

## Local economic development agencies and place-based development: Evidence from South Africa

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**Abstract.** Local economic development agencies (LEDAs) are increasingly important actors in place-based local economic development particularly in the global South. In South Africa there has been an expanded role for LEDAs in terms of the policy significance of local economic development. Although considerable research has been undertaken concerning the merits, challenges and contributions of LED in South Africa only limited material is available concerning the institutional and organisational arrangements to support the implementation of LED. Using policy documents, close engagement with the key national policy-making government departments and a national survey of the activities, operational challenges, and institutional constraints facing LEDAs, the findings from this investigation provide new insight into their role in place-based development. From the unfolding South African experience the strategic establishment of LEDAs potentially can contribute to maximizing the efficiency of place-based strategies. Arguably, key findings confirm the important contribution that LEDAs can make to locality development in the global South albeit that contribution is influenced by context realities.

**Key words:**  
place-based development,  
local economic development,  
local development agencies,  
South Africa.

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## 1. Introduction

The activity of Local Economic Development (LED) is acknowledged as a significant driver for the development of places (Helmsing, 2001; Nel, Rogerson, 2005; Hildreth, Bailey, 2014; 2016; Rogerson, 2014; Rodriguez-Pose, Wilkie, 2017). This said, in a globalized world it is conceded that not all places are equally resourced to thrive and neither will all have the same opportunities to unlock economic development potential (Rodriguez-Pose, 2002; Barca et al., 2012; Tomaney et al., 2016; Rodriguez-Pose, 2018). Territorial factors such as local conditions, institutional arrangements, networks of association and proximity to regional, national and global economic activity are vital conditioning factors for long-term development success (Pike et al., 2011, 2015). For the global South a rich vein of international scholarship is available on the context and contributions of LED to locality development (Pike et al., 2006, 2011, 2014, 2015; Rodriguez-Pose, Tijmstra, 2007, 2009; Rogerson, Rogerson, 2010; Rogerson, 2010, 2014; Barca et al., 2012; Rodriguez-Pose, Wilkie, 2017; Tomaney et al., 2016). According to the Commonwealth Local Government Forum (2016: 10) considerable optimism surrounds the future possibilities that LED offers a comprehensive framework for “integrating and localising” the United Nations Sustainable Development Goals.

Although LED promotion has been endorsed by several leading international development organisations over the past two decades, a critical problem is monitoring and evaluating the success/failure of such interventions. It has been observed that notwithstanding “the multitude of LED initiatives across the developed and the emerging world, there is precious little evidence to show whether LED strategies do really make a difference for economic and social development” (Palavicini-Corona, 2012: 192). Usually LED analysts and practitioners resort to highlighting ‘best practice’ case studies which causes “an overwhelming dominance of single-case inductive approaches to the study of LED strategies” (Rodriguez-Pose, Palavicini-Corona, 2013: 303). Until recently, systematic quantitative analyses of how local authorities implement LED have fared has been “virtually inexistent” (Palavicini-Corona, 2012: 192). Arguably, as a whole,

there is a “significant dearth of analyses undertaking a systematic monitoring of a large number of LED strategies” (Rodriguez-Pose, Palavicini-Corona, 2013: 303). The evaluation of LED policy and practice often “has been constrained to the lush-est trees, disregarding the multitude of small and generally poorly documented attempts to try to implement the bottom-up approach across the world” (Palavicini-Corona, 2012: 10).

The critical question is whether LED strategies ‘make a difference’ beyond well-documented examples of the LED ‘stars’ such as Silicon Valley, Bangalore, the Third Italy or Baden-Wurttemberg (Pike et al., 2006, 2011). Recently, this gap in evaluating LED practice has been addressed in the case of Mexico (Palavicini-Corona, 2012; 2015; Rodriguez-Pose, Palavicini-Corona, 2013). The core findings from that country’s experience demonstrate that “pursuing or even thinking about LED strategies has paid off for local authorities in Mexico in the last two decades” (Rodriguez-Pose, Palavicini-Corona, 2013: 313). The results “indicate that municipalities engaging in LED have witnessed significant improvements in human development, relative to those which have overlooked LED strategies” (Palavicini-Corona, 2012: 198). Within ongoing debates around LED policy and practice in the global South the findings from Mexico offer powerful evidence to strengthen the case for pursuing LED strategies more widely.

