

# Enhancing Local Economic Development Through Effective Leadership and Service Delivery in South African Municipalities

L Shilangu

Rhodes University, South Africa

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**Abstract:** This paper focuses on how effective leadership and service delivery could be utilised to enhance Local Economic Development (LED) in municipalities. LED is considered as a panacea to the triple challenges (unemployment, poverty and inequality) in South African municipalities. As the primary purpose of LED is to build and strengthen the economic capacity of local communities in order to improve the economic future and the quality of life of all citizens. Municipalities are mandated to provide municipal services in order to create conducive environments for economic and social development of its citizens. A lack of effective leadership within municipalities has been a notable challenge for LED. However, this paper concludes that effective leadership of ward councillors and service delivery would be a key to the success of LED. This paper is exploratory and descriptive in design and relied on extensive literature review.

**Keywords:** Local economic development, Leadership, Service delivery, State-business relation

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## 1. Introduction

South Africa is celebrating 25 years of democracy in 2019. However, there are still many socio-economic development problems to be tackled in municipalities (Kanyane, 2008:698). According to Abraham (2003:185), municipalities are confronted with the challenge of developing sustainable settlements that will better meet the basic needs of local communities and its residents. The South African government has, over the years, sought to reduce racial and spatial inequalities by giving priority to the development of the previously marginalised areas, which are considered to be residential areas to the majority of rural communities (Zulu & Mubangizi, 2014:424). In response to the socio-economic challenges faced by communities, the South African government has introduced Local Economic Development (LED). Globally, Strydom (2016:73) argues that LED has increasingly emerged as a crucial policy imperative for local communities. Hofisi, Mbeba, Maredza and Choga (2013:591) noted that the emergence of LED is explained by various government policies. However, the implementation and success of LED has also not been championed by rural municipalities. This is reflected by the ever-increasing unemployment and poverty rates as well as low economic development in rural areas. The paper seeks to explore the integration of effective leadership and service delivery to harness LED in

rural municipalities. As argued by Tsheola and Mokgokong (2012:379), public service provision is commonly viewed as a requirement for the success of LED, while Moyo (2007:226) added that "the central problem behind the unsuccessful impact of LED is essentially a problem of leadership". This paper, which is based on a review of the relevant literature, is organised as follows: the definition of LED, legislation governing LED in South Africa, service delivery and LED and the effective leadership and LED.

## 2. Defining Local Economic Development

It is of utmost importance to conceptualize and contextualize concepts as Paw (1999:11) avers that concepts are tools for thinking. International experience advocates that LED is a slippery concept and one, which is sometimes difficult to precisely define (D'Arcy & Guissani, 1996). In South Africa, LED has been interpreted in different ways resulting often in a considerable degree of policy confusion (Rogerson, 1997). LED has been defined in various ways by practitioners and scholars. Zaaijer and Sara (1993:129), Blakely (1994) and World Bank (2003) define LED as a process by which local communities and government or community-based organisations (CSOs) engage and work together to stimulate or maintain business activity. While from the Applied Fiscal Research Center in Koma (2012:128) perspective,

LED is a multi-dimensional and multi-sectoral process through which the skills, resources and ideas of local stakeholders are combined to stimulate local economies. The combination of skills, resources and ideas of local stakeholders aims to respond innovatively to changes in the national and global economic environment to attain as an end result, job creation, poverty alleviation and the redistribution of wealth. It worth nothing that LED is not a once off process as Patterson (2008) and Ruecker and Trah (2007:3) maintain that LED is continuous and an on-going process by which key stakeholders and institutions from all spheres of 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.

Moreover, LED as an ongoing and continuous process requires resources that are services provided the municipality and leadership skills provided by LED agents to stimulate local economies in a quest to create employment opportunities and eradicate poverty. Kanyane (2008:700) concludes that the broader aim of the LED is to create employment opportunities for local communities while alleviating poverty and redistribute resources and opportunities to the benefit of all residents. It can, therefore, be deduced that LED is a partnership based process that requires the involvement of communities, municipalities and the private sector. In this partnership, communities are required to provide labour, skills and be consumers, on the other hand, businesses are required to provide employment opportunities while the municipalities play their facilitating, coordinating, developing, stimulating and enabling roles.

