

STRENGTHENING LOCAL ECONOMIC DEVELOPMENT IN A DEMOCRATIC SOUTH AFRICA



DDP

DEMOCRACY DEVELOPMENT PROGRAMME

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Foreword

South Africa has affirmed itself as a developmental state and local government has been constitutionalised. Critical to that process is the promotion of socio-economic development at the local level. Local Economic Development (LED) which had its origins in the developed countries some four decades ago has been high on the local government agenda following the ushering in of local democracy in the early 1990s. It is viewed as being a key component of the Reconstruction and Development Programme (RDP) which prioritised a co-ordinated and coherent economic development strategy. LED has to complement both nationally and provincially driven economic strategies, programmes and policies. The then Growth, Employment and Redistribution Strategy (GEAR) viewed public investment as a strategy to finance public infrastructure. Thereafter, the Accelerated Shared Growth Initiative of South Africa (ASGISA) which followed sought to improve and develop the capacity of local government to facilitate LED.

Poverty alleviation and unemployment are two key development challenges that has been prioritised by the Government. It has been recognised that LED is an important development strategy for the alleviation of poverty; promotion of economic growth and more importantly addressing localised socio-economic challenges which has been prioritised in local governance in South Africa. In response to the developmental challenges experienced by local authorities, the Government has introduced a national policy on LED which seeks to encourage the competitiveness of the populace and resources locally and internationally and more importantly, support and complement the range of sectoral initiatives introduced to addresses socio-economic challenges. LED is viewed as a concurrent responsibility of all three spheres of government and is a key component of the integrated development plan and other strategies and initiatives at the local level. However, the lack of co-ordination and alignment between the spheres and structures of government has impacted negatively on the process. A significant number of municipalities have found it difficult to undertake activities beyond their traditional service provision role and the constraints identified in relation to LED includes inter alia, limited knowledge, understanding and experience of the process; shortage of skilled staff; funding constraints and a lack of political

will to prioritise it. The national and provincial government has to provide an "enabling" environment in which LED initiatives are encouraged, supported and promoted. There is a need for the alignment of policies, strategies, implementation of budgets and co-operative relationships between the local communities, public, private and NGO sectors and labour.

LED policy in South Africa has been evolving and has matured over the years, but the results in terms of outputs and success have been mixed and limited. Consequently, the concept of LED had to be unpacked and demystified with the emphasis on what went wrong, what are the lessons that can be learnt and what are some of the best practices that can be replicated locally and nationally. In the interests of good governance, pro-poor development and to explore possibilities for economic opportunities for the excluded, Democracy Development Programme held a conference in Durban on 24 – 26 April 2012, entitled *Strengthening Local Economic Development (Led) for the Second Decade of Democracy in South Africa*. Challenges highlighted at the Conference included clarity on the meaning of LED, uneven development (competition between localities), access to funding, lack of trust between public and private sectors, limited skills, training of professionals and lack of reliable data for LED planning. Some of the papers presented at the Conference have been published in this volume thereby ensuring that it is distributed to a wider audience and has the desired impact. This publication aims to inspire and provoke new ways of looking at Local Economic Development.

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Local Economic Development in the Commonwealth

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Introduction

The paper has a focus on the Commonwealth experience as it draws upon earlier work which was commissioned by the Commonwealth Local Government Forum (CLGF) (Reddy and Wallis 2011a). As a result of this, it refers not only to Africa but also to other countries in other continents. However, there will be more discussion of Africa than elsewhere. It also discusses some projects, located in various Commonwealth countries, in which the CLGF has been involved. Whilst LED did not originate in the Commonwealth, there is some shared and comparative history which may provide useful insights on theoretical and practical levels. The main emphasis is on the challenges being faced and how these are being met.

Local Economic Development (LED) is not a new concept. Of late, it has become a widely practised development strategy, whilst in many developing countries it is still in the incipient stage. Initially the focus was on the marketing of locations to external investors, linked with incentives, notably tax breaks and/or reduced costs of municipal services (water, electricity and infrastructure development). Later there was a shift to indigenous economic potential, support for competitiveness of existing firms, promoting entrepreneurship and business start-ups. Enterprise development, business support and business linkage mechanisms, access to finance, skills, rural and sectoral development have facilitated the process ensuring a more integrated approach to LED.

