

# Stimulating sustainable development

## THE NATIONAL FRAMEWORK FOR LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

The National Framework for Local Economic Development in South Africa (the Framework) aims to support the development of sustainable local economies through integrated government action. This government action is developmental and stimulates the heart of the economy, which consists of a collection of enterprises including cooperatives that operate in local municipal spaces. The Framework is underpinned by an appreciation of the evolving practice of local economic development (LED) internationally and is based on the unique South African context and challenges. It contextualises the move towards 'new institutionalism' that breaks down the distinction between economy and society, showing how economic decision-making and action are shaped by the shared values, norms, beliefs, meanings, and rules and procedures, of the formal and informal institutions of society.

### The Framework

The Framework comprises four main strategies:

- improving good governance, service delivery, public and market confidence;
- spatial development planning and exploiting the comparative advantage of districts and metros;
- enterprise support and business infrastructure development; and
- community initiative programming.

Among the principles that guide this Framework are the following:

1. LED is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programs in local spaces.
2. Inward investment from the state or private sector will only be effective where the potential and competitive advantages of each area are known and exploited.
3. Promoting robust and inclusive local economies requires the concerted, coordinated action of all spheres and sectors of government centred on the application and localisation of the principles espoused in the National Spatial Development Perspective.
4. Locally owned appropriate solutions and strategies



must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements.

5. Private companies, including social enterprises and cooperatives, form the heart of the economy and have a crucial role to play as partnerships with public and community role players that will ultimately stimulate robust and inclusive local economies.
6. People are the single greatest resource and including all citizens in development and increasing their skills leads to more opportunities for stimulating local economies.
7. Local initiative, energy, creativity, assertive leadership and skills will ultimately unlock the latent potential in local economies and will shape local spaces.

Realising the Local Government White Paper's vision of developmental local government is integrally linked to a supportive role by national and provincial government in promoting seamless and integrated service delivery and development in communities. LED is one of the five key performance areas for local government in the implementation plan. The approach to LED is based on a joint government effort reflected in the policy shift approved by Cabinet – district and metropolitan IDPs are to become local expressions reflecting the synergised inputs of all three spheres of government. In this regard LED is not just about what municipalities do, but more critically about what the other spheres of government do together with municipalities. However, local government is the primary, though not exclusive, institution for LED. Within this context, local government has three key roles to play:

1. To provide leadership and direction in policy making (by-laws and processes to regulate land in a manner that reduces the costs of doing business and maximises the involvement of people in the local economy).
2. To administer policy, programmes and projects (the core function of any body or structure responsible for LED is to co-ordinate and maximise the impact of programmes and projects with respect to growth and development).
3. To be the main initiator of economic development programmes through public spending, regulatory powers, and (in the case of larger municipalities) the promotion of industrial, small business development, social enterprises and cooperatives.

- LED is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programmes in local spaces.
- Locally owned appropriate solutions and strategies must emerge to support national Frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements.
- Local government must provide leadership and direction in policy making in a way that reduces the costs of doing business and maximises people's involvement in the local economy.
- Communities are their own change agents, rather than just passive citizens to whom services must be 'delivered'.
- The active involvement of local populations in the development process is the path to accelerated and shared growth in local spaces.

key points

## Comment

According to the Framework, South Africa is on the brink of raising economic growth to unprecedented levels. With all the macro-economic fundamentals in place, the country aims to reach a consistent annual economic growth rate of at least 6% by 2010. The limitations of a country in which half the population exists in a marginalised second economy can retard this long-term goal. The Framework predicts that, through its Accelerated and Shared Growth Initiative for South Africa (AGSI-SA), the State, together with its agencies, will become more focused over the next ten years on accelerating growth, leading to large-scale social transformation. The latter will have to impact on the large marginalised townships and rural areas, the heart of the second economy. Wide-scale social mobilisation through information, knowledge and skills programmes can help drive a higher growth path. This approach recognises that communities are their own change agents, rather than just passive citizens to whom services must be 'delivered'. The active involvement of local populations in the development process is the path to accelerated and shared growth in local spaces.

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