Reframing place-based economic development in South Africa: the example of local economic development

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Abstract: Local Economic Development (LED) planning is a place-based approach to development planning and increasingly significant across much of the global South. One of the key challenges facing LED planning is the necessity to adjust planning in relation to the dynamic nature of both international and national framework conditions. The purpose of this article is to show this challenge by examining the dynamic nature of the national policy environment impacting upon LED planning in South Africa, a country which has a relatively long history of LED planning. Five dimensions of the changing landscape of national economic development planning in South Africa are identified. These relate to (a) LED within the context of new national economic and development plans; (b) initiatives for reindustrialising the South African economy, the associated importance of localisation and promotion of the green economy; (c) changing programmes around small business development; (d) shifts in rural development interventions; and (e) the fluid spatial context within which LED planning as a form of place-based economic development is embedded.

Contents:
1. Introduction ................................................................. 204
2. Local Economic Development in South Africa ........................................ 205
3. The changing terrain for LED planning .............................................. 206
   3.1 New economic development plans and the relevance of LED futures. .......... 207
   3.2 Reindustrialisation, localisation, and the green economy. .................. 208
   3.3 Small business development issues ............................................. 210
   3.4 Towards comprehensive rural development ...................................... 211
   3.5 Evolving debates around national spatial policy .................................. 212

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1. Introduction

Local Economic Development (LED) has emerged globally as a vibrant ‘place-based’ planning approach to local and regional economic development (Barca et al., 2012). The growing significance of LED planning approaches is inseparable from the changing world economy and especially the advance of globalisation. LED is a contested concept, however. For Akudugu and Laube (2013: 4) the term ‘is still imprecise, ill-defined and open to multiple interpretations’. Bartik (2003:1) views LED as increases in a ‘local economy’s capacity to create wealth for local residents’. The World Bank (2002) maintains the activity of LED is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community The German international development agency (GIZ) considers LED is ‘an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms’ (Ruecker, Trah, 2007: 15).

Notwithstanding the ‘slippery’ nature of the LED concept, over the past two decades the activity of LED planning has become of growing significance especially in the developing world, not least because ‘the prospects for and promises of LED seem to be huge’ (Akudugu, Laube, 2013: 3). Leading international development agencies, such as the World Bank, GIZ and UNDP, have been influential in diffusing the concept of LED from the global North to the global South (Marais, 2010; Rogerson, Rogerson, 2010a; Akudugu, 2013). Acceptance levels have been raised within the global South as traditional top-down development strategies have proven ineffective for generating the required momentum for local development (Rodriguez-Pose, 2008). Accordingly, there has been growing willingness to adopt the approach of LED whereby local stakeholders assume greater responsibility for catalysing area prosperity and making their localities more competitive in both national and (potentially) international contexts (Rogerson, Rogerson, 2010a; Rodriguez-Pose, Palavicini-Corona, 2013).

In the re-shaped landscape of development planning, local economic development (LED) has appeared as a novel planning focus in both developed and developing countries, particularly in the context of pervasive trends towards decentralisation – the deliberate and planned transfer of resources away from central state institutions – and of shifting structures of government and governance. Its focal activities are based upon maximising the comparative advantages of localities and include improving the local business environment, building local skills, cluster development (often involving small medium and micro-enterprises) and encouraging trust and partnerships between the private sector, public institutions and civil society (Ruecker, Trah, 2007). From a review of international experience it is apparent there are different approaches to LED as well as different entry points for starting an LED process (Rodriguez-Pose, Palavicini-Corona, 2013). LED processes offer an integrated approach to development rather than a ‘one size fits all’ solution. It is stressed that their core purpose is ‘to mobilise the local economic potential by bringing innovation to all its growth dimensions which range from infrastructure, to local SMEs and their skills, to attracting foreign direct investment, fostering territorial competitiveness, strengthening local institutions, better management of the development process and internalising local resources’ (Rodriguez-Pose, 2008: 23). Critics maintain, however, that LED is little more than ‘a convenient response to both the neoliberal as well as post-development critiques of the mainstream development approaches promoted, without much success, after World War II’ (Akudugu, Laube, 2013: 16).
Within the global South, the experience of South Africa is generally considered a pioneer in terms of LED activities which have been strongly encouraged by national government since the end of apartheid. Arguably, planning for LED in South Africa is the most advanced and longest established in sub-Saharan Africa (Rodriguez-Pose, Tijmstra, 2007; Rogerson, Rogerson, 2010a; Rogerson, 2011; Akudugu, 2013). The activity of ‘doing’ LED in South Africa (as elsewhere) necessarily demands that adjustments be made to local planning in relation to the dynamic nature of both international and national framework conditions. Among the most significant international events have been the ramifications of the global financial crisis which unfolded after 2007 and ‘profoundly’ impacted the prospects for LED internationally (Tomaney et al., 2011: 620). Other critical considerations are the growing significance and expansion of South-South trade with the formation of new economic blocs (most importantly that of Brazil, Russia, India, China and South Africa), and the mounting acknowledgement of the need to implement adaptation and mitigation strategies in relation to the consequences of global climate change (Tomaney et al., 2010: 773). At the national scale of reference since the preparation and release of South Africa’s national LED framework in 2006 the context for local planning has altered radically in several critical dimensions. In particular, a number of major shifts have occurred within the terrain of national economic policy and of national development planning which together have recast the context for LED policy and practice in South Africa.

