the Constitution (1996) places a great responsibility upon municipalities to facilitate LED, the schedule in the Constitution that lists the functions of municipalities does not include LED...it is envisaged that municipalities play a connector role in respect of LED whereby they draw on resources locked in a range of different government support instruments into their localities...The idea is not for municipalities to run programmes themselves but to focus on establishing forums to build partnerships and to network with a range of stakeholders...Finally LED should not be viewed only as a programme but everything that a municipality does impacts on the local economy...For example, procurement policies can be structured to address the use of local labour, and all infrastructure development should reflect positively on the development of the local economy, whatever its purpose..."(Republic of South Africa 2005).

In short, the powers and functions of local government assigned in Section 156 of the Constitution should be exercised in a way calculated to have the maximum impact on the social development of communities, addressing the needs of the poor, and the growth of the local economy. LED as such is not a function of local government, nor does it imply the assumption of additional functions by local government. Rather, it requires a more economically informed and nuanced approach to the exercise of the functions explicitly assigned to local government in terms of the Constitution in such a way as optimally to support the development of robust local economies as a sustainable basis for improved community prosperity.

These nuances of interpretation of the role of local government in LED appear largely to have been missed. Indeed the authors' experience has been that few officials in the local sphere charged with LED have engaged at all critically with the relevant source documentation or the operative LED paradigms and approaches to LED as reflected in the various guidelines. Instead, LED strategies and interventions in the local sphere remain significantly detached and disjointed, determined by whim, fiat or expediency rather than by coherent economic rationale, and with a prevailing parochial *ad hoc* project bias. Whereas municipalities are required in terms of the White Paper on Local

Government of 1998 to play a “connector” role in LED, with the exception possibly of the larger metropolitan local authorities currently comprising nine out of a total of 267 local authorities in South Africa few local authorities as yet can muster the necessary insight and capacity adequately to interpret and perform that role. In 2005 the question had already been asked in relation to the LED responsibilities placed upon municipalities “...whether many local governments are actually in a position to assume such responsibility given the nature of the applied constraints which they face?” (Rhodes University 2005:81). This key fatal deficiency arguably has had, and continues to have, significant implications for the efficacy of LED as an instrument for development in South Africa. Statutorily, in terms of Section 27 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), district municipalities are enjoined to inform the approach to integrated development planning of Category B municipalities comprising their districts (Republic of South Africa 2000b:39), but this most frequently is not comprehensive and district municipalities themselves are capacity constrained. The National Planning Commission had cause in 2011 to observe that “...(o)utside the metros, the two-tier structure of local government is not working as efficiently as the policy makers had intended. This is primarily because the districts have inadequate financial, human and physical resources to play their intended planning and coordination roles” (National Planning Commission 2011:24).

In response to the perceived incapacity of local authorities to engage optimally in LED a tool was developed in 2009 to assess the LED “maturity” of local authorities against fixed criteria (SALGA 2013). This tool was intended to be implemented in both the local and provincial spheres in order to attempt to identify and target specific LED implementation capacity deficiencies. After initially being rolled out in Gauteng, it was employed in Mpumalanga and parts of the Eastern Cape. In 2012 the Western Cape Department of Economic Development and Tourism (DEDAT) began using the tool to inform their support of LED (SALGA 2013). The value of the tool will, however, ultimately depend on the employment of a suitably contextualised and appropriately nuanced South African LED paradigm to inform the maturity metric.

The roles of the various public sector agencies in LED in South Africa have been summarised as follows (SA LED Network 2016):

- **National government:** Coordination of public policies and investment programmes. A National LED forum exists for the purpose.
- **Provincial Government:**
 - i. Coordination–Provincial LED forums should be established to mirror the national forum in the provinces;
 - ii. Resource allocation in accordance with the requirements of municipal IDPs; and

- iii. LED capacity building and LED support to municipalities.
- **Local Government:** Creation of a favourable environment for LED through a partnership between business, community interests and municipal government.
- **Government Agencies:** The Small Enterprise Development Agency (SEDA) and the Sector Education and Training Agencies (SETAs) responsible for capacity building are specifically identified as potential role players in LED.
- **Foreign Donor Agencies:** Foreign funding is regarded as particularly significant in LED interventions.
- **Local Economic development Agencies (LEDAs):** Such agencies take various forms and are established in the local government LED space for specific LED purposes.

While the organisational links of the LED value chain are thus present, anecdotal evidence suggests that the institutional linkages across jurisdictions by way of strategic mapping and systematic structured engagement along LED value chains connecting these links are as yet largely absent. Problems of integration are compounded by deficiencies in integrated development planning processes in the municipal sphere that retain a largely parochial focus and still produce municipal IDPs that are not “integrated”.