The main role players

Local authorities

Local authorities are the key actors in the process, as they are instrumental in service provision and implementing local regulations relevant for enabling effective LED. They can facilitate business development, retention and attraction by marketing local products, offering incentives to support business expansion, providing education and training, supporting small business development and improving infrastructure (Swinburne, Goga and Murphy 2006:13).

Local authorities have a wide range of regulatory procedures impacting on business namely:

- ▷ Reducing the cost of doing business by streamlining business applications and ensuring that municipal tax and service charges are affordable;
- ▷ Analysing the local economy and communicating the complex economic relationships, limitations, and advantages to key role players;
- ▷ Undertaking strategic planning which reflects LED priorities;
- ▷ Providing leadership for LED through civil society mobilisation/public participation; networking to create partnerships and projects; developing sector linkages and clustering of economic activity;
- ▷ Coordinating and funding the implementing of LED projects;
- ▷ Ensuring a high standard of service delivery, improving the quality of life and facilitating economic opportunities;
- ▷ Providing incentives (fiscal; land development, planning and marketing) to attract private investment and identifying and marketing new economic opportunities;
- ▷ Promoting local business development through procurement policies and re-evaluating land use legislation to identify restrictive conditions, particularly those affecting less formal economic activities and
- ▷ Ensuring an enabling environment for local businesses through efficient and effective service and infrastructure delivery, and stimulating business growth. (Swinburne *et al* 2006:14)

A key issue in any locality that impacts on the ability of enterprises to be competitive is local governance. Camagni in Perry (2010:31) points out that there is some variation in the extent to which local management and administrative processes bring together representatives of the public and private sector, and encourage a collective approach to problem solving and coordinated investment in public infrastructure. Local authorities should be creative in terms of developing mechanisms to enhance their business platforms by ensuring that good transport infrastructure is provided, high quality physical locations, reliable urban services and good telecommunication access are available to conduct business.

It needs to also be:

1. **Policymaker:** small business should have greater access to the tender process; ensure that regulations and bylaws do not become barriers to local growth and investment; streamline the approval processes for investment and facilitate the capacity-building process locally;
2. **Entrepreneur/developer:** local authorities as property owners should explore the commercial potential of these assets with other stakeholders (Simpson 2009:5);
3. **Promoter:** key local government functionaries should market the locality, thereby projecting a positive image;
4. **Catalyst/stimulator:** certain actions taken can stimulate or catalyse business and development initiatives – brochures, urban renewal, developing industrial estates and creatively using facilities for major cultural and sporting events (Simpson 2009:5). It also involves the identification of those activities and target groups requiring guidelines, monitoring, and intervention in order to ensure the sustainability of LED initiatives
5. **Lobbyist:** local governments and local government associations can lobby national and provincial/state government on policies and programmes that benefit their localities;
6. **Coordinator:** there is an increasing recognition of the crucial role that local authorities are playing in coordinating various interventions and initiatives aimed at promoting LED.
7. **Facilitator:** local authorities play a strategic role in LED, and communities and other stakeholders are the actual implementers of local initiatives
8. **Enabler:** if local authorities are local institutions of development, they should be creating an enabling environment where communities are empowered to use local government to meet their needs.

National government

The development of robust and inclusive local economies requires a high-level or intergovernmental co-ordination, both horizontally (between national government departments) and vertically (through all spheres of government) (Republic of South Africa 2005:23). Often the LED mandate is not well defined in local government legislation and therefore not clearly set out in the legal or regulatory frameworks of other relevant sectors such as agriculture, industry, trade or vocational education. This can also have a significant impact on resourcing levels. It is important that economic policies and strategies, both macro and micro, are clearly understood and articulated so that the key role players and stakeholders can coordinate their thinking.

National departments should not only disseminate the relevant information on opportunities and resources available locally, but also ensure that it is properly planned and coordinated so that there is a single vision for LED nationally. A national

policy framework can clarify a local economic development understanding of the national economy highlighting sectors, clusters of specific activity etc, help to make macroeconomic policy more responsive to local realities, and provide a focus on refining the respective functional responsibilities of respective stakeholders active in LED, including local government.

