



science
& technology

Department:
Science and Technology
REPUBLIC OF SOUTH AFRICA

PLANNING FOR LOCAL ECONOMIC DEVELOPMENT INITIATIVES AND THE POTENTIAL SPACE FOR INCLUSIVE INNOVATION IN DISTRESSED AREAS

Lindile Ndabeni and Christian Rogerson

March 2016

1. INTRODUCTION

POLICY BRIEF

In recent years Local Economic Development (LED) has received growing attention internationally, largely for its assumed potential to address localised economic and social challenges and promote local development. LED represents a strategy with potential to address local development backlogs, particularly in the Global South, where traditional 'top-down' approaches generally have failed to catalyse significant local change. One dimension of LED is the local government variant which is styled as 'developmental local government' and has been actively promoted in South Africa for almost 20 years in an effort both to achieve post-apartheid socio-economic redress and to energise economic development. LED has been pursued, with varying degrees of success, for much of the existence of South Africa's democracy. LED is an identified mandate which local government is required to pursue to improve the economic and social well-being of communities.

Over the last nearly 20 years, LED has been undertaken with varying degrees of success and commitment. The general consensus is, however, that LED in South Africa has underperformed and that fresh ideas are required to reinvigorate the landscape of LED. The challenge for LED is particularly acute in the country's most marginalised and underdeveloped areas. National government has identified 27 distressed district municipalities as priority areas for attention and intervention insofar as redressing the current uneven patterns of spatial development in South Africa. The objectives of this policy brief are twofold:

- To assess the existence of key economic focus areas in LED policy and planning in the distressed municipalities; and
- To point out missed opportunities for the inclusion of Science, Technology and Innovation in LED policy and planning in these areas.

2. THE DISTRESSED AREAS

Although LED planning and policy formulation impacts upon all South Africa's 278 municipalities (which include metropolitan authorities, district municipalities and local municipalities) the challenges and need for successful LED are particularly acute in the 27 distressed district municipalities identified by national government. These exhibit major socio-economic challenges of poverty, unemployment and marginalisation as priority areas for redressing the current uneven patterns of spatial development in the country. As is shown on Figure 1 the designated distressed areas of South Africa incorporate nearly all of the former rural Homelands areas.

South Africa's 278 local governments. Distressed areas exist in eight of South Africa's nine provinces, the only exception is Western Cape. As the boundaries of the distressed areas incorporate most of the former rural Homelands rural challenges top the policy agenda. This said, it must be made clear that the boundaries of the distressed areas also encompass certain significant urban nodes, such as Nelspruit, Pietermaritzburg, Richards Bay, Newcastle and Polokwane. Several of these urban centres are experiencing the negative impacts of globalisation and economic restructuring with a trend towards factory closures and deindustrialisation. Others are impacted negatively by the downturn in the country's mining sector, especially of platinum.

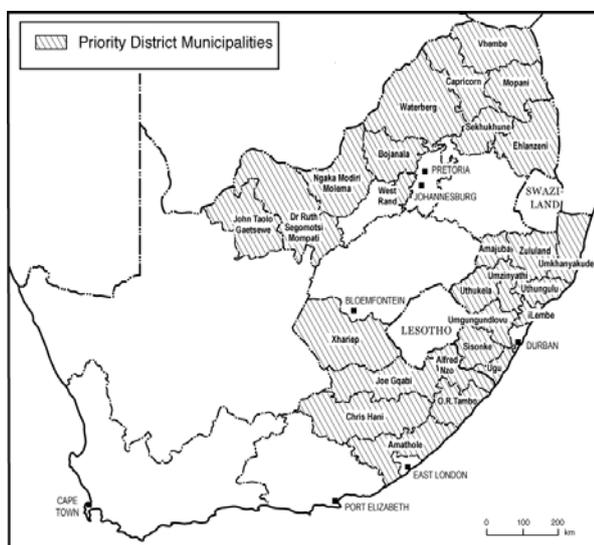


Figure 1: The 27 Priority District Municipalities which are Distressed Areas

Province	DMs	LMs	Total
Free State	1	4	5
KwaZulu-Natal	10	50	60
Eastern Cape	5	28	33
Gauteng	1	4	5
Limpopo	5	25	30
Mpumalanga	1	5	6
North West	3	15	18
Northern Cape	1	3	4
Western Cape	0	0	0
All Distressed Areas	27	134	161