In terms of successful LED practices the role of local government is viewed as influential. Managing and directing LED is not a traditional role of local government, albeit it has become an increasingly important function as a consequence of decentralised governance (Hampwaye, 2008; Hampwaye, Rogerson, 2010; Rodriguez-Pose, Wilkie, 2017; Rogerson, 2010). Focusing primarily on traditional service delivery functions, such as infrastructure, roads, water, electricity and waste management, local governments of necessity embraced the function of promoting economic development as well as on nurturing the enabling factors for economic development. Local governments assume a central role in ‘place development’ variously through the planning of infrastructure, the delivery of services and instituting spatial development frameworks that connect locations, regions and cities to economic opportunities (Barca et al., 2012; Nel, Rogerson, 2016; Rod-

riguez-Pose, Tijmstra, 2007). This said, while some of these functions are executed through existing systems of governance at municipal level, support institutions have been introduced at local government level as special vehicles to guide local development. One institutional arrangement which presents a unique opportunity to support the objectives of LED and garnering increased attention is that of the local economic development agency (LEDA).

Across the international experience much scholarly interest and policy debate surrounds the potential roles that might be assumed by LEDAs for supporting the new global development agenda (see Canzanelli, Milio, 2015; Lawrence, 2016). The aim in this article is to contribute to expanding international scholarship on the activities and contributions of LEDAs to place-based economic development by examining the case of South Africa, which is widely acknowledged as one of the most active foci for LED interventions in the global South. One consistent thread throughout 20 years of implementation of LED strategies in the country has been the close association of LED with the local government mandate to oversee and respond to social and economic development issues in South Africa (Nel, Rogerson, 2005, 2016). Whilst considerable research has been undertaken concerning the merits, challenges and contributions of LED in South Africa (Nel, Rogerson, 2005, 2016; Rogerson, 2010, 2014; Rogerson, Rogerson, 2011, 2012) only limited material is available concerning the institutional and organisational arrangements to support the implementation of LED. The South African research on LEDAs involved a range of source material. This includes the interrogation of policy documents, close engagement with the key national policy-making government departments and undertaking a national survey of the activities, operational challenges, and institutional constraints facing LEDAs. The findings from this investigation provide new insight into the origins of agencies, the legislative context in which they function, and the operational mandates and challenges faced by LEDAs for addressing place-based development issues.

## 2. Local Economic Development Agencies: An International Perspective

Over the past two decades it has become acknowledged that LEDAs can be delivery agents for LED and assume a strategic role in territorial development. Institutionally LEDAs are viewed as “legal, no profit structures, owned by the public (local authorities, other public institutions) and private entities (associations of producers, women, NGO’s, and other civil and community organisations) of the territory” (Canzanelli, 2014: 8). Currently, LEDAs are a significant basis for locality development and vibrant actors in the LED landscape of many countries (UNDP et al., 2003; Canzanelli, 2008, 2009, 2011a, 2011b, 2012; Blakely, Leigh, 2009; ILS LEDA, 2009; Mountford, 2009; Rodriguez-Pose, Tijmstra, 2009; Clark et al., 2010; Ferrannini, Canzanelli, 2013). They are closely aligned with locality development agendas both as a key stakeholder linked to local government as well as operating independently of it. Because of their location within a local governance space, LEDAs are regarded as “well positioned to address local governance challenges and opportunities, but they are also well located to offer a flexible, participatory and widely experimented local governance instrument for reducing poverty” (UNDP et al., 2003: 5).

In terms of their operations the international record is LEDAs can contribute to territorial governance and thereby to the improvement of social capital amongst local actors, encouraging social inclusion as well as addressing an area’s economic potential (IDEASS, 2003). The promotion and support of entrepreneurial activity often is a central objective and in most instances financial and business development incentives are put in place to upgrade small and medium enterprises (SMEs) (IDEASS, 2003). Notwithstanding differing operational contexts of LEDAs certain common objectives can be recognised. These include the ability to address issues of marginalisation, territorial inclusion, innovation, collaborative partnerships, as well as the development of tailor-made strategies and the implementation of approaches that complement the unique context of localities. LEDAs assume a role in locality development by “supporting social and productive territorial development and innovation,

within the perspective of an equitable, ecologic and human development” (Canzanelli, 2011: 14). A distinctive feature is LEDAs ability to forge a shared platform of engagement and strategic planning for various stakeholders who collectively “plan and activate, in a shared way, initiatives for territorial economic development, identify the most convenient instruments for their realisation and enhance a coherent system for their technical and financial support” (Canzanelli, 2014: 8).

Other key features of LEDAs are their context-specific nature as well as market- and business-facing approach. Regarding their context-specific nature, LEDA contributions to locality development are found generally to be diverse and influenced by local conditions as well as territorial priorities. In terms of LEDAs business-facing approach, several observers identify this as a distinctive LED contribution (ILS LEDA, 2009; Blakely, Leigh, 2010). The organisational forms of LEDAs are geared on the one hand to addressing the context of local businesses in an ever changing local economic development environment and on the other hand to responding to the dynamics of a complex interface between the requirements for an improved business environment as well as the need to understand and appreciate the contribution of sound governance for locality development. The capability of LEDAs to navigate between these two contexts of the private and public sector contributes to their unique features but also embeds LEDAs into the system of local governance (Canzanelli, 2014).

