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LOCAL ECONOMIC DEVELOPMENT IN THE POST-APARTHEID SOUTH AFRICA

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ABSTRACT

Concerted efforts have been geared towards development in the South African Post-apartheid era at local level. Studies have shown that local governments have recognized local economic development as a crucial tool for addressing development-related challenges. The extent to which the municipalities have ingrained the local economic development goal, however, has received little to no attention. Hence, this paper intends to fill the missing gap and answers the following questions: what are the key components of economic development at the local level in the post-apartheid era? To what extent has the local economic development stimulated growth and development with particular reference to small and medium scale enterprise? What are the donors' approaches to local development and their critical challenges? Using the secondary sources of data collection, this paper reviews current level of economic development at local municipalities in South Africa. Thereafter, it examines the impact of the municipal government strategies designed to stimulate political and socio-economic development agenda at the local level in South Africa. This paper identifies strategic planning and local resources needed to address the local economic development in South Africa.

Keywords: Local Sustainability, Economic Development, Local Economic Development, Post-Apartheid, South Africa

1. INTRODUCTION

South Africa's economic stagnation is a bitter legacy of the apartheid era in that nation. The South African government has emphasized local economic development as a key strategy that local governments may employ to address issues associated to development, such as the problem of poverty¹. The essential component of the primary government assistance mechanism is the local economic development fund. This is so since the fund's goal is to support these kinds of development initiatives. This article discusses the current local economic development strategy of the South African government. Although such help is important, considerably more forceful action will be needed to satisfy the considerable extent of the current local development demands.

The idea of Local Economic Development (LED) is examined critically in this essay, and South Africa is used as a case study to clarify the conceptualization and theoretical foundations of LED. Three phases of development change may be considered to have occurred in South Africa, namely: "the apartheid era (1949–1990), the transitional era (1990–1994), and the post–apartheid era (1994–present)". South Africa was in disarray within itself and its neighbors during both the apartheid and transitional periods, and the destabilizing policies of the apartheid system made it particularly difficult for the country's black majority to experience economic growth, resources, employment, and service delivery. Following democracy and the installation of the African National Congress (ANC) administration, blueprints for changing the racist, unequal, and segregationist policies of the former apartheid governments were envisioned. Through the use of LEDs, they were intended to change South Africa's landscape of development and economic prosperity. Therefore, it was decided that promoting LED is a remarkable tactic that can finally result in community improvement, economic expansion, and poverty reduction.

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¹ Lule Mulele, 'The Implementation of the Local Economic Development Strategy by the Greater Tzaneen Municipality in Limpopo Province' (mini-dissertation, University of Limpopo, 2018)

A contemporary agenda at both the community and local district levels is Local Economic Development (LED). As a development model, it has lately grown in favour in underdeveloped countries. But its acceptance is less widespread. It frequently appears to be in its early stages. Over the past 10 years, the role of community-based groups, local governments, and non-governmental organizations (NGOs) in locally oriented economic development has expanded significantly in South Africa². This article discusses the current condition of LED in South Africa since the end of apartheid. While a number of local governments have put in place extensive LED programs that include the creation of LED units and the pursuit of a number of developmental strategies, a number of community and NGO efforts are also in place. However, results are still typically somewhat limited, and this study evaluates some of the causes of this condition.

LED is essential to reshaping South Africa's economy. It centers on how local economic development (LED) helps to assist the small and medium scales, as well as other micro businesses in their local communities. The focus on grassroots initiatives and community involvement that the South African government placed after 1994 is the basis of this article. The local government is given a variety of functions and responsibilities pertaining to economic and social development since it is seen as a realm of governance. The purpose of the article is to investigate how LED has helped South Africa's grassroots economy change. The results show that South Africa must create an environment that is favorable and conducive to SMMEs for commercial goals. This paper questions the extent to which South African economy has grown as a result of LED. Following the introductory section, this paper presents concept of LED in the second section. LED agenda and sustainability in South African municipalities is discussed in the third section of the paper. The fourth section examines the legal instruments in the LED policy formulation. The fifth section enlists the key components of LED in the Post-Apartheid era. The sixth section analyses LED with particular reference to Small and Medium Scale Enterprise. The seventh section describes the donors' approaches to LED in South Africa. The eight section

² Maloka . C.M, 'The contribution of Small Medium and Macro Enterprises towards Local Economic Development in Mankweng Township, Limpopo province' (University of Limpopo: Polokwane, 2013)

analyses the challenges confronting LED in South Africa. The last section is concluding remarks.

2. CONCEPT OF LED

The World Bank³ said that the goal of local economic development is to strengthen the local economy. It seeks to maximize economic potential in order to raise both the population's quality of living and economic propensity. For the purpose of improving the circumstances for economic growth and job creation, the LED process promotes collaboration between the governmental, commercial, and nonprofit sectors. According to Rogerson⁴, the 2006 National Framework for Local Economic Development was a significant turning point in an effort to design a comprehensive policy framework for LED planning in South Africa.