There should also be access to finance (through grants, loans or financing mechanisms), particularly for those that are disadvantaged and marginalised. The development of relevant skills should be encouraged and promoted.

National tools and instruments that are used to facilitate local growth and development must be used optimally and include the following:

- Good infrastructure does not guarantee a successful local economy, but it can make an important contribution to it.
- Labour and skilled resources are required and short-term jobs can be created.
- More local enterprises can be awarded contracts thereby ensuring resources remain in the locality;
- and short-term unskilled labour intensive jobs should be transformed so that permanent jobs in the community are created.

Provincial/state and district government

Not all countries have provinces or states but most have administrative districts. In much of the Commonwealth and especially in Africa, there has been a tendency, inherited from colonial rule, to practise a deconcentrated rather than a devolved form of administration and governance at local level. The main reason for this is to ensure that national government has representation and thus exercises control and direction. A recent survey of five countries in Africa (all in the Commonwealth) confirms that this tendency exists (Kathyola and Job 2011). In these circumstances, it is essential to factor this into the understanding of how national government contributes to LED, as key national departments with developmental portfolios as well as coordinating bodies and officials, such as District Commissioners, have relevant responsibilities at local levels.

These levels of government (where they exist) are required to coordinate resources transferred to their departments and to ultimately ensure that the priorities and initiatives at the local level are realised. Provincial/state departments dealing with LED notably those responsible for local government oversight or economic affairs should be adequately capacitated and empowered for developing and stimulating the local economy. These departments should always see this as a major delivery area, which municipalities must provide for their communities and citizens (Republic of South Africa 2005: 27-28). They should support and strengthen municipalities to address LED as a key governance capability through technical assistance, economic develop-

ment resources and business information (Republic of South Africa 2005:28). Consequently, a more robust provincial/state economic development role is therefore key to strengthening and supporting co-operative governance and coordinating action that promotes growth and development across all spheres of government and social partners

Civil society

Through various community and other local organisations it is possible to legitimise the process and increase the chances of long term sustainability. A practical developmental agenda must be adopted by the community which focuses on realistic and sustainable goals, long term plans and small visible achievements by involving people, which is key to empowerment. It is thus vital to secure community volunteer efforts to support LED implementation programmes. A core group of capable and respected local leaders, who are prepared to commit time and local knowledge to LED should be identified. The active engagement of women in local leadership is critical.

Private sector/business

The private sector has a key role to play in LED as it can increase the understanding of the local economy and is more informed about local problems and opportunities to be addressed by the LED strategy (Swinburne *et al*, 2006:14).

It can support small local business development through advisory and linkage mechanisms, sub-contracting and tendering; and work on feasible expansion strategies whilst at the same time taking cognisance of environmental issues. Opportunities for clustering should be promoted across businesses to enhance the competitiveness of local industries.

The private sector is critical to unlocking the potential of a locality. It is imperative that local government is able to work in collaboration with the private sector to unlock the potential and transform the local economy into a vibrant and dynamic one.

LED in Africa

LED has so far had a mixed record in Africa. Some of the research available shows that one of the main difficulties is that a low priority is given to it because local government faces other pressing needs, one of which is survival. In the case of Lesotho, for example, there is little to suggest that the new local government system has so far contributed very much to development in the past decade (Monaheng 2005: 33, Kapa 2011: 10).

Some of the initiatives that have occurred are found on the Local Economic Development Network in Africa website (www.ledna.org). This is a donor funded network which began in 2008 and is a valuable source of information, in the form of regular newsletters, for researchers and practitioners.

A large number of African governments and the donor

community have demonstrated a growing interest in LED as a catalyst for facilitating economic growth and ensuring socio-economic benefits to deprived communities. The assumption is that while the public sector can best provide the basic engine for economic development through infrastructure provision, it is the local private sector that will ultimately generate the levels of growth that will lift people out of poverty.