Clark et al. (2010) argue local governments remain central to unlocking latent potential in local economies and that LEDAs can be vital vehicles to realising such objectives. For local governments LEDAs offer therefore a specific contribution to operational mandates. LEDAs function by virtue of their interconnections with local government to achieve shared local visions for local development. Arguably, LEDAs are well placed to profile the endogenous and indigenous potential of localities and further to explore how place-specific assets might be maximized for growth, development, opportunity and innovation. LEDAs are situated strategically to understand this context. The agency role can promote positive change in local places because of a market-facing approach, closeness to both pub-

lic and private spheres, and ability to understand the fluidity of markets as well as development agendas. Accordingly, LEDAs can enact and implement strategic project initiatives for particular places (ILS LEDA, 2009; Canzanelli, 2010, 2014).

From the international record Clark et al. (2010: 28) note “convergence around the view that development agencies represent a powerful tool for the planning and delivery of local development”. Their interconnectedness and promotion of locality development signals LEDAs potentially unique contribution to enrich the context of specific localities. More especially, the experience, leadership and knowledge of local markets, locational factors and potential contributions of development agencies give concrete expression to planning and development agendas through which they emphasise key issues to enhance LED interventions. Examples include lobbying for strategic development infrastructure, promoting activities that advance the development of specific industries, innovations or building local competencies to leverage economic potential. ILS LEDA (2009: 3) suggests that LEDAs play a “support role” in the design of territorially related integrated development plans and strategies that could involve planning, capacity building and awareness raising. In addition, LEDAs offer a connecting role as they are well positioned to link (especially) vulnerable entrepreneurs with economic opportunities and support networks. Further, LEDAs potentially can undertake ‘a technical role’ by supporting business plan development and access to finance for enterprises in order to unlock opportunities generated from identified LED opportunities (ILS LEDA, 2009: 3).

Table 1 provides an overview of key features of the international experience of LEDAs. Overall the scale and operational footprints of LEDAs vary as they encompass regional and local level initiatives which might have different mandates, institutional arrangements and start points. Different motives underpin the establishment of LEDAs including post-conflict reconstruction, promoting industrialisation, urban regeneration, or reducing unemployment. Mountford (2009: 3) considers agencies as “tools to promote and shape local economic growth, not solely as tools to stimulate new economic development in poor places”. This perspective contrib-

uted to a shift away from establishing agencies as a “response to a crisis” and more towards an outward looking view in which competitiveness and productivity are significant (Mountford, 2009). In the global South there are several core characteristics of LEDAs which mean they contribute to tackling issues of poverty alleviation (UNDP et al., 2003; ILS LEDA, 2009; Mountford, 2009; Clark et al., 2010; Canzanelli, 2011, 2014; Bateman, 2012). Overall, the differing rationales for the establishment of LEDAs produce different forms of organisation. These organisational forms range from a national top-down approach, in which LEDAs are

formalised as a stakeholder in the local governance system, to a more supportive role wherein they are acknowledged, albeit assume only a secondary role in development implementation processes (Lawrence, 2018).

It is evident that because of their institutional flexibility LEDAs might address governance challenges that arise from decentralisation policies (UNDP et al., 2003; Lawrence, 2018). The advance of decentralisation has meant local governments must take responsibility for ‘non-traditional’ functions such as economic development by overseeing and managing economic growth within a local

**Table 1.** Key International Features of LEDAs

Feature of Agency	Elaboration
An organised structure	<ul style="list-style-type: none"> <li>- A legal structure and ‘functional autonomy’</li> <li>- Not for profit company form</li> <li>- Autonomy ‘to be simultaneously an institutional entity that plays a role in the local and national political picture</li> <li>- An ‘administrative entity able to implement projects’</li> <li>- Mix of public and administration institutions</li> </ul>
Territorial structures	<ul style="list-style-type: none"> <li>- Inter-linked to a clearly defined territory with an administrative boundary.</li> <li>- Closely inter-related to administrative division of the country, city or town.</li> </ul>
Forum for social dialogue and negotiation	<ul style="list-style-type: none"> <li>- Coordinates the activities, contributions of multiple actors who have an interest in the locality</li> <li>- Facilitates dialogue and where possible to arrive at joint visioning for the area.</li> </ul>
Coordinator of local economic development and planning	<ul style="list-style-type: none"> <li>- Contribute to the local economic development strategy of the local or regional municipality or in the absence of capacity, facilitates, drives and takes responsibility for economic development planning within a broader planning process.</li> </ul>
Contributes to poverty alleviation	<ul style="list-style-type: none"> <li>- Activities of the agency can be targeted to address poverty gaps.</li> <li>- Could be done in collaboration with local authority as well as development or civic organisations.</li> </ul>
Contributes to enterprise development	<ul style="list-style-type: none"> <li>- Territorial marketing, investment promotion, funding support and technical business development support, all form part of agency contributions to enterprise development.</li> </ul>
Actor in decentralisation	<ul style="list-style-type: none"> <li>- Contribute to realising objectives of devolution of power especially in the area of economic development.</li> <li>- Could address “fragmentation” and promote coherence and a coordinated approach.</li> <li>- Provides practical options for bottom-up action.</li> </ul>
Contributor to sustainable development goals	<ul style="list-style-type: none"> <li>- Support initiatives that promote sustainable development principles and outcomes.</li> </ul>