Meyer-Stamer⁵ defined LED as the capability of a local community, rural area, or even region to offer a growing household income and raise the standard of living local for its residents. It is to remove the barriers to small businesses' access to information and the market. LED seeks to alleviate market inefficiencies. Meyer-Stamer⁶ asserts that another key component of LED is the promotion of favorable business conditions. Swinburn, Goga and Murphy⁷ explained LED as the collaboration among public, private and commercial sectors aimed at improving the household income, standard of living and community welfare using rural and integrated development agenda.

³ World Bank, World Development Report. (World bank, Washington, 1991) <www.worldbank.org/urban/led>

⁴ Christian Rogerson, 'Local economic development in South Africa: Strategic challenges (2010)27 Development Southern Africa 481,495

⁵ Meyer-Stamer, 'Systemic Competitiveness and Local Economic Development' (Mesopathe, 2008) < www.mesopartner.com> Accessed 8 June 2023

⁶ Ibid

⁷ Swinburn G, Goga S, and Murphy F, Local Economic Development: A primer developing and Implementing Local Economic Development Strategies and Action Plans (The World Bank, 2006)

According to Cooperative Governance and Traditional Affairs⁸, it was noted that “local populace are encouraged to cooperate in order to achieve sustainable economic growth and development through the practice of economic development at local level. This strategy improves the standard of living of the people for all local municipal area while generating economic advantages. Local economic development (LED) is the process through which local participants accept projects that directly influence their opportunities and way of life, according to the Hague Academy for Local Governance.” It is a participatory approach meant to boost a local area's competitiveness as global forces of change cause uneven patterns of development, where some places succeed and others suffer⁹

3. ‘LED’ AGENDA AND SUSTAINABILITY IN SOUTH AFRICAN MUNICIPALITIES

Maximizing the economic potential of all municipal locations in the nation is the main goal of LED. It increases the macroeconomic growth's resilience. LED seeks to promote regional economic growth. In the framework of sustainable development, it also helps with efforts to create jobs and build the economy. LED specifically alludes to the notion that local political power is frequently the best setting for economic action. Simon argued that “the accountability and legitimacy of a democratically elected government are simply attached to the economic development at local level.”

Pragmatically, operating the Local Economic Development Fund is consistent with the LED goal. It manages Nodal Economic Development Planning and provides technical support. It makes it easier to coordinate and oversee local donor initiatives and

⁸ Cooperative Governance and Traditional Affairs, ‘Local Economic Development’ (COGTA, April 15, 2020) <<https://www.cogta.gov.za/index.php/local-economic-development-led/>>

⁹ Simon W, ‘Local economic development’ (Simon White, Feb 11, 2022) <<https://simonwhite.au/2022/02/11/local-economic-development/>> Accessed on June 9, 2023

activities. It facilitates techniques for growing LED capability. Additionally, LED provides assistance with the creation and evaluation of national policy, strategy, and directives¹⁰. LED facilitates local ownership, active participation in the community activities, group decision-making and local leadership in South Africa. On a local, national, and international level, LED collaborates with communities, businesses, and governments to address concerns, establish business partnerships, and improve local areas.

The transition of South Africa is epoch from apartheid to democracy. It took about three decades when compared to the rest of the globe. This resulted in the establishment of a comprehensively decentralized system of administration at both the municipal and provincial levels of government¹¹. Communities were compelled by decentralization to utilize a range of planning strategies to get ready for future growth. Local responses took the form of an integrated development framework. It also included a typical LED planning. The factors that fueled the expansion of LED were, in contrast to the global context, South Africa's high levels of governmental decentralization and the consequences of globalization after 1994.

During the South African apartheid era, economic development at the local level was significantly impacted by the segregative planning and the measures of economic decentralization meant to further the ideology. There were few LED applications in general. When it did arise (typically in significant urban centers), the focus was on policies that would promote growth. Some of the significant traits and projects of LED at this time included company recruiting, business location, infrastructure development, product marketing, land and tenure development, tourism development policy amongst public works programmes (primarily geared toward low-income Whites).

¹⁰ Nxumalo N. L, and Naidoo L. D, 'A Case Study of Local Government Implementation of the Ward Based Local Economic Development (Led) Program (2018)5 International Journal of Public Policy and Administration Research 1,23

¹¹ Nel E, and Rogerson C M, 'Pro-poor Local Economic Development in South Africa Cities: Policy and practice' (2005)35 Africa Insight,5, 20

During the second phase of the transition, there was a divergence between the community-based and city-based approaches. The strategies employed by larger urban areas at this time are probably what generated the most remarkable results¹². These cities put a lot of work into developing policies, but they also gave urban restoration a high priority and followed international trends¹³. By the middle of the 1990s, many of the community-based projects were starting to experience strain since donor money was more likely to flow through governmental institutions. As community-based efforts started to falter, it became necessary to execute a pro-poor response¹⁴.