Table 1: Distressed Areas: Number of District Municipalities (DM) and Local Municipalities (LM)

Table 1 provides a breakdown for South Africa's nine provinces of the numbers of DMs and LMs that are incorporated as distressed areas. The number of municipalities in the distressed areas is 161 in total which represents 58 percent of all

In economic terms many (if not the majority) of the mainly rural distressed districts are welfare-

dependent and include the most poverty-stricken, underdeveloped and marginal zones of the country. The distressed areas as a whole are marked by huge infrastructural backlogs in respect of access to basic services such as water, sanitation and housing. National government, led by the Department of Rural Development and Land Reform, is committed to the creation of sustainable work opportunities across these distressed districts. Arguably, the challenges facing these municipalities in pursuing successful LED strategies reflect severely many of the critical issues highlighted at the national level such as governance issues, funding and capacity shortages for LED planning and implementation.

3. METHODOLOGY

An analysis was undertaken of the LED policy and planning undertaken in the 27 DMs and 134 LMs of the distressed areas. For these 161 local governments a content analysis was undertaken of accessed LED documents and Integrated Development Plan (IDP) statements as well as summaries as given in Gaffneys (2013) Local Government Official Yearbook 2013-2015 and supplemented by The South African LED Network. A descriptive data analysis follows.

4. FINDINGS

Table 2 provides a profile of the key focus areas of LED policy and planning across the 161 municipalities that are contained within the official designation of distressed areas. It shows the most significant focus areas and differentiates them for purposes of analysis between the 27 district municipalities and the 134 local municipalities.

The most striking finding is the overwhelming dominance in LED policy and planning in the distressed areas upon tourism, agriculture and SMME promotion. In terms of tourism the

analysis discloses the remarkable position that 85.2 percent of District Municipalities and 85.8 percent of Local Municipalities across the distressed areas are targeting tourism as a driver for local development. The expansion of tourism is viewed as a popular focus because of its potential for poverty alleviation. The pro-poor credentials of support for (mainly small-scale) agriculture (including forestry) and for SMME development are obvious factors that underpin the strength of these other economic focus areas of LED policy. In the case of agriculture, a total of 85.2 percent of District Municipalities and 73.8 percent of Local Municipalities across the distressed areas are concentrating upon agricultural upgrading for accelerating prospects for local development. In a parallel with a heavy emphasis at national level devoted to SMME support programming, as exemplified by the establishment of the new Ministry for Small Business Development, across the distressed area as much as 74.1 percent of District Municipalities and 73.8 percent of Local Municipalities are prioritising SMME development as part of their ongoing LED initiatives.

Focus	D M	%	LM	%	Tot	%
SMMEs	20	74 .1	99	73. 8	11 9	73.9
Tourism	23	85 .2	11 5	85. 8	13 8	85.7
IS/Coops	8	29 .6	45	33. 6	53	32.9
Agriculture	23	85 .2	99	73. 8	12 2	75.8
Industry	2	7. 4	6	4.5	8	5.0
Job Creation	8	29 .6	48	35. 8	56	34.7
LED Strategy	5	18 .5	16	11. 9	21	13.0
Infrastructure	2	7. 4	4	3.0	6	3.7
Investment Attraction	7	25 .9	17	13. 0	24	14.9
Skills	4	14 .8	10	7.6	14	8.7

Table 2: Major Focus Areas of LED Policy and Planning in Distressed Areas

Beyond the three leading focus areas Table 2 shows the significance of other issues for LED policy in distressed areas. It is evident that approximately one-third of municipalities are committed to programmes for job creation in general and support for the informal sector or cooperatives. In particular, the commitment is for supporting cooperatives as only a handful of municipalities indicate programmes for informal sector support and upgrading such as through the provision of market stalls. The extended support for cooperatives is particularly a feature of the mainly rural municipalities and often is allied to agricultural development. Of minor significance was support for infrastructure-led initiatives for promoting LED and for industrial development. Given current national government's initiatives both for the widespread rollout of infrastructure projects and for support of reindustrialization, including through incentives and special economic zones, the sparse interest in these two focus areas is somewhat surprising. Finally, across certain distressed areas other 'niche' focus areas (aquaculture, mining, wind farms/renewable energy, forestry) were occasionally identified as pillars for LED policy.