Source: Adapted from UNDP et al., 2003

geographical context. The closeness of LEDAs, yet separation from local government, offers advantages as well as challenges. Advantages include closeness to the private sector which enables LEDAs to contribute to market-specific enabling factors either through coordination and networking, provision of support services to entrepreneurs, opening up value chains, financial and incentive support schemes, or influencing strategic project development processes. LEDAs can shift between collaborative partners without constraint, while at the same time adhere to governance arrangements best suited for local contexts. The challenges facing LEDAs often are that high level investment decisions are made at other tiers of government without consideration for local conditions, institutional arrangements or capacity constraints. Further, LEDAs have no control over regulatory processes that could be leveraged to ease the burden for local entrepreneurs who want to expand or grow businesses. Finally, the challenge of political influences in decision making also impacts the success of LEDA initiatives in several countries (Lawrence, 2018).

The international record of LEDAs as positive implementation vehicles, however, has not gone unchallenged. In particular, much of the practice of LEDAs in the global South has been critiqued by Bateman (2012, 2014) who concludes the LEDA model does not work. Bateman (2012: 52) observes while LEDA contributions are undeniable and projects have been executed “in a professional and committed manner”, that there are many instances where LEDA impacts and sustainability remain questionable. His research highlights multiple challenges with respect to sustainability, impacts on poor regions, coordination towards effective governance, additionally as well as contributions to sustainable development. Overall, Bateman (2012) considers the ‘self-sustainability’ mission of LEDAs is not necessarily attainable and that agencies professed to be self-sustaining have not always distinguished themselves from the activities of private sector companies. The Latin American experience suggests that the success of LEDAs is most problematic in tackling the developmental challenges of poor or marginal regions where the need is great but institutional sustainability and financial resourcing are relatively poor (Bateman, 2014). Under scrutiny also is the supposed ability and effective-

ness of the LEDA model towards good governance of LED processes because of difficulties that arise in ‘coordinating’ the activities of regional or local governments that lack openness to ‘being coordinated’. Further, the additionality offered by LEDA to development processes often is compromised in situations where it is conflicted by the imperative for “LEDAs to earn their keep on the market” in competition with other private services providers when their contribution is to provide services in addition to these other stakeholders (Bateman, 2012: 53). Finally, from the Bolivian experience the contribution of LEDA activities to sustainable development is questioned. It is observed that whilst LEDAs have all too often ventured into working to support the microenterprise sector rather than the more difficult to support but developmentally more powerful SME sector, the evidence suggests that promoting self-employment and the informal microenterprise sector can be a counter-productive strategy (Bateman, 2012, 2014).

Besides the key critiques offered by Bateman (2012, 2014) other challenges concern the institutional relevance of LEDAs. The ability of LEDAs to retain expertise to address complex project management as well as their ability to adapt to local challenges in an ever changing political context, raise concern. Given the dynamic relationship of local government in its role as the service delivery arm of national government, the need to continuously re-think its economic development function and roles is continuously under question. Likewise, the operational context and purpose of development agencies which are seen to give expression to these LED strategies in a local situation, demands careful consideration. Beer et al (2003:4) encapsulate the context of LEDAs by noting that “local economic development agencies are confronted by significant choices in seeking to advance their region or locality. There are a multitude of strategies potentially available...but it is not possible for development agencies to simply read off and apply an unequivocal menu of most successful strategies”.

Overall, the growth in the numbers of operational LEDAs around the world might be regarded as testimony to their relevance for development processes because of their action-oriented, context-relevant, and implementation focus (Clark et al., 2010). This said, the international experience

of LEDAs demonstrates that while there are many successes in their contributions there are also multiple concerns about their effectiveness. In particular, question marks surround issues of institutional governance, self-sustainability, contribution to development in poor regions, effective coordination of governance, additionality, sustainable development and the political context of their work. Arguably, above all, because of their close relationships with local governments, the political context of LEDAs can impact effectiveness. International experience shows that LEDAs which operate in line with local governance structures frequently are affected by the term of office of political stakeholders, which can influence the direction of LEDAs through funding allocations and attached conditionalities. It is within the above context of international controversy and debates about LEDAs – especially in the global South – that this analysis of evidence from South Africa must be situated.