The government announced the third phase in response to this, and presented the LED Fund. This fund supported several pro-poor initiatives with a focus on ending poverty. However, after the Fund's financial cycle came to an end, these projects' effectiveness was only partially maintained¹⁵. The primary challenges, which the third phase encountered, were poor design, a lack of rural business development strategy, the domination of the public sector and poor technical advice. However, it was supposed to be typically provided by professionals from the commercial sector¹⁶. The Fund was thus closed down in 2002. Significant cities at the time also constructed conference halls, which served as a venue for information exchange, in addition to the projects supported by the Fund. They aggressively promoted collaborations between private industry and government¹⁷. Focus moved to the process of developing national policy as a result of the Fund's dissolution. Nevertheless, the process's results pointed toward a sensible path of action for policy. This suggested that infrastructure growth will be closely related to LED. The

¹² Nel E, and Rogerson C, 'Evolving Local Economic Development Policy and Practice in South Africa with Special Reference to Smaller Urban Centres', (2007)18 *Urban Forum* 1,11

¹³ Nel & Rogerson, (n 11), 14

¹⁴ Khanya-Aicdd, 'Investigating Pro-Poor Local Economic Development in South Africa' (2006)1 Briefing, Bloemfontein.

¹⁵ Marais L, 'Donor-Driven Local Economic Development in Peripheral Areas of kwazulu-Natal: The Gijima Programme' (2010)27 *Development Southern Africa*

¹⁶ Marais L & Botes, L, (2007) *Income Generation, Local Economic Development and Community Development: Paying The Price for Lacking Business Skills. Community Development Journal* 42(3),379-95

¹⁷ Nel & Rogerson, (n 12),7

Industrial Development Corporation also started creating LED agencies around the nation in the middle of the 2000s.

Few LED achievements have been recored¹⁸. This is mostly because of rural areas and the aforementioned practical challenges. For instance, the Gijima Programme was created to support local development efforts at the province level. There are several stakeholders with an interest in seeing LED applied more successfully to promote equitable economic growth in KZN. The program is a six-year undertaking. It is additionally referred to as the KZN LED Support Program. It started operating in 2003. Supporting pro-poor LED, enhancing the capabilities of local governments, and boosting local competitiveness via partnerships are its three key goals¹⁹.

The LED operational sub-programme focuses on regulatory issues, strategic planning, government cooperation, role clarification, and the connection between LED and critical infrastructure²⁰. About R23 million was being given to 87 BEF programs and claims²¹. The utilization of LED funding then enabled “the development of business plans, financial plans, feasibility studies, operational plans, sectoral plans, LED plans, and marketing strategies”²². The separation of the planning and implementation phases must be emphasized. Contrary to the usual, the LED Fund strategy involved significantly tighter engagement between the planning and execution stages. To lessen the dangers of poor planning, it was recommended throughout the LED processes that implementations should take place through a range of financial channels, Gijima should not be the only lender. The inclusion of private sector financing was required. It was therefore reported that about a hundred projects have been funded²³. Total cost for these activities was R27 million.

¹⁸ Marais L, ‘Donor-Driven Local Economic Development in Peripheral Areas of kwazulu-Natal: The Gijima Programme’ (2010)27 *Development Southern Africa*

¹⁹ Department of Economic Development and Tourism, Gijima Programme: Mid-term Review. (DEDT, Pietermaritzburg 1-75, 2007)

²⁰ Ibid

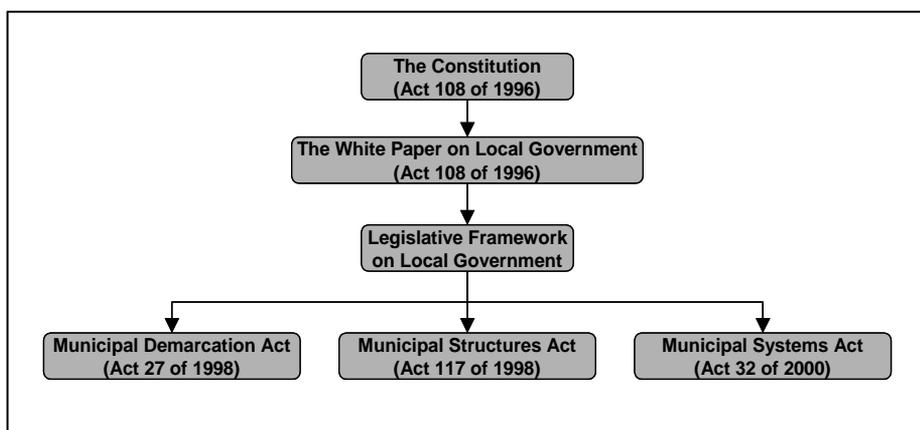
²¹ Marais, (n 18), 23

²² DEDT, (n 19), 11

²³ Ibid, 15

4. LEGAL INSTRUMENTS IN THE LED POLICY FORMULATION

Governments at all levels have continuously mapped out frameworks for the creation of economic development strategies at local level in South Africa. The frameworks comprise both laws and policies to aid the implementation of economic development strategies. These laws and policies establish a legal basis for local governments' implementation of local development. Also, municipal governments are, at first, guided to advance political and socio-economic development agenda in conformity with the National Constitution, as per Act No. 108 of 1996. This mandate is a considerable divergence from the local government's service-oriented approach and has resulted in a number of significant legal innovations²⁴. Below is the current legal framework and instrument for the formulation and implementation of LED policy in South Africa municipalities:



Source: DPLG²⁵

In the republic of South Africa, the Constitution (Act 108 of 1996) is the main piece of law. The basis for developing and implementing LED policy is the constitution. A municipality

²⁴ Nel & Rogerson, (n 13), 16

²⁵ See, Department of Provincial and Local Government, 'LED Framework: Stimulating and Developing Sustainable Local Economies. Pretoria, (DPLG, Government Printer; 2006)

is required under section 153 of the Constitution to develop and oversee its administration, budgeting, and planning processes. By doing this, the basic requirements of the community are prioritized. It encourages the development of its political and economic structures. A number of recommendations are made in the White Paper for achieving service delivery that is simple to use, affordable, of high quality, accountable for services, and promotes competition in local business and industry²⁶. The municipality must however choose wisely if it wants to meet its service delivery goals. The design of LED policy is connected to the Municipal System Act. A municipal council is required under the Municipal Systems Act to decide on a manner of service delivery that would enable it to swiftly and efficiently provide municipal services to the municipality's residents and communities that have poor access to the basic social service delivery. The Act of municipal system largely addresses the responsibilities which government at the local level tends to offer services to people who reside in their jurisdictions.

Additionally, Integrated Development Plan (IDP) is quite strategic in nature. It transcends a municipality's geographical and physical layout. Additionally, it expedites and supports LED. Plans, initiatives, and programs are implemented by various federal, provincial, parastatal, private sector, and development entities. These programs are implemented in or have an effect on a certain municipality. Since all of the objectives, initiatives, and programs are addressed at once, the Integrated Development Plan (IDP) remains central course of action to municipal plan. According to the requirements of the Municipal Systems Act of 2000 and the Local Government Transition Act Second Amendment (LGTA) of 1996, local councils are now required to implement the IDP.

Local economic growth is directly impacted by 1994 Reconstruction and growth Programme (RDP). It therefore covers a broad range of multiple issues related to political, socio-economic and technological development agenda. It is supporting the economy's small business sector. It creates representative

²⁶ Ibid

groups to deal with neighborhood economic development needs. The development of local economies must be encouraged. Their main goal would be to establish strategies for dealing with problems like investing, generating income, and employing private funds for community development²⁷. The policy statement centers around targeting developmental efforts at the poor. In carrying out this policy act, the administration emphasized three major directions for the social and economic development of local communities. These focal points are: creating a wide path for rural economic prosperity and job creation; beginning sustainable rural development agenda and urban regeneration; and placing the disadvantaged and the poor at the core of development.

The Policy Paper divides local economic development initiatives into six basic categories: Community economic development, also known as grassroots municipal support for small and medium-sized enterprises (SMMEs), groups, urban agricultural initiatives, microfinance institutions, etc.; linking development redistribution and profitable growth. This suggests that approval for construction or the modification of a town-planning concept be contingent upon a promise to make some sort of investment in underprivileged neighborhoods. It establishes a tripartite linkage among the living wags of the people, their productivity and the overall effect on human capital development. It further suggests that a municipal government should have a rural labour component skill development and training centers. The municipal government should also create and maintain local infrastructure and services. They should also repair the local economy's leakage; and growth and maintenance of current enterprises²⁸. The Municipal Financial Management Act and Municipal Infrastructure Grant (MIG) were both considered in the development of the LED policy²⁹. On the one hand, the main goals of Finance Management Act at the municipal level

²⁷ Rogerson C M, 'Reframing Local Economic Development Futures in South Africa' (2013)48 *Journal of Public Administration* 640, 655

²⁸ Wekwete K, 'Local Government and Local Economic Development in Southern Africa Draft for discussion at the Southern African Regional Conference 'Creating opportunity for developmental local government through regional engagement on Local Economic Development' Lilongwe, Malawi (CLGF, 2014) <[www.clgf.org.uk/userfiles/1/files/Cardiff consensus 2011 final.pdf](http://www.clgf.org.uk/userfiles/1/files/Cardiff%20consensus%202011%20final.pdf)>

²⁹ DPLG, (n 25), 37

are to control borrowing by the municipal government, react responsibly to financial emergencies, and coordinate financial administration in the local level of government. Meanwhile, the MIG, on the other hand, is concentrated on accomplishing a variety of output requirements, including the creation of jobs, attaining service coverage goals, and tying Integrated Development Plans and budgets together.

5. KEY COMPONENTS OF LED IN THE POST-APARTHEID ERA

In South Africa, there are several rules and regulations that make up the legal and regulatory framework for LED. The South African Constitution (No. 108 of 1996) establishes a complex system of municipal governance³⁰. The local government is responsible for the delivery of social services and the economical development of the surrounding areas. Sections 152 and 153 of the Republic of South Africa's Constitution mandate that municipalities be in charge of own administration, budgeting, and planning processes. It places a high priority on providing for their citizens' basic requirements³¹. Local governments are required under the 1996 Constitution to fulfill their socioeconomic obligations. Local government must assure service provisioning. It sustainably equips all communities with democratic and accountable government. It promotes a safe and healthy environment. It encourages civic participation and involvement in community issues. According to IIED³², it promotes both social and economic progress.