### **3. Legislative Framework Governing LED in the South African Context**

Local municipalities in South Africa are guided through a number of policy frameworks to organise their administration and planning processes in order to provide basic services to improve the well-being of members of communities as well as local economies in an integrated, efficient, effective and sustainable manner (Maloka, Mashamaite & Ledwaba, 2014:218). The policy confusion issue noted by Rogerson (1997) is further supported by Mokoena (2017:468) when indicating that LED in South Africa lacks a piece of legislation dedicated to it which also caters for the environment which LED is performed in. However, Mokoena (2017:468)

posits that LED in South Africa is contained in, influenced by and derives its legitimacy from a number of legislative documents and policies. Moreover, the obligatory mandate for elevating LED by local municipalities was initially recognised by the 1994 Reconstruction and Development Programme (RDP), and the Constitution of the Republic of South Africa, 1996, respectively. The White Paper on Local Government, 1998, introduced the notion of developmental local government (Rogerson, 2010), which is surmised as a local government committed to working with its citizens. For the purpose of this article, the following pieces of legislation are briefly described below:

#### **3.1 Reconstruction and Development Programme (RDP), 1994**

As an integrated and coherent socio-economic policy, Reconstruction and Development Programme (RDP) attempts to mobilise the country's resources towards the final eradication of apartheid by building a democratic, non-racial and non-sexist future for all South Africans (Phutiagae, 2007:135; Malefane & Mashakoe, 2008:476; Malefane, 2009:159; Maloka, 2013:45).

The RDP, in Section 4.3.5, denotes that in order to foster the growth of local economies, broadly representative institutions must be established to address local economic development needs. The central purpose of the institutions would be to formulate strategies to address job creation and community development. If necessary, the government must provide some subsidies as a catalyst for job creation programmes controlled by communities and workers, and target appropriate job creation and development programmes in the most neglected and impoverished areas of the country.

#### **3.2 Constitution of the Republic of South Africa, 1996**

According to Malefane *et al.* (2008:5), the Constitution of the Republic of South Africa, 1996 is the most vital piece of legislation that guides various laws, policy papers and regulatory frameworks. It serves as a foundation for reference to the institutionalization of LED as a strategic function of municipalities. The Constitution of the Republic of South Africa, 1996 recognises the significance of local government in economic development through section 153 as it stipulates that:

*"A municipality must structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community."*

While the Constitution (1996) places a great responsibility on municipalities to facilitate LED, the schedule in the Constitution that lists the functions of municipalities does not include LED. This has contributed to an interpretation that sees LED as an un-funded mandate for municipalities. Rather, there is a clear implication given the juxtaposition of the constitution and its schedule that municipalities have a key role in creating conducive environment for investment through provision of infrastructure and quality services, rather than by developing programmes and attempting to create jobs directly (Department Provincial and Local Government, 2006:9).

### **3.3 Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)**

Local Government: Municipal Systems Act 32 of 2000 requires municipalities to comprehend that the idea of developmental local government, through the formulation and adoption of a single and inclusive Integrated Development Plan, contains local economic development objectives (Maloka, 2013:48; Kanyane, 2008:701). However, Phutiagae (2007:135); Malefane *et al.* (2008:477) and Malefane (2009:159) argue that the Act assigns municipalities the task of creating and promoting economic development and ushers in participatory mechanisms that allow for informal municipal decisions and strategies. Malefane *et al.* (2008:477) and Malefane (2009:159) further denote that the Act champions LED as a vehicle for addressing spatial inequalities that have been created by apartheid planning. The Act considers municipalities as part of the developmental mission linked to the overall approach to planning and public investment. The aim of the Act is:

*"To provide for the core principles, mechanisms and processes which are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities."*

### **3.4 The White Paper on Local Government (1998)**

The new developmental role of local government was further expressed in the White Paper on Local Government (1998) which indicates that the

responsibility of municipalities is to work together with local communities to find sustainable ways to meet their needs and improve their standard of living. In order for this to be realised, local authorities are expected to maximise social development and economic growth and ensure that local economic and social conditions are favourable for the creation of employment opportunities (Nel & Binns, 2003). In addition, local government is required to take a leadership role, involving citizens and stakeholders in the development process to build social capital and to generate a sense of common purpose in finding local solutions for sustainability. The White Paper further indicates that it is the responsibility of the private sector to create jobs and that government has the role to provide an enabling environment (Triegaardt, 2007:3).