### 3. Local Economic Development in South Africa: A Place for LEDAs

The first organisations in South Africa that could be styled as LEDAs were established during the 1990s with international donor assistance (Pretorius, Blaauw, 2008; Lawrence, 2013; Venter, 2014). A deepening and localization of the LEDA programme occurred from 2002 when the parastatal Industrial Development Corporation (IDC) introduced the concept of development agencies within what was, at that time, an increasingly fluid context of policy shifts around LED in South Africa (Lawrence, 2018; Rogerson, 2014). The IDC institutionalised the development agency approach to LED through establishing the Agency Development Support Unit and embedding Agencies in the local government landscape. What distinguished this second approach from the first wave of South African LEDAs was firm roots in municipal LED processes, strong links to local government and with the local economic development agenda of the Department of Cooperative Governance and Traditional Affairs (DCOG), the ministry with responsibility for local governments and local economic develop-

ment (Lawrence, 2013). Although some research contributions concerning LEDAs have appeared in South Africa (Malefane, Khalo, 2010; Malefane, 2011; Lawrence, 2013, 2016; Venter, 2014; Nene, 2016; Khambule, 2018) recent policy shifts and imperatives in the country require critical examination of how LEDAs address the challenges of enhancing LED futures.

For national government a core problem has been that, with only a few exceptions (mainly in the country's metropolitan areas), the outcomes of LED activities in South Africa have proven disappointing (Rogerson, 2010; Nel, Rogerson 2016). The ministry in charge of policy development concerning LED, DCOG, has been undertaking an extensive review of the national framework for guiding LED operations in South Africa. The output was the revised (draft) framework released in 2016. The vision of this latest LED framework draft for South Africa is stated as the making of “innovative, competitive, sustainable, inclusive local economies that maximise local opportunities, address local needs, and contribute to national development objectives” (DCOG, 2016: 11). The revised framework has five core policy pillars namely: 1) building diverse local economies, 2) developing inclusive economies, 3) developing learning, innovative and skillful economies, 4) enterprise development and support, and 5) economic governance and infrastructure. In addition, it recognises a number of “enabling pillars” that give effect to these policy pillars. These enabling pillars are: organisational development and institutional arrangements; planning and strategy; funding and finance; human resources and capacity development; research, knowledge, technology and innovation; and, monitoring and evaluation (DCOG, 2016). Fig 1 captures in schematic manner the major policy thrusts and objectives included in the revised November 2016 version of South Africa's national framework for local economic development.

It is important to understand this revised draft LED Framework of 2016 acknowledges LEDAs as key contributors to the local development space. Within the document it is stated that “more than 30 Local Economic Development Agencies (LEDAs) were established and charged with the responsibility to implement LED Programmes” (DCOG, 2016: 7). LEDAs are seen as “a contributor to local economic

LED Policy Pillars/ Thrusts				
Building a Diverse Economic Base	Developing Learning, Innovative and Skilful Economies	Developing Inclusive Economies	Enterprise Development & Support	Economic Governance & Infrastructure
Sectoral Development (Manufacturing, Agriculture, Tourism, Green Economy, etc.)	Tackling basic Skills gap	Informal Economy Support	Small, Medium & Micro Enterprises	Improving Economic Leadership and Management Capacity
Metropolitan Economic Development	Developing Workforce Skills	Inner City Economic Revitalisation	Cooperative Enterprises	Administrative Economic Development Capacity
Regional Economic Development	Developing an enterprise and entrepreneurship culture	Township Economic Development	Broad Based Economic Empowerment	Access to Development Funding/ Finance
Regional Industrial development Programme	Developing Leadership & Management skills	Inclusive Rural Economy	Youth & Women Enterprises	Developing Local Economies As Distinct Brands
Industrial Cluster Development Programme		Youth & Women Economic Development Expanded Public Works Programme & Community Works Programme	Business Development Support	Economic Infrastructure

**Fig. 1.** The LED Policy Objectives/Thrusts  
 Source: DCOG, 2016

development and spatial development” and as “local level engines for catalytic programme implementation” together with “new partnerships with civil society, science councils, universities, private sector, etc. to promote a more inclusive agenda, both spatially and sectorally” (DCOG, 2016: 16). Additionally, LEDAs are “recognised as institutions of Local Government” and part of the LED domain together with municipalities, LED Units and Economic Development Departments” (DCOG, 2016: 55). The draft LED Framework further acknowledges explicitly the LEDA contribution to LED. It states that the IDC introduced development agencies in order to provide targeted services to municipalities in the arena of economic development. Although the establishment of agencies as special purpose vehicles already was occurring in the country’s major metropolitan areas what distinguished the most recent establishment of LEDAs was that their geographical operations were located in South Africa’s less well-resourced areas and peripheral regions with deep rooted economic and social challenges. As argued by Malefane and Khalo (2010: 134) “LEDAs anticipate intensifying the degree of economic activity in the country’s rural areas, underdeveloped and

previously marginalized areas (townships) where unemployment is high”.