The constitutional authority was enhanced by the 1998 White Paper on Local Government. In the study, the phrase "developmental local government" was defined formally. Developmental local governance was mentioned. It is dedicated to collaborating with locals and community groups to meet their

³⁰ Republic of South Africa, The Constitution of the Republic of South Africa. (Government Printer.1996)

³¹ Ibid

³² Institutional Institute for Environment and Development, 'Rural Planning of South Africa: A Case Study (IIED, London 2000) <www.iied.org> Accessed on 9 June 2023

social, economic, and material needs. To improve their level of living is the major objective. Furthermore, it is abundantly clear from this essay that the local government's objective should be to create an environment that promotes growth rather than jobs³³. The development of a specific plan to power LED at the local government level has been made possible by this capacity³⁴.

The two primary overarching goals of LED are described as economic growth and the abolition of poverty. The LED framework aimed to advance and expand sustainable local economies. It was released in 2006 by the DPLG. The Framework highlights the necessity of towns having a significant role in the creation of an ecosystem. The framework promotes investment by providing first-rate facilities and services. It emphasizes the significance of creating policies and implementing initiatives to directly create jobs. One of the local government's five key performance areas (KPA's) is LED. This is in conformity with the Implementation Plan for the Five-Year Local Government Strategic Agenda from 2006. It is crucial to understand how LED is related to and depends upon the other four KPA's³⁵. They include fundamental service delivery, organizational development for municipalities, financial viability and administration of municipalities, as well as good governance and public involvement.

In South Africa, LED is concerned with building robust, inclusive local economies. It makes use of local opportunities. It advances general development objectives while addressing local requirements. Growth in the economy and the abolition of poverty are the major goals. It is a method of careful planning. All local stakeholders favor it. For LED to be effective, it is essential³⁶. The entire community is involved at every stage. Every problem

³³ Triegaardt, J. D. (2007) *Assessing Local Economic Development and Social Welfare Benefits in A Globalised Context*. Web access: www.dbsa.org/Research/Documents/Assessin/local Accessed on June 9, 2023

³⁴ Rogerson C. M, 'Strategic Review of local economic development in South Africa. Final report submitted to Minister S. Shiceka of Department of Development Planning and Local Government' (DPLG) (Commissioned by DPLG and GTZ, 2009)

³⁵ Van Der Heijden T, 'Key Issues in Local Economic Development in South Africa and a Potential Role of SALGA' (Unpublished report prepared for SALGA, 2008)

³⁶ Thornhill C, 'Improving local government transformation in South Africa' (2012)20 *Administratio Publica* 128,143

that diminishes a community's level of living is addressed. But it concentrates on the most urgent problems³⁷. Meyer-Stamer³⁸ provided a list of variables that South Africa might use to make LEDs more effective. It is essential to adhere to the following principles: problems shouldn't be solved by simply throwing money at them; market failures must be continuously addressed; entrepreneurship and business development must be encouraged; and the use of local resources, including money, natural resources, and human skills, must be maximized.

For the LED deployment to be successful, Trousdale³⁹ highlighted six important challenges that need to be addressed: Local leadership in local organizations, societies, and administrations. It is necessary to have a prosperous economic climate with equal access to possibilities. Participation in youth development initiatives by the local youth is required. Jobs must be able to be created for sustainable employment to exist alongside with good management. At all levels of the local economy, capacity and knowledge are available. Every activity must be directed at lowering poverty and raising the level of living for everybody.

6. LED WITH PARTICULAR REFERENCE TO SMALL AND MEDIUM SCALE ENTERPRISE

The integration of Small and Medium-Scale Enterprises (SMSEs) inside the LED framework led to the creation of the Integrated Enterprise Development Strategy⁴⁰. People who were previously denied access to assistance and development services will now be able to fully engage in the economy thanks to their integration into the South African economy. Towns must thus take into

³⁷ Sekhampu T. J, 'An investigation into the Economic Sustainability of Kwakwatsi' (NWU: Vaal campus. Vanderbijlpark. (Ph.D. thesis, 2010)

³⁸ Meyer-Stamer J, 'Stimulating Rural Enterprise in South Africa: Lessons from LED' (Paper presented at Conference on 21-23 May 2003)

³⁹ Trousdale W, 'Promoting Local Economic Development through Strategic Planning'. (2005)1 The Local Economic Development Series 1,130

⁴⁰ Mokoena S. K, 'The Role of Local Economic Development on Small, Medium and Micro Enterprises (2020)11 Array. Acta Universitatis Danubius. Administration <<https://dj.univ-danubius.ro/index.php/AUDA/article/view/136>>

account a certain group in the area in order to aid SMSEs. A municipality is required under this policy's legislative responsibilities to assist SMSEs by implementing its LED plan. In order to support local SMSEs, a municipality must focus on the following strategic pillars. Through rewards, campaigns, development and leadership, it encourages entrepreneurship. It improves access to markets and financing. Infrastructure facilities and business support are modernized. Through skill development, it increases capacity and competitiveness at the organisational level.