### **3.5 National Framework for Local Economic Development (2006)**

The National Framework for Local Economic Development provides a vision for creating "robust and inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives" (DPLG, 2006:17). The policy framework also identifies the characteristics of robust and inclusive economies. That is, the people; their leaders; the workforce; the assets; high quality of life experience; natural and built environment; functional partnerships; and income.

## **4. Local Economic Development and Service Delivery**

Section 152 of the Constitution of the Republic of South Africa, 1996, states that local government is the engine of basic service delivery. Local government is charged, among other things, with ensuring the provision of services to communities in a sustainable manner, promoting social and economic development, and promoting a safe and healthy environment (RSA, 1996). Meanwhile, Section 73 of the Local Government: Municipal System's Act (No.32 of 2000) defines a basic municipal service as a municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health, safety, or the environment. Municipal services include water supply, sewage collection, electricity supply, municipal health services, road and storm water drainage, street lighting and municipal parks and recreation. Although there is a lack of other services in rural communities.

Owusu-Ampomah and Hemson (2004) cited in Nkomo (2017:2) describe service delivery as playing a greater role in local government in South Africa and other developing countries than in developed countries. As a result of constitutional provisions and high poverty levels, they argue, service delivery in South Africa is seen as an instrument and social contract to create social inclusion and raise living standards of the poor majority previously excluded by the apartheid government. Municipalities are at the centre stage of service delivery and are being challenged to demonstrate their ability to execute both basic as well as enabling services crucial for social and economic growth and development (Thobejane, 2011:68). According to Tsheola *et al.* (2012:379), that public service provision is commonly viewed as a requirement for the success of LED.

Proper service delivery plays a pivotal role in improving the economic and social status of communities. Tsheola *et al.* (2012:381) indicate that for an LED to be a success, local development environment requires availability, functionality, access and utility of public services. Well maintained infrastructure, electricity and water can be the key to unlock the economic growth backlog in rural communities. As Abrahams (2003:192) argues that, the provision of infrastructural services (as other municipal services) is perceived as pivotal to promoting LED and is a crucial step for poverty eradication, since access to municipal services expands the asset base of the poor. It is worth noting that infrastructure development is a pillar for economic development, Ntonzima and Binza (2011:660) opine that improving the standard of services and maintaining of service excellence affords municipalities with the opportunity to be global competitive and their operations meet international service standards. This will in return attract global and local investments in rural municipalities. In order for LED to be a success, LED requires to be performed in conducive environments that allow for smooth production, employment, technology transfer and education.

Improved service delivery contributes to the effectiveness and sustainability of local businesses operated by local people under a particular municipality. Service delivery further enhance the local business environment, Alternburg and Stamm (2008) cited in Rogerson and Rogerson (2011:995) add that the enhancement of local business environment is a new focal point for LED activities and

centred on the provision of more favourable conditions for doing business by the local private sector. The provision of quality municipal services will strengthen the emerging local small medium and micro enterprises (SMMEs) as Mokoena (2017:467) stresses that the SMME sector can be also recognised for attending to the triple challenges facing local communities. This then requires municipalities to provide services that will allow local residents to set up sustainable businesses which then will operate at lower cost to create employment and eradicate poverty.

## 5. Effective Leadership on Local Economic Development

Local development projects driven by local businesses and local people have more chance to succeed than those attempted by government without proper consultation with the locality (Meyer, 2014:631; Kamara, 2017:104). The success of local driven development project requires effective and development-oriented leadership. Walder (1999) cited in Khambule (2018:295) introduces the concept of political leadership which is required to be development-oriented. Development-oriented leadership is at the heart of rapid and sustainable development to further play a leading role in driving economic development opportunities and reforming institutions to be development-oriented. Moreover, these institutions are developmental local governments as highlighted in the White Paper on Local Government, 1998. Khambule (2018:295) further adds that development-oriented political leadership is entrusted with the task to create a positive interface between all the involved development role players. Of paramount importance is the effectiveness of these development-oriented leaders.