At the outset of the research, a comprehensive audit of the number of operating agencies was undertaken with data triangulated from a number of different sources. The results in terms of the listing of operational LEDAs (November 2016) are given in Table 2. The national picture indicates the existence of a total of 26 LEDAs operational in South Africa in 2016 across eight of the country’s nine provinces. Of note is the observed high level of representation of operational LEDAs outside the country’s most prosperous spaces and instead in areas of South Africa that would be termed the country’s “distressed regions” (Rogerson, Nel, 2016).

Besides the active agencies, information was collected on inactive or disbanded LEDAs. It was revealed that during the period from 2006 to 2016 nine cases occurred of agency closure/disbandment/inactivity or merger with a District Municipality. Interviews revealed varied explanations for these non-operational LEDAs. Closure of agencies was mainly linked to strategic political decisions at provincial and at municipal level with regard to agency resource allocation and support. In the Western



**Table 2.** Operational Local Economic Development Agencies (November 2016)

Province	Development Agency	Total
Eastern Cape	Alfred Nzo Development Agency; Amathole Economic Development Agency (trading as Aspire); Cacadu Development Agency; Chris Hani Development Agency; Joe Qwabi Economic Development Agency; Mandela Bay Development Agency; Ntinga OR Tambo Development Agency; Port St Johns; Raymond Mhlaba Development Agency;	9
Free State	Lejweleputswa Development Agency	1
Gauteng	Johannesburg Development Agency; Tshwane Economic Development Agency; West Rand Development Agency	3
KwaZulu-Natal	Enterprise iLembe; Harry Gwala Development Agency; Ugu South Coast Development Agency; Umhlosinga Development Agency; uThukela Development Agency	5
Limpopo	Greater Tzaneen Development Agency; Sekhukhune Development Agency; Waterberg Economic Development Agency	3
Mpumalanga	<u>Mbombela Development Agency</u> ; Thaba Chweu Local Economic Development Agency	2
North West	Dr KKDM Economic Agency (SOC) Ltd; Lekwa-Teemane Development Agency	2
Northern Cape	---	0
Western Cape	Central Karoo Development Agency	1

Source: Authors based on unpublished IDC data

Cape the value proposition of having a LEDA while at the same time having a fully functioning LED unit within municipalities was questioned (Nel, 2017). Other reasons given related to scale of operation and the inability to sustain such an institution given limited financial resources. In the case of the Blue Crane Development Agency, a strategic decision was made to elevate the work of the agency from the scale of local municipality to the larger scale of the District Municipality (Lawrence, 2018).

#### 4. Discussion and Results

A national survey instrument was designed to investigate the mandate, governance, finance, sustainability and innovation issues as well as the key contextual challenges and opportunities from the cohort of operating development agencies. The survey attempted to capture as wide a range of responses as possible; in total 19 of the 26 operational agencies were interviewed, a 73 percent response rate. At the outset of the research it was observed that several factors influenced the operations of LEDAs. These encompassed: (1) the legislative context within which agencies operate, (2) how agencies derived their original mandate and whether it still

served as a key operational compass, and, (3) operational context, especially with regard to how LEDAs were governed and informed how the process was undertaken (DCOG, 2016). Eight themes were covered in the national study, with a view to identifying the specific nuances of LEDA context, operations and challenges; these themes are presented in Table 3.

The study revealed that while the active LEDAs were at different stages of implementation, all were involved energetically in giving expression to local economic development initiatives and local governance implementation. Often this occurred despite lack of clarity around the 'home' of agencies, where they should be located in local development, or of the precise nature of their potential contribution to local development. In understanding the establishment of agencies and the rationale for their establishment, several points emerged across the 19 responses. It was confirmed the IDC was a key protagonist and initiator of the current model of LEDAs in South Africa and that municipalities saw this partnership as central to the establishment phase particularly during the first 10 years of agency establishment 2005 to 2015. This said, whilst the IDC had been central to the establishment of agencies, all LEDAs received official endorsement from their parent municipality in support of agency es-

**Table 3.** National Survey Themes

	<b>Theme</b>	<b>Rationale</b>
1	General information on agency establishment	- To provide a comprehensive overview of when it was established, why and how
2	Legislative context	- To identify key legislative impediments affecting the effective functioning of LEDAs
3	Mandate of Agency	- To confirm the soundness of mandate but also to reconfirm the validity of mandate and purpose through the operational phase of agencies
4	Economic Projects	- To get an overview of the type of economic projects undertaken
5	Finances	- To obtain information on the financial issues of agencies
6	Governance	- To deepen understanding of governance arrangements affecting agencies and informing operations
7	Community and Private Sector engagement	- To solicit feedback on how agencies engage with community and private sector stakeholders outside of government and to explore non-government linkages
8	Innovation	- To analyse how innovation is taken up by agencies and how to deepen agency links and the contribution to innovation in LED

Source: Authors

tablishment. In this regard, council resolutions were not only taken to validate agency establishment but also to embed the decision of such a vehicle within the governance structures of municipalities. In doing so, LEDAs became inextricably linked to fulfilling the specific economic and/or social service delivery mandate of municipalities. Accordingly, the research disclosed that while the reasons for agency establishment varied there was an explicit LED mandate which informed the role, purpose and contribution of all the LEDAs.