The LED outcome aims to provide goods and services that meet the needs of underserved communities. The idea also asks for locals to be creative, talented, and entrepreneurial. However, Rogerson⁴¹ asserts that towns are in charge of assisting large businesses and businesses in the unofficial sector by altering regulations, getting access to the urban market, and fostering agricultural development. This hinders the development of the local potentials, talents and innovations that COGTA mentioned. Since many local businesses are not aware of the multiple government incentives supporting SMSEs, poor communication is to blame for the LED's diminished impact on SMMEs⁴². Furthermore, municipalities' capacity to do more than only promote economic and social development, according to Phago and Tsoabisi⁴³, restricts their capacity to clearly assist SMSEs. Additionally, local governments are unable to offer financial incentives to local businesses, which is why national agencies like the National Youth Development Agency (NYDA), Small Enterprise Development Agency (SEDA) etc., were founded.

Small, Medium, and Micro-enterprises (SMMEs) are now recognized as important for economic growth in South Africa. Main essence of growing SMMEs is crucial since it aims to promote social stability by generating jobs to reduce the high unemployment rate. The government provided strategies in the White Paper on National Strategy from 1995 to create an environment that supports the growth and promotion of SMMEs

⁴¹ Rogerson, (n 27), 647

⁴² Ibid

⁴³ Phago K. D, and Tsoabisi S. J, 'Small, Medium and Micro Enterprises in the South African local government' (2010)153 *Africa Insight*' 164

in South Africa. This course of action was taken to address the persistently high unemployment rate. Additionally, the strategy's creation aimed to enhance and expand job opportunities that make greater use of LED⁴⁴. Additionally, SMMEs are a key component of economic development and growth. SMMEs are referred to as inventive job creators who contribute to the national economy in 2012⁴⁵.

Since SMMEs are crucial to LED, their development may be utilized as a vehicle to offer solutions to South Africa's economic development problems. Inequalities, a high unemployment rate, demographic changes, and the need for structural change are some examples of these conflicts⁴⁶. According to Phago and Tsoabisi⁴⁷, SMMEs provide room and a suitable policy environment to support operations in a way that benefits communities by generating job possibilities and building infrastructure that creates economic prospects for regional communities. The primary goal of SMMEs is to assist and motivate the neighborhood to participate in the local economy. Further evidence suggests that businesses, regardless of size, exist primarily to fulfill a specific social purpose that benefits the whole society, including all stakeholders. The local government is accountable for ensuring that SMMEs working within a regulated and supported framework of SMMEs address LED problems.

Seduma⁴⁸ also acknowledge that the South African government's support of SMMEs. It makes a significant contribution to the fight against poverty and economic recovery. This appreciation also exemplifies governments' political and legislative commitment. The success of SMME growth will be ensured by public policies and initiatives. A key element of an LED strategy is the expansion

⁴⁴ Trousdale, (n 39), 118

⁴⁵ Meyer Danie, 'Local Economic Development (LED), Challenges and Solutions: The Case of the Northern Free State Region, South Africa' ((2014)5 Mediterranean Journal of Social Sciences, 624, 647

⁴⁶ Shilangu L, 'Enhancing Local Economic Development through Effective Leadership and Service Delivery in South African Municipalities' 2019.

⁴⁷ Phago & Tsoabisi, (n 43), 157

⁴⁸ Seduma M. P, 'The Impact of Local Economic Development on the Livelihood of Communities in Ba-Phalaborwa Municipality, Mopani, Limpopo Province, South Africa' (Research Dissertation. Faculty of Management and Law. University of Limpopo, 2011)

of SMMEs in local government. Fulfilling the constitutional mandate of local governments to promote economic growth is one of its primary goals. Additionally, it outlines clear national goals for the economy of SMMEs. It lays out the procedures for providing political assistance for SMMEs. These have influenced how law, policy, and strategy are formulated in South African laws.

Different definitions of SMMEs exist; they might be considered as capital assets, labor skill, or turnover rate. They may also be designated according to their legal standing and production process. A set of definitions and categories for SMMEs are provided under the South African National Small Business Act, 102 of 1996. The following definitions are often used for classifications of South African SMMEs⁴⁹. The South African National Small Business Act, 102 of 1996, states that micro and mini companies are exempt from VAT if their annual revenue is less than R150,000. There are often no formal registration requirements in these businesses. Among the microbusinesses that have persisted are spaza stores, minibus taxis, and home industries. In typical circumstances, their employment range does not exceed five individuals, and the money produced is little. Hawkers, sellers, and survival farmers are included in this category of pre-entrepreneurs⁵⁰.

The South African National Small Business Act, 102 of 1996 defines small enterprises as those that employ less than 10 paid employees. The mining, energy, manufacturing, and construction industries are not included. These companies trade on the open market. If you have access to technology, you may contact them. Small enterprises employ a greater number of people. Preferably, there are 100 or more people employed. These companies frequently have a longer history than very small companies⁵¹. They employ more complex commercial practices. They typically register in order to take advantage of VAT (South African National Small Business Act, 102 of 1996). About 200 employees is often the maximum number of employees for medium-sized

⁴⁹ Szymańska D, and Biegańska J 'Bulletin of Geography. Socio-economic Series' (2014) 24 Toruń: Nicolaus Copernicus University Press 203, 218

⁵⁰ Ibid

⁵¹ Ibid

enterprises in the manufacturing, construction, power, and mining sectors⁵². They are generally viewed as the devolution of power to another government. These SMMEs are largely responsible for the success of reforming local economic development in South African local government and eliminating spatial disparities.