The purpose of this paper is to furnish an overview and analysis of the most important policy changes that have taken place nationally since 2006 in reshaping the landscape for LED planning in South Africa. The article illustrates the extraordinary rapidity of change in the policy environment that LED stakeholders and planners must deal with. Against the background of an examination of the growth and importance of LED in national development planning in South Africa, the major part of the paper discusses critical changes in national economic policy and of the shifting planning context for national economic development which set the parameters for local economic development. Five important issues are highlighted, namely the relevance of LED within new frameworks for national economic development; the impacts of new initiatives for reindustrialisation, especially of localisation and new green economy initiatives; new directions in small business development with LED implications; changing rural development interventions, and the changing spatial context within which LED planning as a form of place-based economic development is embedded.

Methodologically, the paper is the output of an analysis of documentary sources with additional inputs drawn from a number of key stakeholder interviews which were conducted during 2012 and 2013 with representatives of the major national line ministries that impact decisively upon trajectories for LED planning. Among the most important of these national departments in South Africa are the Department of Cooperative Governance and Traditional Affairs (DCoGTA) formerly titled the Department of Provincial and Local Government (DPLG), which has the core mandate for supporting LED planning, the national Department of Economic Development (DED), National Treasury and the national Department of Trade and Industry (DTI).

2. Local Economic Development in South Africa

Since the transition to democracy in 1994 LED has been elevated from isolated local development intervention, mainly in the country’s largest cities of Johannesburg, Cape Town and Durban, to an obligatory mandate for all South Africa’s local authorities in terms of the national constitution (Nel, Rogerson, 2005a). The legislative and policy context for LED has been shaped by several key pieces of legislation (Nel, 2001; Van der Heijden, 2008; Rogerson, 2011a; Sibanda, 2013). First, the 1996 Constitution recognises the significance of local government and Section 152 obliges municipalities to promote economic development of local communities. Second, the 1998 White Paper on Local Government establishes the notion of ‘developmental local government’ which is defined as ‘Local Government committed to working with citizens and groups within the community to find sustainable ways to
meet their social, economic and material needs, and improve the quality of their lives' (Sibanda, 2013). Third, the Local Government Municipal Systems Act of 2000 made the pursuit of Integrated Development Planning (IDP) a compulsory activity for local government and legislated a number of key LED functions and responsibilities (Nel, 2001; Nel, Rogerson, 2005a). The essential aim of the Act is to 'provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities' (Nel, Binns, 2003; Van der Heijden, 2008).

From the perspective of several observers, it is considered that the period 2005-2007 marks a new and significant watershed in the history of LED policy frameworks in South Africa (Rogerson, 2008a). Importantly, after almost 10 years of LED being a statutory requirement for local authorities, the DPLG released an official statement of common understanding and goals for LED which provides to local authorities, for the first time, a definitive set of guidelines for their activities (DPLG, 2006). The release of the 2006 framework document, Stimulating and Developing Sustainable Local Economies, confirms what Nel and Goldman (2006) identify as a new 'policy maturity' surrounding LED policy frameworks in South Africa. The document offers a vision for promoting 'robust and inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives' (DPLG, 2006). Overall, LED has consolidated in importance within the development planning landscape of South Africa as an integral part of the country’s initiatives for political decentralisation (Nel, 2001; Rogerson, 2008a; Nel et al., 2009; Rogerson, 2011a).

During the past two decades the South African experiences of promoting LED have attracted considerable scholarly interest, particularly from the community of human geographers and planners. In terms of analysis, researchers have scrutinised a range of issues including changing directions of national government policy, the record of pro-growth LED interventions particularly in cities, LED experiences outside the major cities in secondary centres and small towns and the role of LED in addressing challenges of unemployment and poverty alleviation in South Africa (Rogerson, 1996, 1999, 2000; Nel, 2001; Nel, Binns, 2002a, 2003; Abrahams, 2003; Bond, 2003; Rogerson, 2004a, 2004b; Nel, Rogerson, 2005a, 2005b, 2007; Nel et al., 2009; Rogerson, 2009; Rogerson, Rogerson, 2010b, 2011; Rogerson, 2011a, 2013a; Gunter, 2014). Other critical issues under investigation have included the role of small, medium and micro-enterprises in LED processes, governance, public procurement, sectoral partnerships, trust and relations between the private sector and local government, and the establishment and impact of local economic development agencies (Rogerson, 2003, 2004a, 2004b; 2010a, 2010b; Houghton, 2011; Rogerson, Rogerson, 2012; Lawrence, 2013; Malefane, 2013; Sibanda, 2013). Finally, a large amount of academic work has been pursued examining the impacts and prospects of particular sectors for LED planning. In particular, with South Africa's re-entry into the international tourism economy from 1994 after years of economic sanctions, much attention has been devoted to interrogating a set of issues surrounding tourism-led economic development and its impacts in the country both in cities and in small towns as well as rural environs (Nel, Binns, 2002b; Rogerson, 2002, 2006; Stoddart, Rogerson, 2009; Hoogendoorn, Visser, 2010; Ramukumba, 2012; Rogerson, 2012a, 2013b; Pillay, Rogerson, 2013; Van der Merwe, Rogerson, 2013; Gunter, 2014). In addition, the special role and issues around the mining sector in South Africa both as catalyst for local development and of local decline have attracted the attention of LED scholars (Nel, Binns, 2002a; Rogerson, 2011b, 2012b; Marais, 2013).