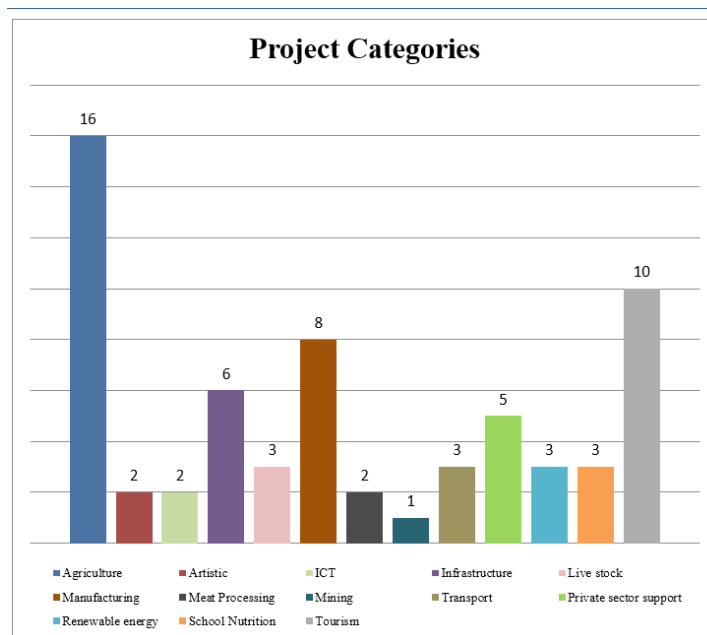
A cluster of findings emerge relating to the mandate of the LEDAs, including their purpose, reasons for establishment, and relationships with the parent municipality, as well as consistency in an operational context. The majority of LEDAs (84%) were clear that their mandate had an explicit economic development objective wherein “stimulating of economic development through the development of catalytic projects and investment support” was seen as central (DCOG, 2016: 14-15). Specific nuances included contributions to tourism, agriculture, job creation, business development and small town regeneration. In addition, it was disclosed that “the majority of the agencies had an explicit econom-

ic development focus and looked at the promotion of economic development and investment promotion in a specific geographic space, with some nuances towards catalytic and high impact projects” (DCOG, 2016: 15). Overall, 68% of the LEDAs viewed their mandates as specific with some noting that an element of flexibility was to their advantage. The issue of interpretation of mandate was important as it was evidenced that the “specific interpretation of this mandate had changed over time pointing to the need to look at the different impact of interpretations of mandate over the different phases of an agency could have on operational focus” (DCOG, 2016: 16-17). The relationship of LEDAs to LED units within parent municipalities and their differences in mandate and operation were seen as clear as 84% of interviewees reported such clarity. Arguably, this response suggests that municipalities had an explicit purpose in mind for LEDAs other than the day-to-day functioning mandate of the municipal LED unit. Nevertheless, while there was an acknowledgement that municipal elections and political influences could impact on shifts in the mandate, this issue was not highlighted as of concern by most LEDAs.

As shown on Fig. 2 the most common projects undertaken by LEDAs are in the spheres of agriculture (84%), tourism (52%), manufacturing (42%) and infrastructure (32%). The overwhelming majority of projects (79%) are identified by the parent municipality (79%) and emerge through formal municipal processes. This gives credence to the strategic importance and linkages of agencies to fulfilling the economic development implementation mandate of parent municipalities. In addition, with regard to income generating potential of LEDAs the study revealed most (58%) agencies believed that projects had income generating opportunities which could serve as a complement to funding already received from parent municipalities or other sources. Overall, the operations of LEDAs are funded by government related institutions including partners such as the IDC, National Treasury, the Development Bank of Southern Africa, Department of Environment Affairs, and Provincial Departments of Cooperative Governance, Economic Development and Tourism. The array of these government partner funders for LEDAs confirms agency contribution to local development and their role as trusted implementer and support provider. Arguably, therefore, this result demonstrates how integral agencies have become to achieving a broader local economic but also governance development role in South Africa. It also confirms the important role that the LEDAs play in not only giving effect to govern-

ments sector specific vision but also provides clear endorsement of LEDAs' implementation role. Overall, while financial sustainability was highlighted as a key concern by most agencies, the majority recorded that they did not have an adequate financial sustainability plan to enable them to do long term financial forecasting. This result should be read, however, with the caveat that 63% agencies did not have sustainability plans available (DCOG, 2017: 23).