7. DONORS' APPROACHES TO LED IN SOUTH AFRICA

The higher education sector was unprepared to switch from physical to online learning when the COVID-19 pandemic in Africa struck, which took them by surprise. Even though the education sector has been embracing digital technologies, the development was slow.

The European Union LED assistance project, USAID, and the World Bank are just a few of the donor organizations that operate in the nation. Although money might come from higher tiers of government, municipalities relied more on locally produced revenues to carry out municipally directed operations, such as through the imposition of rates and taxes. Additionally, LED relies heavily on donations and government subsidies since it lacks reliable financial sources. For the purpose of obtaining and providing funding for local development initiatives, the participation of NGOs and donors, both domestically and internationally, is crucial.

5.1 MIG

It supports the construction of basic infrastructure and is frequently funded by the higher tiers of government, particularly the federal and provincial governments.

5.2 National Sector Support

The National sector support are accrued from the institutional endowment funds earmarked by sectors of the economy. They are some of the institutions that provide financing for development. A variety of development agencies have been set up

⁵² Valler D, and Wood A, 'Conceptualizing local and regional economic development in the USA' (Regional Studies , 2010)

until this point, although their levels of success have varied. Municipalities owned by the local government are used to generate money via taxes and municipal services. Alongside low growth localities are high growth localities.

5.3 Equitable share

Enhance the administration of the province equitable share and local distributions. The European Union, USAID, The World Bank, GTZ, and DFID, according to Wekwete⁵³, offer financial and technical help to municipalities for the implementation of LED programs. The EU provides funding for initiatives with a wide focus on reducing poverty and fostering regional economic growth, including the development of institutional capacity. Through a variety of application processes, the European Union (EU) LED Support programs in Limpopo, the Eastern Cape, and KwaZulu Natal offer financial and technical support to local government as well as the commercial sector⁵⁴.

The World Bank Group provides a certain amount of funds to help with the facilitation of development initiatives in order to promote innovation, organizational cooperation, and to raise the involvement of local stakeholders in projects. The National Treasury of South Africa, with help from the DBSA, launched a Technical help Loan to support ongoing initiatives in South Africa⁵⁵. Numerous government offices and programs help municipalities and partnerships engage in LED projects which cites national support for supporting LED efforts. In order to help municipalities strengthen their basic infrastructure and enhance service delivery, the MIG works via the coordinating Ministries and Departments in charge of governance and rural affairs. Most South Africans will receive a baseline level of service as part of the grant's requirements, which also include empowering local governments, decentralizing service delivery, and reducing poverty⁵⁶. Municipalities must adhere to a number of

⁵³ Wekwete, (n 28), 37

⁵⁴ Sibisi S, 'Brushing against the grains of history: Making local economic development work in South Africa' In Ngubane, J (Ed.), *Local Economic Development* (DBSA Working Paper Series No. 2, Halfway House., 2009)

⁵⁵ South African Cities Network, *State of the Cities Report 2004*. (SACN, Johannesburg, 2004)

⁵⁶ South African Cities Network, *Hidden Urbanities: South Africa's displaced settlements 30 Years after the abolition of influx control*. (SACN, 2016)

requirements, one of which is community engagement to guarantee the project fits the needs of nearby communities, in order for their funding requests to MIG to be approved before they can receive money.

Section 229 of the 1996 Constitution grants significant revenue-generating authority to all municipalities in the country. Additionally, they have the authority to levy rates on real estate and levies on service costs. Services are outsourced to organizations. They also help with user fee collecting. However, Sections 224 and 227 also stipulate that communities must get a fair share of money made on a national scale. This also depends on the responsibilities they have been given, their financial situation, and their developmental needs. But Section 227(2) absolves the federal government of any responsibility to pay municipalities that don't produce money commensurate with their tax base and budgetary capabilities⁵⁷. It also forbids national government from punishing municipalities that make an attempt to produce revenue in a manner that is consistent with those factors. It is clear that federal transfers alone cannot effectively meet all of the demands and backlogs that municipalities are facing in terms of service delivery. They are designed to augment local governments' tax collections, with an emphasis on making it easier to provide services to low-income people and clearing backlogs in rural infrastructure⁵⁸.

7. CHALLENGES CONFRONTING LED IN SOUTH AFRICA

Districts, cities, and villages aim to boost local economies, give inhabitants jobs, and reduce inequality all around the world. Local Economic Development (LED) frameworks can help local authorities better use the region's current and future assets. It is difficult to ensure that everyone, especially excluded groups,

⁵⁷ South African Cities Network, 'Spatial Transformation: Are intermediate cities different' (SACN, Johannesburg, 2017)

⁵⁸ South African LED Network, 'A Councillor's guide to local economic development in South Africa' (SALN, 2011)

benefits from economic advancement, which is a challenge in and of itself.