3. The changing terrain for LED planning

Since the preparation and release of South Africa's national LED framework in 2006 the context for the planning of LED has altered markedly in several critical dimensions. The 2006 framework was prepared at a time of high optimism about rising economic growth. Its authors could never have anticipated the combination of seismic international events which recently have radically impacted the conditions for LED internationally, including for LED in South African localities (Rogerson, 2013a).
Among the most significant international events has been the global financial crisis which severely affected the prospects for LED (Tomaney et al., 2011). Beyond international shifts there have been a number of critical policy turns in South Africa which also impact upon LED planning. These are a series of local policy changes in South Africa which affect LED planning and are the focus of concern in the remainder of paper.

Overall, in relation to the changing landscape of national economic development planning five essential themes can be identified as influencing LED in South Africa. These relate to: (a) the relevance of LED within the context of new national economic development plans; (b) the initiatives launched by DTI for reindustrialising the South African economy, the associated growing importance of localisation and promotion of the green economy; (c) new initiatives around small business development; (d) changing rural development directions and interventions; and (e) the new spatial context within which LED planning as a form of place-based economic development is embedded. Each of these themes is examined in turn.

3.1. New economic development plans and the relevance of LED futures

During 2009 the Zuma administration launched the New Growth Path with its ambitious vision of creating 5 million jobs by 2020 and with a focus on a new more inclusive, labour-absorbing development path (DED, 2010). The New Growth Path document aims to address the structural ‘problems’ inherent in South Africa’s economy and to launch a set of strategies aimed at fighting against poverty, reducing inequality and addressing rural development all in the effort to create decent jobs (National Treasury, 2012: 9). In many respects the NGP is South Africa’s response to changing technological production systems and the global economic downturn which occurred from 2008. In terms of LED planning six core principles are identified by the Department of Economic Development. These are: (a) improving the labour absorption capacity of the economy both in the absolute numbers of employment opportunities created as well as in the labour intensity of economic growth; (b) rebuilding the productive capacity of the economy; (c) integrating green considerations in economic growth by decreasing the carbon emission of economic activities as well as actively identifying new opportunities in the green economy; (d) focusing on the opportunities on the African continent and supporting logistics and industrial opportunities elsewhere on the continent that can strengthen the country’s own employment base and economic development; (e) enhance the coherence and linkages between sectors such as for example between new infrastructure development and extension of local manufacturing capacity; and (f) promoting partnerships between business, labour and government as critical instruments to drive the jobs goals (DED, 2012a: 9).

One distinguishing element of the NGP is that it is not focused on the existing growth path in its search for new job creation. As Nattrass (2011) points out the NGP seeks to create a ‘new’ more labour-absorbing path through the judicious use of government policy which entails reversal of some of the structural shifts which took place in the early 2000s, most importantly that of employment decline in the country’s manufacturing sector.

For Turok (2010) the notion of the developmental state has become of central importance and is reflected in the establishment of the National Planning Commission as well as the discourse of the New Growth Path. Nattrass (2011) also views the NGP as advocating a ‘developmental state’ in order to support and build new productive activities, especially in light manufacturing, the mining and agricultural supply chains, and in a range of knowledge-intensive and skill-intensive activities (e.g. biotechnology) and in green technology (notably solar power). Turok (2010: 267) considers that ‘the contribution of regional and local authorities to the developmental state has been somewhat neglected’. In addition, it is maintained that a ‘developmental state needs to harness the collective power of institutions at every level in order to alter the growth path and enable all areas to realise their potential’ (Turok, 2010: 268). A case for a stronger focus on LED linked to the NGP is made evident in the statements that a ‘national approach cannot provide sufficient flexibility to meet the different conditions in each region and locality’ and further ‘cannot exploit their particular advantages and opportunities for growth and development’ (Turok, 2010: 268). The relevance
of LED is underscored as ‘provincial and local institutions could complement national state capabilities by providing additional energy, ideas and expertise to build unique productive assets and distinctive industrial strengths not rolling out and replicating a standard national approach’ (Turok, 2010: 268).