A survey of local government in Commonwealth Africa covers five countries in quite a comprehensive fashion but only one of these case studies even mentions LED. The analyses of Botswana, Mozambique, Tanzania and Cameroon exclude meaningful discussion of the concept, whilst the Ghana report has a discussion which is both interesting and negative in tone. LED in that country is described as a 'total flop as the money was considered by the beneficiaries (most of whom were ruling party supporters) as payback for their loyalty' (Kathyola and Job 2011: 132). The consequences were poor loan repayment and unwillingness on the part of local authorities to put in further finance. However, the picture is not a completely bleak one. Donor funding from the international Labour Organisation on a pilot project basis shows encouraging signs (Kathyola and Job 2011: 132-133).

In the case of Kenya, it has been reported that a comprehensive multi donor report on development from 2007 to 2012 largely ignored LED (Reddy and Wallis 2011: 68). However, the country's new constitution makes provision for substantial enhancement of the status of local government, which might lead to more emphasis on LED once the new system settles down; chapter eleven implies this (Republic of Kenya 2010: 107-108). This might be possible since the country has exceptionally lively small enterprise and cooperatives sectors, which might be linked to LED efforts in the various counties that are being created (Reddy and Wallis 2011a: 54).

There can be little doubt that the main player within Commonwealth Africa has so far been South Africa where the past decade has witnessed a number of municipalities making progress, albeit with mixed records. One interesting development has been attempts to link local government procurement policies and procedures to LED in support of small business and to some extent cooperatives (Reddy and Wallis 2011b). Another study also makes the point that there seems to have been more research on LED in South Africa than has been the case elsewhere. This may also indicate a difference between South Africa and other countries in terms of the amount of LED that is actually being implemented, although the authors also report that 'LED as an alternative development approach is taking root in much of Africa' (Rogerson and Rogerson 2010: 473).

The Local Economic Development Network for Africa (LEDNA)

LEDNA plays an important role in linking countries concerned

to promote policies and programmes in the LED field. It works closely with local government associations such as those in Zambia and Botswana to build capacity through Knowledge sharing. Free access can be obtained to about 3,000 peer reviewed resources. Blogging between members is facilitated. Discussions on the web site include the role of women, value chains, procurement, small scale mining (collaboration with larger companies) and vocational training for rural development in Uganda (summary of LEDNA web site accessed on 14-12-10).

LED in urban Africa

A UN Habitat Study by Simone (2002:18) pointed out that in many African cities, the widespread insecurities in terms of tenure, livelihood and personal safety has made residents "reluctant to invest time and resources into institutionalising a sense of place". Globally, while many other developing countries have benefitted from globalisation and localisation, economic growth and poverty reduction rates have been slow in African countries but the private sector has been growing. In addition, the number of civil society organisations has also been increasing. These new developments provide an opportunity for credible partnerships as LED can complement and also be an alternative to existing development strategies on the continent. The benefits are increased participation of local communities, the formulation of more balanced development strategies, sustainable development and a new strategy for addressing the problems of urban centres and city-regions (Rodriguez – Pose and Tijmstra, 2005:75).

The Caribbean experience

Economic liberalism and globalisation impacted negatively on economic relations and consequently Caribbean countries had to adjust their markets through liberalising their economies. Local economies exposed to increased competition in an open economy faced several socio-economic challenges, increased unemployment among especially unskilled workers; and closure of small businesses due to lack of business knowledge, capital; new technologies; management expertise and marketing tools (Simpson 2009:3)

A new economic system, the Third Economic Way was proposed for responding to development challenges in the Caribbean and a transformed local government with a strongly enhanced civil society sector was critical to the process. Duncan in Simpson (2009:4) points out that "key to the achievement of 'a third economic sector' is a renewed and vitalised local government as a vital pillar in a new structure of community governance,... primary official institution ...invested with the power and authority to act,... radical and urgent reform of the local government system,... to achieve major new tasks".

It has been accepted that municipalities in the region need to

be more active in terms of facilitating local development. Although LED is a relatively new concept in the region, local authorities in Belize, Guyana, Jamaica, and Trinidad and Tobago have progressed beyond their basic role and embarked on several LED initiatives (Simpson 2009:5). Some of the challenges experienced to date are difficulties in securing credit from traditional financing institutions and credit agencies; insufficient trading and knowledge of marketing; limited infrastructure, planning and community involvement; resource mobilisation and the need to strengthen investor confidence; local government has no formal mandate to respond to socio-economic issues and strengthening institutional and community capacity (Simpson 2009:9,13,18 and 19).