In diagnosing the root of the problem frustrating the performance of the public sector in the wake of transformation, inevitably also reflected in part in South Africa’s legacy of performance against the LED imperative, the National Planning Commission has observed that “...policies designed to improve the representivity of the public service work best when accompanied by effective management, training and recruitment processes. Where management structures do not operate effectively, the need to focus on improving staff skills through mentoring and training is neglected...At the local government level, past practices of engaging professional institutes in the training, selection and development of senior managers have diminished, while bodies like the Institute of Municipal Finance Officers and Municipal Engineers have little influence over appointments to critical positions. The result has been a reduction in the number of professionals available to the state, and a looming crisis in the generational reproduction of professional expertise as the ageing cohorts continue to leave the system. This skills deficit has an adverse impact not only on frontline service delivery...but also on the ability of government to engage in long-term planning (and)... coordination across institutions...” (National Planning Commission 2011:23). To the extent that effective LED requires value chain linkages across many jurisdictions and governmental spheres, the cumulative effect of inadequate performance at multiple points along the LED value chain on LED outcomes stands to be significant.

Correcting these problems presents a particular challenge. Andrews, Pritchett and Woolcock (2012) have warned against the dangers of “isomorphic mimicry”

in the form of cosmetic interventions to achieve sustained improvement in public performance resulting in a flow of development resources and legitimacy without demonstrated improvement in performance, thereby undermining the impetus for effective action to build state capacity. A consequence of such false initiatives is what they term "...capability traps in which state capability stagnates, or even deteriorates, over long periods of time even though governments remain engaged in developmental rhetoric" (Andrews *et al.* 2012:1) They propose a process of Problem-driven Iterative Adaptation (PDIA) involving:

- Finding local solutions to locally-nominated and defined performance challenges as opposed to transplanting preconceived and packaged "best practice" solutions;
- Creating an authorising environment for decision-making that encourages positive deviance and experimentation as opposed to compliance;
- Establishment of tight feedback loops to facilitate rapid experiential learning rather than reliance on formal *ex-post* evaluations; and
- Broad engagement to test viability, legitimacy and relevance of innovation rather than sole reliance on "top-down" innovation by external experts.

It appears that South Africa's LED initiative may well be caught up in just such a "capability trap" requiring decisive multi-dimensional intervention at a number of points and levels in the value chain.

"SOCIAL CRITICISM"–TOWARDS PERFORMANCE MANAGEMENT OF LED

Rabie and Cloete (2013) have remarked on the emergence of evidence-based decision-making as the prevailing international paradigm for policy analysis and -management. However, the amorphous nature of many, if not most, formal LED programmes and interventions render the analysis of performance, if not the achievement of performance itself, problematic. Indeed, it has been observed that "...LED is often conducted in a pragmatic and *ad-hoc* way that makes monitoring and evaluation difficult..." (GTZ & Mesopartner 2008). In the absence of value-chain analysis and a strategically mapped approach *ex ante* to LED intervention, *ex post* "outcome mining" generally is resorted to as a reference basis in evaluating LED performance. Rabie and Cloete (2013) have suggested such a scheme of generic outcome indicators for measuring LED results.

In 2005 it had been observed of LED in South Africa that, "...Monitoring and evaluation (was) weakly developed and often not applied, poverty targets are not always in place and many municipalities are not able to fully ascertain the impact of their actions..." (Rhodes University 2005:81). Anecdotal evidence

suggests that after the passage of a further decade performance management of LED in South Africa still remains problematic. In general *inter alia* the following deficiencies still present on a case-by-case basis in the municipal sphere:

- Inadequate identification of outcomes to be achieved;
- Lack of a logical progression of cause and effect through intermediate stages of intervention toward desired outcomes i.e. lack of a clear theory of change;
- Inadequate indicator development corresponding to outcomes and intermediate outputs and objectives;
- Inadequate process planning rendering the definition of appropriate indicators of process efficiency problematic i.e. lack of a clear theory of action;
- Inexplicit role definition and assignment of responsibilities along value chains and across governmental and other spheres and jurisdictions towards LED outcomes;
- Inadequate resource planning rendering the determination of resourcing efficiencies problematic; and
- Economic naïveté and insufficient economic insight constraining capacity to generate appropriate LED intervention strategies and to construct coherent value chains for their implementation.

CONCLUSION

With the pronouncements in the White Paper on Local Government of 1998 South Africa embarked on an ambitious journey in LED. But the achievement of its objects have arguably been frustrated by unsettled and parochial paradigms, the lack of a *structured integrative approach* to LED that recognises its dividends as the shared outcome of a complex of deliberate, mutually supportive actions across governmental spheres and jurisdictions, and by ancillary problems such as deficiencies in integrated development planning processes and lack of capacity of key role players at multiple points in the LED process. To the extent that a flow of development resources and legitimacy into the LED approach in South Africa over two decades, despite continual evaluation and diagnosis, as yet has not delivered the level of cohesion and focus in performance across jurisdictions necessary for its realisation, it appears that South Africa may well be caught in a capability trap from which only deliberate and concerted action on a number of fronts will release it.

NOTE

Ackron, J.C. Comparative Perspective of the Policy and Praxis of Local Economic Development in South Africa and Rwanda. Unpublished Doctoral Thesis. Johannesburg: University of Johannesburg.

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