A lack of development-oriented and effective leadership has been fundamental challenge behind the inadequate success and impact of LED. There has been a need for another approach to address the underlying challenge of effective leadership for LED. As a result, Colton (1985:33) cited in Dhammika (2016:1) introduces the concept of visionary leadership which is defined as established goals and objectives for individual and group action, which define not what an organisation is but rather what an organisation seek to be or do. Visionary leadership is considered to have positive impact on follower outcomes, resulting in high trust in the leader, high

commitment to the leader, high levels of performance among followers, and high overall organizational performance (DuBrin, 1998). Moyo (2007:226) add that visionary leadership is responsible to the real needs of the local communities and ensures that local communities participate in designing of solutions of their own future. Visionary leadership in the context of this article is ward councillors.

According to Mfene and Taylor (2015:18) and Joseph (2002:25) cited in Mbandlwa (2018:23), ward councillors are tasked to play a leadership role in their communities and a duty to abide by the Municipal Code of Conduct for Councillors. Mfene *et al.* (2015:17) further add that ward councillors are political leaders whose duties include being involved in local governance, which, in the context of this study, is service delivery and LED. Raga and Taylor (2005:139) stress that municipal councillors now require a particular level of expertise and knowledge to enable them to perform their functions in the best interest of the communities they were elected to serve. It is significantly important for ward councillors to possess a particular level of skills and knowledge in order to drive a successful implementation LED.

As a partnership based process, LED requires ward councillors to be strategic when forming partnerships. This means that ward councillors must be able gather information regarding the economic opportunities of communities and that of the business sector. This is because Moyo (2007:226) denotes that part of the problem in the poor performance of LED is a lack of understanding of the concept of sustainable development and the notion of a local economy. Ward councillors as local leaders are expected to play a vital role in stimulating local economies. Local leaders through frequent engagement with communities, business sector and the municipality can drive successful LED projects. Herzburg and Wright (2005) cited in Rogerson *et al.* (2011:997) argue that improved state-business relations are anticipated to contribute to a bigger understanding of private sector needs by the government and correspondingly to a more efficient allocation of resources in the economy. However, this relation should not exclude the communities, as communities provide labour and consumers to local businesses and industries. For this relationship to be efficient, local leadership must be effective in a manner that they ensure a high level of cooperation between all involved role players.

Herzburg and Wright (2005) cited in Rogerson *et al.* (2011:998) identify two advantages of the stakeholder cooperation in LED: firstly, governments that listen to the private sector are more likely to design credible and workable reforms. Secondly, entrepreneurs who understand what a government is trying to do with a programme of reform are likely to be constructive and supportive. This then requires local ward councillors to understand the local environment needs, opportunities and competitive advantages so that the services provided can allow for the success of LED. Ingle (2014:482) concludes that to stimulate local economies, local authorities need not to do anything more purposive than simply to remove impediments to vigorous private sector economic activity within their jurisdictions.

## 6. Conclusion and Recommendations

The success of LED is vested on effective leadership as fundamental prerequisite for partnerships. On the other hand, service delivery plays an important role in improving the standard of living of all communities. It is for this background that the purpose of this article was to discuss the impact of effective leadership and service delivery on LED. As discussed in this article, effective leadership on a community level plays a crucial role in assessing economic advantages of local areas and provide the municipality with necessary recommendations in relations to what, how and where certain services should be channelled. Ward councillors as community leaders and municipal representatives are entrusted with the responsibility to organise communities in a manner that will allow for the success of economic development initiatives. However, the role of service delivery in this matter is also of utmost importance. However, limited provision of services limits the economic opportunities of a community. As this article, argues that proper provision of services such as infrastructure stimulates and improve the economic advantages of communities.

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