However, from policy to execution, there are issues with the LED process in the context of municipal government. One of these is the fact that regulations aren't always followed. It is necessary to improve the skill sets of local government personnel. Staffing and financial resources are also limited. The conception and execution of LED programs do not include the community adequately. Additionally, monitoring and assessment fall short. Furthermore, South African towns lack the necessary economic measures to address the problems of inequality, unemployment, and poverty. Most local governments still do not give LED precedence as of right now. The federal government, however, only provides a little amount of assistance. LED approaches lack monitoring, assessment, and interventional detail. Small rural areas in particular struggle to implement LED⁵⁹. The missions and duties of LED are unclear. There is little interest in forging partnerships with the private sector.

According to Nxumalo & Naidoo⁶⁰, the main barriers to LED in South Africa included not only a widening gap in LED practices and processes between rural and urban municipalities. But, it also lacks integration or connections among local, districts and provincial municipalities. More particular, Mokoena⁶¹ cited poor execution, networking difficulties, insufficient funds for LEDs, and weak leadership.

8. CONCLUDING REMARKS

In South Africa's local government system, the concept of local economic development (LED) is essential. Policymakers, representatives of civil society, and academics all across the world continue to discuss it. Given that essential services are supplied at the local level of government, this is particularly true. The debate on LED in municipal government is being prompted by problems

⁵⁹ Meyer, (n 45), 633

⁶⁰ Nxumalo & Naidoo, (n 10), 19

⁶¹ Mokoena, (n 40), 138

with financial availability, backlogs in infrastructure, and unemployment. As a result, all of these parties concur that LED may have an effect on socioeconomic development initiatives. This is especially true in rural areas of developing countries like South Africa. To promote LEDs, small and medium-sized enterprises are essential. Based on this supposition, this conceptual research attempts to analyze the role of small and medium-sized businesses in LED. The article's goal is to outline the barriers that small and medium-sized firms must overcome in order to support economic development and to provide possible solutions. It is discovered that the local level of government is unable to provide the fundamental services. Lack of human and financial resources has resulted in the absence of the necessary infrastructure.

The objectives of contemporary practices should be to meet the socioeconomic requirements of a certain community. This is also appropriate for a certain geographical location. LED initiatives are frequently included in a complete plan to fight poverty. The local government has to pay attention to this. Since the beginning of the democratic era in 1994, LED has attracted a lot of attention. It places emphasis on the need to foster communal development, economic prosperity, and female emancipation. The role that small to medium-sized businesses (SMEs) play in local government is essentially the subject of this article. The establishment of SMEs in local government is one illustration of a component of an LED strategy⁶². LED is a strategic effort made to carry out the constitutional mandate for local government to foster economic growth. The stronger and more vulnerable municipalities in South Africa confront particular difficulties. These include difficult problems with rural development and a substantial infrastructure backlog. To overcome the financial and service difficulties, exceptional steps are required⁶³. As a result, LED is substantial. But the reason for this is inadequate infrastructural development. The necessary abilities to direct and manage local economic growth are also lacking. LED has therefore not been consistently used.

⁶² Valler & Wood, (n 52), 147

⁶³ Rogerson, (n 41), 648

This essay has illustrated the significance of efficient and useful LED to South African district, local, and rural municipalities. It raises the standards and quality of life for the local population. It's also noteworthy to notice that using LED as a tool to generate tasks is necessary. It lessens unemployment and alleviates poverty. Generally speaking, effective development and implementation are key to LED's success. It uses a variety of strategies. LED calls for collaborative, coordinated work. All parties that may be impacted by LED operations and decision-making must be actively involved. This viewpoint of cooperation and participation in LED initiatives is of great significance. It is crucial for addressing fundamental necessities, social isolation, human development, assets, and local residents' livelihoods. In South Africa, there are several obstacles that municipalities must overcome in order to develop LED. This is a result of inadequate coordination, oversight, and assessment on the part of the government. This raises questions about how LEDs affect society.

The local market system should be strengthened by the design of LED. The neighborhood would generate the necessary jobs. Producing this would help to reduce poverty. The public and private sectors ought to work well together. This is done to promote societal and economic progress. If economic development is happening or not, LED should have a clear assessment report. For the LED initiative to be successful, the government must offer adequate monitoring and assessment. Non-governmental groups ought to keep playing a significant role in the local agenda for economic growth. They ought to help strengthen local economies. It is necessary to take action to detect or address corrupt behavior. The beauty of LED is that it does not appear to impede development in local communities. Rather, it encourages the delivery of social service and economic growth.

The political and socioeconomic climate of local municipalities in South Africa might thus be considerably improved by LED through SMEs. In South Africa, the impact of LED appears to be more regionally specific for local governments. SMEs are largely recognised as a driving force in the decline of unemployment. It gives the municipality money. It aids in the growth of expertise in a particular field. It brings down crime rates and the number of (often violent) service delivery protests. Additionally, it encourages investment in local areas.