The support for particular focus areas was not uniform across the distressed areas. Table 3 reveals geographical differences across the eight provinces which incorporate distressed districts. Certain interesting areas of concentration are disclosed by comparing for each major focus area the share of municipalities in each province as compared to the overall pattern for distressed areas in total. These are shown on Table 3. It is evident, for example, in terms of tourism that beyond high levels of commitment across all areas the municipalities in Mpumalanga, Limpopo and Eastern Cape are 'over-represented in tourism' and thus strongly focussed on tourism-led LED. Equally, in terms of agriculture this is an outstanding focus in the distressed municipalities of Eastern Cape where 93.9 percent municipalities choose agriculture as local economic driver. For SMME development there are several provinces that appear strongly committed to this focus area including Eastern Cape, KwaZulu-Natal, North West, Mpumalanga

and Gauteng. For informal sector/cooperative development support Gauteng, Limpopo and Eastern Cape are most prominent. For job creation in general, Gauteng, Eastern Cape and North West are 'over-represented' as compared to the national pattern for distressed areas as a whole.

Province	No. Municipalities	Tourism	IS/Coops	Agriculture	SMMEs	Job Creation
Free State	5	60.0	20.0	60.0	60.0	20.0
KwaZulu-Natal	60	80.0	25.0	70.0	76.7	30.0
Eastern Cape	33	93.9	36.4	93.9	84.8	54.5
Gauteng	5	80.0	60.0	50.0	80.0	80.0
Limpopo	30	90.0	56.7	63.3	66.7	10.0
Mpumalanga	6	100	16.7	66.7	83.3	33.3
North West	18	77.8	22.2	61.1	77.8	50.0
Northern Cape	4	75.0	0	75.0	50.0	25.0
ALL	161	85.7	32.9	75.8	73.9	34.7

Table 3: Geographical Variations in Focus Areas of LED Planning in Distressed Areas

Note: The percentages for Gauteng, Free State and Northern Cape should be understood to refer to only 1 District Municipality and the relevant local municipalities.

4. A SPACE FOR INCLUSIVE INNOVATION IN DISTRESSED AREAS

The Department of Science and Technology (DST) seeks to engage in addressing the developmental issues of the distressed areas through fostering the role of STI in LED, encouraging the growth of vibrant robust local economies and thereby to assist the Department

of Cooperative Governance (DCOG) as well as the Department of Economic Development (DED) in supporting inclusive economic growth in these municipalities. The DST seeks to contribute towards inclusive development through “strengthening local systems of innovation and production that can support the creation of sustainable employment creation, wealth creation and elimination of poverty” (DST, 2015: 12). The DST’s strategic approach of Innovation for Local Economic Development (ILED) sets forth the potential contribution of STI in LED. Its focus is twofold. First, is to energise local economic clusters through launching catalytic innovation-driven economic development interventions which are positioned to unlock economic value inherent in localities in high potential sectors along the entire value chain and thereby introducing broader economic change. Second, the ILED approach stresses the need to strengthen “local innovation systems”. This necessitates enhancing the synergies and dynamics of networks of local agents which interact in local economies and are involved in the generation, diffusion, and utilisation of technology, knowledge and innovative solutions for local economic activities.

5. REFERENCES

DST, 2015: *Innovation for Local Economic Development: Strategy Document 2016-2020*. Pretoria: DST.

Gaffneys, 2013: *Local Government in South Africa – Official Yearbook 2013-2015*. Johannesburg: The Gaffney Group.

The most striking finding about this research is the almost complete oversight of innovation in LED policy discussions across the municipalities of the distressed areas. Flowing from this analysis of LED planning in the distressed areas three critical policy conclusions emerge.

1. Innovation is a missed opportunity for LED and from the viewpoint of informing LED policy of local governments in the distressed areas there is evidently major policy space for new DST-led interventions around innovation.
2. Across the distressed areas as a whole the DST must incorporate a special focus on innovation in tourism, SMME development and agriculture.
3. Innovation driven LED in these sectors requires the undertaking of evidenced-based analysis of local innovation systems in order to inform the targeting of this narrow cluster of sectors.