A review of challenges

LED as an unfunded/under-funded mandate

This appears as a problem in several states where there is a gap between what national governments and society in general may expect of local government and the resources that can be marshalled to enable it to happen. Whilst this is a general problem faced in relation to a wide range of functions, such as public health and water supply, this certainly can apply to cases where LED is seen as strategically and even constitutionally or legally required of local authorities but where funding for this purpose is not available.

Municipalities are highly dependent on national government for funding to carry out local responsibilities as local taxation is often inadequate to support other activities.

There is a tendency for LED to find its way into constitutional provisions and policies but that does not mean that funding is possible especially where local revenue bases are weak. This challenge is being addressed within the framework of the 2010 Kenyan constitution, for example, where county governments are expected to carry out a multitude of functions but it is still not clear whether the revenue sharing proposals, which appear to depend heavily on central government, will be workable (Republic of Kenya, Committee of Experts on Constitutional Review 2010: 72, Republic of Kenya- Laws of Kenya (the Constitution) 2010: 107-108).

Uneven development and its consequences

The economic histories of most states have created the phenomenon of uneven development (Cox 2002). This is characterised by there being certain areas within states where industrialisation and other forms of economic development have taken root but others where economic activity is very limited (for example, areas where pastoralism and subsistence agriculture feature strongly). In many ex-colonial states rule this has arisen from variations in how this experience influenced economic histories. Examples would be Zambia's 'line of rail' and the Copperbelt geography of develop-

ment with its associated neglect of areas which fall outside those regions, or Guyana where there are sharp contrasts between the coastal areas where there is industrial and commercial activity, as well as a history of plantation agriculture, and the inland areas; this contrast is well described by Naipaul who visited the country when it was experiencing its transfer of power from British colonialism to independence in the early 1960s (Naipaul 1981: 86-162). This is also a feature of Australia and Canada, which have high levels of development in many areas but there are also parts of them, particularly inland, which have historically enjoyed limited development.

The choice of geographical location for businesses and households is becoming an increasingly important consideration. Linking this point to urban planning, van Vliet (2002:36) states that 'Locational features impose certain restrictions but they also provide opportunities for local development choices, allowing cities to take advantage of unique qualities that can be "marketed". However, this emphasis on marketing and entrepreneurship in urban development planning can be seen as having a down side: 'cities that do not have the resources to attract outside interest and investment may find themselves even more bereft and impoverished' (van Vliet 2002:37). What is implied here is that LED carries in its wake a degree of competition between localities to attract business activity and the outcomes are likely to favour those who are already stronger than others. Turning this phenomenon around is a serious challenge for which there are no easy answers. Some countries have been able to progress on this front more than others; Botswana and Australia are examples where mining opportunities have led to economic transformation in places distant from the main urban centres.

Note should also be taken of the circumstances faced by small but nevertheless complex states such as the Bahamas in which levels of development have been unevenly distributed between New Providence and Grand Bahama on the one hand and the 'Family Islands' on the other with important implications for local government (Mawhood 1991: 6). The search for effective economic pathways in more remote areas is therefore of considerable importance to national governments and particularly for those who live there and the local authorities which serve them. The competition for business locations can be a continued cause of concern even for areas with a strong economy. Quite often the risk of competition is not identified until an area begins to lose business to a competing area.

LED as policy transfer

In so far as LED is a child of the west, and particularly the United States, there are dangers associated with policy transfer which cannot be ignored. It has been noted, with particular reference to the Caribbean, that 'inappropriate transfer may take place and it is seen a major cause of policy failure in many countries'

(Sutton 2006: 188). There are risks which arise where not enough notice is taken of the 'economic, social, political and ideological contexts' which may differ greatly between the receiving and sending parties to the transfer (Sutton 2006: 188).