As compared to the NGP’s emphasis upon the ‘developmental state’ the National Development Plan (NDP) 2030, which was released in 2012 by the National Planning Commission (2011) evinces a more neo-liberal outlook. This is a second highly significant framework to reshape development planning in South Africa. In terms of the economy the emphasis of the NDP is upon constructing a more inclusive and more dynamic economy in which the benefits are shared more equally. The NDP builds upon, however, the key proposals of the NGP for creating new jobs by providing a supportive environment for growth and development while promoting a more labour-absorptive economy. It is disappointing however that the role of LED is scarcely mentioned in the National Development Plan although its relevance is acknowledged implicitly in the statement that for planning ‘it is important that a one-size-fits-all approach is not taken – government and the private sector should understand the distinct challenges and potential of different areas and respond with a location-specific approach’ (National Planning Commission, 2011: 237). In the National Development Plan the most significant statement related to LED is that for the making of sustainable human settlements South Africa needs ‘municipalities that put economic development and jobs at the heart of what they do and how they function’ (National Planning Commission, 2011: 254).

3.2. Reindustrialisation, localisation, and the green economy

The re-industrialisation of South Africa is one of the cornerstones of the New Growth Path and has emerged as the central focus of much of the policy and interventions recently undertaken by the DTI. Since 2008 South Africa has been engaged in a wide-ranging set of industrial policy interventions through the Industrial Policy Action Plan (IPAP) with a framework of continuous improvements and upscaling of industrial development interventions as set out in the 2007 National Industrial Development Framework (NIPF) (National Treasury, 2012). Among its core objectives the NIPF seeks, inter alia, to facilitate a programme of economic diversification, ensure the long-term intensification of South Africa’s industrialisation, to galvanise a labour-absorbing industrialisation path and a further intensification of industrialisation towards a knowledge economy beyond 2014.

During 2011 the DTI expressed serious concerns about the underperformance of the South African economy relative to the global economy and more particularly to the performance of other emerging economies (DTI, 2011a). Until the 2008 global economic crisis the South African economy enjoyed steady and progressive growth, albeit not matched by any significant improvement in levels of unemployment. With the onset of recession and accompanying declines in production, the economy shed over a million jobs with approximately 200 000 jobs lost in the country’s manufacturing sector (DTI, 2012a: 22). In its Medium Term Strategic Plan for 2011-2014 the DTI identified both falling levels of employment and slow growth of manufacturing value as ‘a deep rooted structural problem’ and of key concern particularly given that the manufacturing sector is regarded as one that can absorb low skilled labour (DTI, 2011b). The performance of the country’s manufacturing sector was considered as especially poor if benchmarked against the record of China, India and Brazil. This was viewed an outcome of ‘the policies these countries followed before the recession, which focused on production sectors, and significant interventions to counteract the effects of the extended recession’ (DTI, 2012a: 22).

It was pointed out that the modest growth of the economy is ‘driven by unsustainable increases in private credit extension and consumption rather than a more sustainable growth path underpinned by the growth of production-driven sectors of the economy’ (DTI, 2012a: 22). Put simply, consumption-driven sectors (such as finance, insurance or tourism) were the driving forces of South Africa’s modest economic growth performance as opposed to production-driven sectors such as agriculture, mining or manufacturing. The IPAP was identified therefore as a key pillar of the NGP (DED, 2010; DTI, 2012a: 20). It represents a range and mix of
policies deemed as critical to achieve a scaled-up industrial policy and in particular for reconfiguring ‘a shift towards the productive side of the economy’ (DTI, 2012a: 29). The first IPAP was produced in 2008 and the most current version for 2012/2013 – 2013/14 is the fourth iteration. It contains a broad range of action steps and interventions in support of the goals of NIPF. In the drive for reindustrialisation of South Africa two issues of special significance and potential impact for LED futures are those relating to localisation and the green economy.

The drive for localisation is associated with changes in government procurement and of amended regulations to the Preferential Procurement Act which were effected on 7 December 2011. In harmony with the NGP’s advocacy of social partnerships to accelerate job creation, representatives of government, labour, the community constituency and business have established a localisation accord (DED, 2011a). This highlights the important role that can be played by extending local procurement in terms of government procuring South African produced goods and services for industrial development and job creation. The objective is to achieve a 75 percent target for localisation in the procurement of goods and services both by the public sector and the private sector and thus to significantly expand the value of goods and services which are secured from South African producers. It is argued that leveraging ‘public procurement is one of the key instruments for deployment by government in support of the productive sectors, and will be used in combination with policies on industrial finance, trade, competition, innovation and skills development’ (DED, 2011a: 1).

The critical importance of strategic public procurement as ‘a critical instrument’ is reiterated by the DTI (2012a: 33). Through the review of public procurement new regulations have been enacted which provide for specific sectors, sub-sectors and products to be classed as ‘designated’ in terms of which all public entities (national government, provincial and local as well as state-owned enterprises) are ‘to ensure that the designated products procured by them are produced locally’ (DED, 2011a: 2). Furthermore, the localisation accord provides ‘for public entities to procure locally-manufactured products that are not on the list of designated products’ (DED, 2011a: 2). The process of designating sectors or products is to be undertaken on a regular basis with the following list of industries designated for local procurement as from December 2011 viz., buses; rolling stock; power pylons; canned vegetables; clothing, textiles, leather and footwear; and set top boxes (DTI, 2012a: 16). Additional products indicated as under investigation are pharmaceuticals; electrical cables, yellow metals; office furniture, and school furniture (DED, 2011a: 2–3). The significance of designated sectors and the drive for localisation is to encourage a deepening of local supply chains with corresponding positive impacts for local industrial and economic development.