Legislative impediments impacted LEDAs ability to effectively function and fulfil aspects of their mandate. Several specific legislative issues were identified. In particular, the requirements of the Municipal Finance Management Act (MFMA) were of concern. The interviews recorded that the MFMA legislation created "grey areas" and represented a major stumbling block for LEDA operations because of its many requirements which necessitate funding. In addition, high compliance costs of LEDAs adherence to existing legislation was of concern. Partnership formation was made difficult by the MFMA because of cumbersome lease agreement processes; in addition, procurement processes set out by the MFMA caused further problems by dictating a focus on cost saving instead of making appointments on the basis of quality. It was argued that in an agency environment there was a need to cut red tape; existing bureaucratic processes, however, mean that LEDAs cannot contract out



**Fig. 2.** Key projects currently underway within LEDAs

Source: Survey

themselves. The multiple issues around adherence to the MFMA were viewed as constraints on the delivery potential of the LEDAs. Another parallel theme relates to the so-termed ‘over-regulation’ of the LEDAs, more especially as they have to adhere to both the municipal legislation as well as business legislation, making for a challenging environment in which they function. Overall there is a disclosed need for clear legislation regarding the establishment of municipal agencies, which does not exist in the current policy environment.

In the establishment of agencies the legislated governance arrangements were adhered to albeit with different approaches. Generally, most agencies felt they enjoyed a positive relationship with their Board. Governance arrangements played an important part of solidifying the agency as a strategic economic development implementer and partner in the local development space. The nature and type of governance relations correlated strongly with the influence LEDAs had in local areas. The combination of formal and informal measures proved to be a significant success factor for positive relations with municipalities and to ground agency contributions in the local municipality. More specifically, it was revealed that 58% reported meetings with municipal manager formally as well as informally were ‘important’ and 42% noted that meetings with the LED manager to be ‘very helpful’ (DCOG, 2017: 24). Most LEDAs recorded sound relations with parent municipalities including good relations with the municipal manager, open communication, well managed municipality and effective functioning council (DCOG, 2017: 25). Poor relations often were explained by a limited understanding of agencies role and contribution, lack of political will or shifts in council. (DCOG, 2017: 25).

Since private, public and community sector stakeholders are key collaborative partners in LED, and LEDAs have a key contribution to make in this regard as catalyst, implementer and trusted partner, the relations with private and community sector stakeholders are seen as significant indicators of agency success. In terms of these relationships the research disclosed that there was no explicit pattern of engagement with private sector stakeholders. Indeed, these appeared to be on a project-by-project basis, usually diverse and linked to either promotional activities, specific events or similar. It was

reported that “the most prevalent means of engagement was through partnering with business chambers as well as targeted or sector specific meetings” (DCOG, 2017: 27). This result demonstrates the need to improve both engagement with the private sector but also to build further trust between the divergent stakeholders within the private sector. Agency engagement with communities was seen as directly linked to formal community engagement processes undertaken through formal municipal planning processes. The research revealed the majority of South Africa’s LEDAs either planned to or had projects that were community oriented and embedded in local communities (DCOG, 2017: 27).

Local innovation increasingly has an important LED contribution to make to the South African local economic development landscape (Ndabeni et al., 2016). Accordingly, LEDAs were asked to reflect on how they engaged with innovation and what could be done to further advance local innovation. The majority of LEDAs considered they were making a contribution to local innovation albeit more could be done to further understand and embed local innovation in the work of LEDAs. It was observed that “LEDAs require more support in implementing innovative measures” (DCOG, 2017: 28). Indeed, a distinction was needed between innovative practice in the management and operations of the LEDAs and the promotion of innovative projects that led to an improved understanding of the local development system.

## 5. Conclusions

Across much of the global South sub-national spheres of government are increasingly significant actors in terms of directing processes of growth, development and change (Rodriguez-Pose, Tijmstra, 2007, 2009; Rogerson, Rogerson, 2010; Rogerson, 2014). As argued by Rodriguez-Pose and Wilkie (2017: 163) place-based “economic development is concerned with the implementation of policies that are uniquely tailored to the contexts within which they are to be pursued”.

It is evident from the unfolding South African experience that the strategic establishment of LEDAs potentially can contribute to maximizing the

efficiency of place-based strategies. Arguably, key findings confirm the important contribution that LEDAs make to locality development albeit that their contribution is influenced by context realities. As a consequence of their close linkages to local government, the South African LEDA model is deeply impacted by policy and political shifts which can impact both project as well as institutional sustainability. Accordingly, one critical lesson from the South African record is the imperative for LEDAs to be recognised and correspondingly to be formally integrated into the local development system such that their positive role can be appropriately harnessed.

## Note

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