These general points about policy transfer certainly can apply to LED as it cautions against the assumption that what works in countries like the USA and Canada can be replicated in places like Lesotho or Malaysia. It also draws our attention to the challenge of ensuring that LED policy and its application are grounded in local realities such as the skill attributes of the local population and the investment climate.

Challenges associated with rural local government

There are several factors requiring discussion. The capacity problems rural local authorities face are often greater than elsewhere. This is particularly true in areas where poverty levels are high and business activity of limited scope. This creates scenarios in which revenue bases and other resources for local authorities, and therefore their ability to play a meaningful role in enabling LED are likely to be insignificant compared to bigger urban centres.

An important factor in many countries, especially in Africa and the Pacific, is the role played by traditional leaders in local development initiatives. Traditional leadership is often an important part of local governance.

There are also cases where there are politically fuelled tensions between elected representatives (councillors) and traditional leaders. These tensions can impact negatively on LED.

Another difficulty is that rural areas tend not to have the same scope for economic partnership as may exist in urban settings. Chambers of Commerce, for example, are typically urban orientated. Where there are effective rural cooperatives, there might be exceptions but this is quite unusual.

Historically, the growth of local government in the last two hundred years has been urban biased. Whilst the institutions created in North America and Europe (mainly) were about responding with structures and functions that could meet pressing infrastructural and quality of life needs of growing urban populations, less attention was given to rural issues and needs. Thus, the paradigm within which policy makers have operated in developing countries was largely derived from an urban understanding of the realities to be managed.

One result of this difficulty is the default assumption that deconcentration (dispersal of responsibilities and powers to field officials of central government departments), rather than devolution (through elected local government), is a more suitable model for rural areas with local authorities playing a minimal formal role in LED. This has certainly been the case in most parts of Africa where local authorities are often seen as the 'poor relations' of the representatives of central government.

Integration and its difficulties

A feature of LED is that it often involves a need for integrated action by different organisations. For example, within a local authority the building of a substantial complex for small businesses may require inputs from a large number of departments such as architectural services, public health, police, licensing, traffic and transportation and urban design – to name but a few.

This means that close attention has to be given to planning and working inter-departmentally. The challenge posed here is a real one as a frequently observed problem in development management is that integration is lacking. Attention to the creation of improved structural arrangements to cope with this dilemma is needed, as the alternative is continued disappointment with the results of implementation.

The challenge here is to find the most appropriate model to the needs and circumstances of particular states. Several questions emerge such as: how decentralised should such structures be and how far can they be accountable to elected local government? And why does responsibility not lie with democratically elected local government's which may be perceived to have a more legitimate mandate? This is particularly important to ask in contexts where highly centralised structures appear to enable elite control and access to business opportunities.

In most cases, structures for business development are independent or semi-independent of local government. Chambers of Commerce are examples of the former, as are, but to a lesser extent, cooperative societies. Both of these types of organisation may support small business but to varying extents. Cooperative societies often exist in order to support small enterprise, although they may ultimately become large enterprises in their own right. Kenya represents an example of this kind of growth; banking and insurance are examples of sectors where this has occurred (Satgar and Williams 2008: 16-27).

Given the desirability of Chambers of Commerce being independent, what linkages can nevertheless be created with local government?

Whilst in principle, the basis for partnership may be strong, in practice there are likely to be significant areas of tension and conflict especially where political differences form part of the equation.

There is also an important part to be played by the financial sector. In analysing LED, it is important to stress that the role commercial banks can play is limited by the priority they have to attach to the profit motive. For them, LED projects are often seen as unbankable, as the business risks entailed are seen as excessive. This then raises the question of other types of bank which have closer links with the public sector. These banks have emerged in a number of countries but have mixed records; the challenges have been considerable as issues such as poor

servicing of debt by clients and corrupt practices by staff and management have occurred.

Another aspect of this challenge is that in many countries there is a parallel structuring of local institutions of governance in which elected local government exists side by side with field officials representing central government (trade and industry, agriculture, etc.). There is thus a mixing of deconcentration and devolution. The overall structure is often headed locally by officials playing a combination of coordinating, public order, regulation, and often political roles.