A second significant social accord relates to the Green Economy (DED, 2011b). This Green Economy Accord is a response to concerns about climate change and is viewed as the establishment of a ‘green partnership: to create jobs, provide a spur for industrialisation, and help to create a sustainable future’ (DED, 2011b: 3). Once again this accord is a follow on from the New Growth Path’s commitment to greening and green jobs (Nattrass, 2011). It commits the social partners to building and growing the green economy and notes that ‘up to 300,000 jobs are possible within a decade if South Africa actively invested in the green economy’ (DED, 2012a: 14). The current IPAP stresses that ‘an ambitious programme of renewable energy generation should catalyse a significant wave of economic benefits and industrial development’ (DTI, 2012a: 66). Opportunities for manufacturing development exist around the production of renewable energy plant, the manufacture of solar water heaters, recycling and biofuels production. The synergy with localisation imperatives is also made evident. It is stated that above all, ‘it is necessary to have a localisation strategy that uses the enormous spending on climate change induced technologies to create local industrial capacity, local jobs and local technological innovation’ (DED, 2011b: 7). Indeed, in the absence of synergistic localisation initiatives the danger exists that South Africa ‘will bear much of the cost of greening our society without reaping an important benefit in the form of job creation’ (DED, 2011b: 7). Overall, therefore, the advancement of the green economy in South Africa offers further opportunities for local production and supply chain development that must be filtered into LED planning.
It should be noted that critical support for greening extends beyond the DED and DTI and includes commitments from National Treasury. A different dimension is introduced into greening debates with the focus on building ‘resilient economies’ in South Africa both from a social and ecosystems perspective (Cullinan, 2011: 35). Representatives of the National Treasury Technical Assistance Unit stress the importance for the country’s major cities to tackle seriously issues around greening and speak of the imperative for ‘green governance’. It is argued that cities ‘can take the lead in helping to promote the green economy’ and ‘the green economy would help build resilience and also address poverty and build local employment and job opportunities’ (Cullinan, 2011: 41). The call is made for the fashioning of ‘resilient cities’, which is about changing the ways that cities are run and operate and most importantly introduce adaptive responses to the challenges of both climate change and oil dependence (Cullinan, 2011: 40).

3.3. Small business development issues

One of the common focus areas of the NGP and NDP is that of supporting the growth of small businesses as well as of cooperatives as a vehicle for drawing more South Africans into entrepreneurial activities and boosting job creation. Essentially this commitment in support of small enterprise development represents a continuation and re-statement of policy support that goes back to the early years of democratic change (Rogerson, 2004c). The centrality of small business development for achieving the objectives of competitive local economies and of inclusive growth is emphasised (Malefane, 2013; Sibanda, 2013). Accordingly, all national government led interventions that support the SMME economy have a powerful resonance for LED futures.

Importantly, different forms of intervention impact upon different kinds of SMME. The objectives of inclusive growth can be supported by pro-active interventions to support the informal economy in particular localities. In addition, the activities of the Tourism Enterprise Partnership, a support programme for tourism SMMEs, enhance the prospects for micro-enterprises and small enterprises in the tourism sector, particularly in South Africa’s poorer provinces (Rogerson, 2008b). The making of business environments that are ‘friendly’ to small business entrepreneurs is of core concern for LED futures. The DTI and DCoGTA are engaged in a partnership to undertake ‘red tape’ reduction in selected municipalities across the country. This initiative aims to identify the most critical red tape issues and afford a starting point for local improvement processes, especially for the group of ‘ordinary’ (as opposed to dynamic) small and medium enterprises that end up paying disproportionately higher costs of compliance with administrative rules, regulations and procedures which impedes their market access. The approach of reducing local red tape thus represents a pro-active and locally-driven approach for building a better local business environment. The national roll out of this programme is a vital step in order to institutionalise the reduction of local red tape for SMMEs in order for them to take advantage of business opportunities in each locality and towards a more inclusive path for LED.

In relation to fostering the important category of high growth SMMEs the importance of existing and new programmes for the development of technology stations and business incubators must be highlighted as positive catalysts for innovation and for endogenous growth. Ndabeni (2012: 5) emphasises the significance of supporting innovation in the SMME sector ‘in order to ensure greater probability of (business) survival with employment being a positive consequence’. Employment growth in localities can be the outcome of innovation support for improved business survival for start-up enterprises and a natural consequence of larger and innovative SMMEs expanding and graduating to larger-sized businesses. The Department of Science and Technology has a longstanding programme for technology stations to accelerate the interaction between universities and SMMEs. These technology stations ‘offer technology support and advice to low technology based SMMEs in order to improve and graduate into high technology SMMEs’ (Ndabeni, 2012: 7). Strengthening the responsiveness of these technology stations in South Africa and making them more responsive to the long-term needs of SMMEs is an important intervention for supporting LED with endogenous growth through small firms.
The second element of support for high growth SMMEs and endogenous growth is of establishing business incubators which focus on economic growth, sustainable employment, technological innovation and technology transfer (Masutha, 2014). There is a large body of international experience which demonstrates that given appropriate policy support small business incubators can be potential tools for LED. An important current in the development of business incubators in South Africa is that of supporting technology incubators. Currently, there are 33 incubators established with public sector support and ten additional incubators of which nine are privately funded as well as one public-private sector partnership (Masutha, 2014). The weight of existing evidence shows that the performance of these sectorally-cluster based initiatives for incubation has been mixed with some incubators performing ‘extremely well’ whereas several other projects ‘have performed poorly’ (Ramluckan, Thomas, 2011: 20).

In a recent rethink of policy support for dynamising the SMME sector and expanding government’s impact upon the SMME economy, one of the key recommendations was to augment the existing infrastructure and network of support for business incubators (Osiba Research, 2011). This recommendation has been taken up and endorsed by the DTI with the launch in 2012 of the Incubation Support Programme (ISP). The linkage of this programme to LED is explicit. It is stated the DTI ‘initiated the Incubation Support Programme (ISP) to develop incubators and create successful enterprises with the potential to revitalise communities and strengthen local and national economies’ (DTI, 2012b: 2). The ISP aims to encourage partnerships whereby large businesses assist SMMEs with skills transfers, enterprise development, supplier development and marketing opportunities with the long-term objective of graduating SMMEs ‘into the mainstream economy through the support provided by the incubators’ (DTI, 2012b: 2). The programme is no longer simply concentrated upon high technology SMMEs as national government stresses now its role for broadening economic participation in the country by encouraging and nurturing start-up enterprises through incubators. Its scope is envisaged to bring enterprises from the survivalist stage and informal economy and graduating them into the mainstream economy. The planned roll out of these business incubators has considerable implications for LED in localities where new incubators are established. The potential commitment and scale of this initiative is indexed by the fact that government has announced a target of establishing 250 new incubators by 2015 (Masutha, 2014).

3.4 Towards comprehensive rural development

The acceleration of rural development was one of the most critical interventions proposed in the New Growth Path as a means to address the structural challenges underpinning both economic and spatial inequalities in the country (DED, 2010). It is acknowledged that rural development ‘is a cross cutting mandate that requires significant coordination for maximum impact’ (Archary, 2011: 4). The central ministry tasked with dealing with the complex challenges around rural development is the Ministry of Rural Development and Land Reform (DRDLR) which was created in 2009. The establishment of the DRDLR is viewed a watershed for rural development in South Africa as for ‘the first time in its history, the country would have a ministry dedicated to the social and economic development of rural South Africa’ (DRDLR, 2012a: 10). It is considered the start of a new policy and development paradigm for rural development as the post-1994 paradigm was ‘premised on the assumption that urban development would inevitable cascade to the rural periphery’ (DRDLR, 2012b: 9).

The new National Department of Rural Development and Land Reform was given the mandate to develop a Comprehensive Rural Development Programme (CRDP) for the country. In pursuit of this mandate it is claimed that DRDLR has ‘embarked on developing a fresh approach to rural development’ (DRDLR, 2012b: 1). The CRDP is targeted to enable ‘rural people to take control of their destiny, with the support from government, and thereby dealing effectively with rural poverty through the optimal use and management of natural resources’ (DRDLR, 2012b: 1). The core outcomes of the CRDP are the making of ‘vibrant, sustainable, equitable rural communities and food security for all’ and of deepening rural job creation and the creation of economic
livelihoods (Swartz, 2011: 2). Key facets of this fresh approach to the challenges of South African rural development are, *inter alia*, ‘a co-ordinated and integrated broadbased agrarian transformation as well as the strategic investment in economic and social infrastructure that will benefit the entire rural communities’ (DRDRLR, 2012b: 1). The major challenges of rural areas are considered to be poor or lack of access to socio-economic infrastructure and services, public amenities and government services coupled with lack of access to water or lack of water sources for both household and agricultural development (Archary, 2011: 3).

The role of the DRDLR is to function as an ‘initiator, facilitator and coordinator and catalyst in rural development interventions’ (Archary, 2011: 5). Special focus is upon infrastructure provision in respect of both economic and social infrastructure. The CRDP places strong emphasis on developing new and rehabilitating existing infrastructure in rural areas (Archary, 2011: 6). Beyond transport infrastructure, this includes rural electrification, communication networks, irrigation schemes, water harvesting schemes, fencing for agriculture and storage facilities. Social infrastructural improvements are centred on sanitation, health clinics, sports and recreation, rural libraries, rehabilitation of schools, and new centres for skills development. Overall, it is made clear that the CRDP follows three phases in its mission to engineer sustainable vibrant communities (Swartz, 2011: 4). First, is an incubator phase with the main driver that of meeting basic needs. Second, is an entrepreneurial development stage which involves the development of medium to large scale infrastructure. Third is the projected emergence of rural industrial and financial sectors which is to be driven by SMMEs (including cooperatives) and the consolidation of village markets.