Competing priorities

Within local authorities, there are various functions apart from LED to be performed. The precise mix varies from country to country and often within countries. However, although basic service delivery is important in enabling LED, in so far as LED initiatives need to be supported by resource allocation, they can be seen as being in competition with other demands on budgets arising from service delivery imperatives where it is often very clear that urgency has to be the order of the day such as sanitation and water. This problem of competing priorities is more severe if local authorities are also faced with major challenges in other areas which at various times are often been posited as of greater urgency, such as influxes of refugees (both from outside the country and from within) and disaster management in varied forms.

The advocates of LED therefore have to ensure that a coherent and convincing case is made so that space can be found for LED in the portfolio of local government functions; otherwise the risk is that it will be marginalised or left out altogether. This advocacy must also be opportunist (in the best sense of that word) by, for example, involving local businesses in reconstruction work following on from disasters or in the more routine forms of service delivery such as water supply.

A related point to be made here is that certain types of energising initiatives at a local level may find themselves prejudiced by other forms of LED. A case in point is the 2010 World Cup in South Africa. As Rosenberg argues, for small traders in parts of Durban (one of the host cities) the tournament was detrimental in its effects (Rosenberg 2010: 16-17). In a recent report, UN Habitat has noted that equity and growth are often 'decoupled' which it sees as unfortunate. In its view, these should not be seen as competing priorities but in practice they do not combine well (UN Habitat 2009:2).

The need to develop business related skills, capacity and attitudes

Kauzya has argued, mainly with reference to Africa, that 'there is need for public administration leadership in local governments which combines inspirational, integrative and entrepreneurial abilities' and he goes on to focus on the need for 'entrepreneurial

leadership' as an ability which is especially in need of development (Kauzya 2010: 22). In a similar vein, Simpson (2009:23) reviewing the Caribbean experience points out that there is a general lack of awareness of the roles and responsibilities relative to local government amongst the majority of councillors and there is limited knowledge and expertise to deal with socio-economic issues at the local level (Simpson 2009:23). Similar concerns have been expressed by Sirolli, drawing mainly on Canada, New Zealand and Australia for examples as well as Italy and the USA (Sirolli 1999).

As part of his argument for new approaches to address poverty, Sachs observes that a 'sound public management plan' is needed if the 'scaling-up' of investment is to happen successfully. One point he makes is very much about capacity building and training: "Training programs (or capacity building) should be part of the overall strategy." (Sachs 2005: 278).

Lack of government capacity is likely to remain an obstacle for the success of LED in many developing countries. Attracting and retaining qualified staff qualified, particularly in the remote areas is a problem (Rodriguez – Pose 2005: 58).

The need that is emerging includes changing mindsets and developing business-related skill areas such as marketing, contract management and identification of business opportunities. These have only recently, and to a limited extent, become well understood needs in local government circles.

A challenge for LED in the realm of human resources that it is not always easy to find staff that can carry out LED related tasks. This is especially likely to be the case where local government is under resourced and likely to struggle to compete for scarce skills in the labour market. Under these circumstances, one option is to outsource this function instead of trying to recruit staff with relevant qualifications and experience. There are also difficulties with outsourcing. These are well known and need to be managed. Another possibility is to equip existing managers with the required skills if they have the potential to develop along the lines needed. Part of this challenge concerns educational and training institutions.

Not only is it essential to ensure that local authorities have suitably trained staff in place, it is also important that skills are developed in the work force so that LED does not fall short because of skills shortages. This means, in many countries, better triangular links between colleges and universities, local government and industry. In Australia, for example, it is reported that universities and technical colleges were not important partners in LED, with universities particularly lacking in relevance (Beer and Maude 2002: 66).

Inter-governmental relations: roles to be played by national and intermediate governments and constitutions

Despite some efforts towards a more decentralised approach, the conventional wisdom adopted by national leaderships and their bureaucratic allies has been to assume that there has to be 'detailed control over the periphery' which applies to local government as well as to other organisations outside of central government (Olowu and Wunsch 1995: 297).