The significance of the unfolding CRDP for rural development cannot be ignored. In relation to LED the establishment and strengthening of rural livelihoods forms the foundation for rural LED. The DRDLR itself recognises the linkages to LED (DRDLR, 2012b: 2). The roll out of the CRDP is occurring geographically across areas which span the majority of the most economically vulnerable local governments which are prioritised by DCoGTA.

3.5. Evolving debates around national spatial policy

As a place-based strategy for economic development, LED in South Africa is an integral element of national spatial development. The New Growth Path recognised the urgent need for policy initiatives to address the extraordinary divergence in terms of the spatial concentration of economic growth, which was attributed to apartheid policies. Among others recent work by Turok (2011: 2) spotlights that in South Africa ‘spatial inequalities are substantial’, inequitable, and generally viewed as structural or deep-seated in character. The overt thrust of the New Growth Path, however, is strongly towards rural development whereas other government policies focus on promoting Industrial Development Zones in coastal regions (Nel, Rogerson, 2013).

It is considered that South African policy debates about spatial development ‘have become trapped within a rather unproductive and sterile urban-rural dichotomy’ with polarised opinion around the merits of pro-urban or pro-rural development (Turok, 2011: 2). Conventionally these debates are anchored on recognition that the major problem for spatial development in the country is simply the urban-rural divide. It was acknowledged in a 2011 report produced by the Presidency that in South Africa ‘spatial inequality needs to be taken more seriously’ (The Presidency, 2011: 33). A more nuanced conversation around spatial inequalities is required beyond simply that spatial inequalities are an apartheid legacy issue that requires redress and must incorporate a deeper understanding of the workings of the national space economy and of production systems (Turok, 2011). Overall, it is stressed by Turok (2011: 21) that decentralised institutions of the state ‘can play a positive role in fostering development because of their superior local knowledge and their greater responsiveness on the ground compared with national bodies’.

The National Planning Commission (2011) report highlights the major recent trends in spatial development and existing patterns of spatial inequalities in South Africa. It argues that since 1994 the landscape of the space economy has changed. Key identified changes in the national space economy are as follows. First, is the strengthening of the
existing dominance of the Gauteng city region and the weakened performance of the coastal city regions in terms of job creation because of the stagnation or decline of manufacturing activity. Second, small town performance is uneven with many small towns and rural areas in stagnation or decline because of difficulties in agriculture and mining. Many of the most successful small towns and rural areas in South Africa have been driven by tourism led development (Nel, Rogerson, 2007). Three, several parts of the former Bantustans, the rural slums of the apartheid era, are shifting their economic structure and increasingly are driven by government social grants.

Overall, the National Development Plan avoids the opposition between urban and rural areas which was evident in the NSDP and argues that whilst ‘there are specific rural and urban challenges, the interdependencies are considerable, and South Africa needs an integrated approach to these national territory issues’ (National Planning Commission, 2011: 236). The report highlights the demise of the productive economy of South Africa’s rural areas as a matter of special concern given that they host 40 percent of the national population. It is urged that potential opportunities for development exist in rural areas especially around transportation corridors and thus that ‘rural areas cannot be written off indiscriminately as spaces of social reproduction and retirement with no economic prospects’ (National Planning Commission, 2011: 240). Accordingly, implicit acknowledgement is again given to LED in the statement that the need exists for ‘a comprehensive programme to restore rural areas, clearly outlining the role of the state and local government’ (National Planning Commission, 2011: 240).

The report is highly critical of South Africa’s existing inter-governmental structure of spatial planning and in particular of poor coordination between national, provincial and local governments. It argues the ‘current planning system has reified municipal and provincial boundaries making it almost impossible to undertake cross-border planning, or to secure collaboration between one province and another, or between municipalities’ (National Planning Commission, 2011: 244). Instead, it proposes movement towards transforming spatial arrangements and spatial governance and suggests the country urgently needs a spatial vision to inform appropriate development planning, to tackle inherited spatial divides, to unlock development potential, to guide and inform infrastructure investment and prioritisation, and facilitate coordination between parts of government and other agents (National Planning Commission, 2011: 247).

In the absence of a National Spatial Framework, in the National Development Plan a set of generic spatial categories or development regions is proposed. At its apex is the ‘corridor of logistics hubs, road, rail, fuel and other infrastructure, including and connecting Gauteng and eThekwini’. This region, accounting for 46 percent of GDP, is deemed ‘vitally important to the future of the national economy and should be designated as a national competitiveness corridor’ (National Planning Commission, 2011: 249). Second, are nodes of competitiveness which encompass clusters of localities that account for at least 5 percent of GDP or jobs, which have experienced higher than average growth since 1994, or which have the potential for high growth in future. For these regions and localities the priority is to ensure their efficient development with special attention given to creating and sustaining economic value. Three, are so-termed rural restructuring zones which are rural areas with large populations that have agricultural, tourism or mining potential. Four, are resource-critical regions which encompass highly prized natural resource endowments including high value mineral resources or areas of significant biodiversity. Five, are transnational development corridors, which are viewed as critical for fostering an integrated economy across the region of Southern Africa and beyond, and requiring specific forms of planning interventions around economic stimulus and trade and transport networks.

Finally, there are three categories of what are described as special intervention areas which may demand highly targeted forms of planning and state support for periods of time. Job intervention zones are areas/localities that have lost more than 20 percent of their jobs in the past decade, representing significant losses to the national economy and could include declining agricultural districts, redundant industrial spaces or abandoned mining areas. By contrast are areas of anticipated growth or growth management zones which also require special planning. The last category are green economy zones,
those with proven potential to create green jobs. These generic categories offer a base for transcending municipal boundaries in development planning and instead for adopting an approach to development planning that is anchored on a region’s potential for development or its specific circumstances.

LED policy and practice can be informed by and in turn inform the designation of these areas for spatial targeting. Moreover, LED can only benefit from an enhanced understanding of the functioning and dynamics of the national space economy. This is a challenge which has been taken up and led by the DED in partnership with CSIR and DRDLR which is seeking to map out more clearly the patterns of functional regions that both cross-cut and thread together the national spatial system. It is argued that this functional economic region development initiative will essentially provide a platform that ‘will inform the development of a future National Spatial Framework’ (DED et al., 2012: 5). Its importance cannot be understated as potentially it can ‘create space for cross boundary planning, allowing municipalities that configure into functional economic regions to collectively plan for catalytic interventions’ (DED et al., 2012: 6). A critical challenge is, however, to clarify stakeholder roles concerning the operationalisation of LED across different local and regional boundaries.

A central role in spatial development is increasingly assumed by the DED with its mission linked to implementation of the New Growth Path, one pillar of which is spatial development. Alongside its work to define functional regions for guidance of national spatial planning the DED is engaged also in evolving other initiatives for what it calls regional local economic development (RLED). It is stressed that the RLED approach ‘expands the spatial lens from a local to a regional level, raising debate as to the appropriate role of RLED and positioning within broader functional economic regional approach that draws attention to the spatial layout of key value chains and the potential of corridor development’ (DED, 2012b: 2). Indeed, the DED considers recent policy developments open up a strategic repositioning of RLED ‘within a broader spatial economic development and transformation agenda’ and signals a shift away from ‘a single-dimension focus on LED towards a multi-lens RLED approach that targets systemic competitiveness and inclusive growth and development of regional or local economies’ (DED, 2012b: 2).

Finally, in terms of spatial development policy and interventions, it is worth noting the recent activity of the Technical Assistance Unit (TAU) of National Treasury. The TAU is a support facility in the National Treasury which provides technical assistance through a range of process management, advisory support and knowledge management services to all national, provincial and local governments. By contrast to the ongoing work of EDD the LED activity undertaken by the TAU is centred on building up the systemic competitiveness of the country’s leading urban centres. One current initiative is the establishment of a learning network which brings together economic role players from Gauteng, the Western Cape and KwaZulu-Natal to develop a shared understanding of city region economic development systems as cornerstones of the national economy. The National Treasury stresses that the Economies of Regions Learning Network (ERLN) is a timely initiative that is about the importance of strengthening regional collaboration to achieve growth. Its aims are threefold: (a) that all regions achieve their full potential in contributing to national development, (b) the focus is on global competitiveness as a means for growth, development and inclusion; and (c) to build on mutually beneficial values and reinforce linkages between these urban-based regions (National Treasury et al., 2012: 2). Of note is the trend – in common with that being implemented by EDD – for a focus on higher scale forms of LED in the context of building regional competitiveness.

4. Conclusion

Local economic development represents a place-based approach to development planning and is an increasingly important in both the global North and the global South (Rodriguez-Pose, Tijmstra, 2007; Tomaney et al., 2010). Arguably, the LED approach represents ‘a viable alternative to traditional top-down development strategies, which have largely to promote meaningful economic development at the local level’ (Akudugu, 2013: 3). Within the global South the LED policy experiments of
South Africa are the most mature and consequently are of considerable interest especially for other countries in sub-Saharan Africa (Rogerson, Rogerson, 2010a). The record of LED planning in South Africa is generally evaluated as mixed or uneven in terms of performance indicators (Nel et al., 2009; Rogerson, 2010a). One critical issue that impacts upon the success of LED is that the environment for LED planning is highly fluid both at the international and national level of analysis. The dynamic character of this framework environment requires a process of constant monitoring and adjustment by LED planners. This article underlines this particular challenge for LED planning using the case of South Africa which reveals a set of fundamental changes which have occurred since 2006 in the local policy environment with impacts for LED activities in the country.

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