Constitutions are national frameworks for governance which sometimes include significant provisions related to the powers and functions of local government. Constitutions are also important because they entrench certain rights which have consequences for local authorities including requiring of them a developmental role, as in South Africa and Kenya. Also included are likely to be provisions concerning the relations between levels of government including areas of shared competence between two and perhaps three levels. The challenge here is that local governments are often not only obligated to act in certain ways by the relevant legislation, they are also compelled by the constitution/act to do so. The functions of local government need to be integrated into the national economic objectives of the country and economic development and poverty alleviation needs to be localised. Municipalities need to play a stronger role in implementing socio-economic policies impacting on their localities. To enable this, national governments need to see local government as a partner in development. Municipalities are too often seen as mere agents of national government and their roles and functions are designated and influenced accordingly. Consequently, municipalities require support to implement LED initiatives (Simpson 2009:22-23).

Planning and related obstacles to development of enterprises

The role of local authorities is, at a minimum, to provide an environment in which local enterprise has a genuine chance of achieving success. However, it is clear that contradictions, which challenge local authorities, have to be considered as possibilities in this context. There are sensitive and challenging issues at stake as planning legislation and procedures, and environmental impact assessments can be seen as detrimental to LED. There are frequent comments and complaints made that such processes may be unduly onerous and it can be argued that much development planning, as carried out in local government, is more concerned with regulation than it is with the facilitation of development projects in localities. Such views are probably more frequently heard now with the increasing priority attached to environmental and sustainability. The challenge here is to find the optimal balance. To do this is not impossible even though there is an onus on LED actors to accept that proposals which may be desirable from their perspective have to be reconciled with concerns over the environment. This is exacerbated by the

Conclusion

This review of the Commonwealth experiences has highlighted the fact that LED has been an integral part (in some form or the other) of local governance in both developed and developing countries. Despite considerable differences between countries, there are trends. These include the existence of systems not particularly well geared to LED, given the dominance of more traditional local government functions and a wider financial context that has presented major difficulty in recent years.

Thus, although there has been some degree of success, demonstrating very tangible benefits to communities in those localities, this is not yet universal. There are still some challenges that need to be addressed, particularly in developing countries, notably the development of a closer relationship between national and local policy making, difficulties in securing funding from financial institutions; community involvement (including for example, traditional leadership); capacity development particularly the relevant human resources; the need for better coordination between key organisations; limited infrastructure and weak governance (for example, continuing high levels of centralisation in some states and a lack of constitutional/legislative support for LED).

Some of the key recommendations include:

- ⊃ The legislative framework, including national constitutions and local government legislation, need to be looked at, with a view to ensuring that LED is clearly identified as a local government function.
- ⊃ A supportive governance system for LED is imperative, i.e. national/provincial (or state) legislation which is quite explicit in terms of empowering local authorities; defining their roles and responsibilities; promoting collaboration beyond the public sector; providing adequate financial support and capacity development and making provision for external support and collaboration.
- ⊃ National governments need to look more closely at their

role to see how far action is needed in support of the LED function. At the moment, there are challenges arising from excessively centralised forms of governance which are ill-suited to the needs of localities.

- ⊃ There is a need for a more entrepreneurial style of leadership. This entails recruitment and training strategies and the promotion of a mind set in which LED sits more comfortably at the core of local government. Local government cannot perform its role well if it operates in isolation. Networking and coordination become important here; the creation of structures that can make this happen is also required.
- ⊃ Most countries are in some way trying to cope with the fallout and long-term effects of the global economic crisis. This presents very obvious challenges to LED, as noted in the paper. However, there is a need to assert that LED can be part of the way forward out of the crisis and not a mere casualty of it;
- ⊃ It is essential to have an enabling environment at the local level for companies to succeed and business to flourish. The tendency for local government to act in ways which inhibit LED has been noted.
- ⊃ There are certain issues surrounding how LED can work in rural areas which clearly need attention on certain fronts, one of which is research as much LED work informing this review has had an orientation which is biased towards urban settings and needs.
- ⊃ International NGOs and donor agencies can play a pivotal role in supporting LED initiatives by sharing knowledge, insight and best practices. However, it is important to be alert to certain concerns, such as the dangers of policy transfer without there being adequate grounding in local realities and the provision of short term solutions to what may be better regarded as long term development needs.

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