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Analysis on the George Municipality LED performance for the period 2013-2014

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Abstract: Over the years, South Africa has been trying to improve Local Economic Development (LED), within municipalities. During the processes of intending to improve LED, researchers discovered that there are misconception and uncommon definitions of LED amongst key stakeholders. As such, the misconception and absence of a unanimous definition hold the potential to result in municipalities to perform poorly in LED projects. A local municipality that used to outperform other municipalities and was always within the 'top ten over-performing municipalities' in the country is George Local Municipality. However, in 2013 George Local Municipality lost its position and has never regained its position. Researchers have collected LED data on George Local Municipality and the researchers did not perform an in-depth analysis of the LED data. Thereof, factors that led to the municipality's underperformance have not been researched and thus reviving the municipality's performance might be a challenge. A research question that arises from the lack of analysis on the municipality's performance is 'How can George Local Municipality regain position?' This research aims to answer the research question by analysing the LED performance of the municipality in 2013 and 2014. The research makes use of the Participation Appraisal of Competitive Advantage (PACA) and Maturity Assessment Tool to assess the performance of George Local Municipality for 2013 and 2014. From critically analysing George Local Municipality's LED performance, it was found that the municipality struggles with the 'Governance of LED by business and political leaders'. The most vulnerable key dimensions of the municipality were the inefficiency to facilitate LED and the inability for both public and private sector champions to implemented LED initiative. Recommendations to revive these struggling key dimensions are implementation and sustainability of training and learning cultures for key stakeholders and other interested potential key stakeholders.

JEL Codes: H11; H70

Keywords: Local Economic Development; Municipal performance; George Local Municipality

1.0 Background

George Local Municipality forms part of the Eden District Municipality and was established as a result of the Local Government Elections of 2000 and in accordance with the provisions of Section 12(1) of the Local Government: Municipal Structures Act (No: 117 of 1998). It is situated in the Middle of Knysna, Oudtshoorn, Mossel Bay and Hessequa Local Municipalities. The Municipality is classified as a Category B municipality, and is inter alia responsible for basic service delivery. George is located along the N2 highway road. George's strategic location along the N2 highway to Cape Town and the Eastern Cape Province facilitate mobility of people, goods and services. George functions as the services center of the Southern Cape. George's proximity in the Garden Route enhances its tourism potential.

George Municipality co-exists and shares its developmental responsibilities with Eden District Municipality, the Provincial Government of the Western Cape and National Government. This shared responsibility emphasises the importance of Inter-governmental Relations and Cooperation in the realisation of community priorities through Local Economic Development.

2.0 Literature review

2.1 Brief LED history

Local Economic Development (LED) has been debated and considered to be of vital importance in developed and industrialized countries, prior to LED being considered important in developing countries in the 1990s (Patterson, 2008). Global context of LED is being more or less defined as a process that encourages partnership between local stakeholders in order to implement strategies that shape the local future and stakeholders' participation in creating sustainable economic engagements through usage of the community's existing resources and opportunities (Canzanelli, 2001). LED enforces public, private and non-governmental sectors to cohesively engage with one another in contributing to a better local community for all local stakeholders, thus create a win-win situation for everyone within a local community.

Developing countries only discovered LED's win-win situation in the 1990s (Patterson, 2008). Unfortunately due to the South African apartheid government's tendency of having racial biased economic planning; the country discovered and fully implemented LED as a priority in the year 2000 after a national jurisdiction of local municipalities (Mahlawe, 2010).

2.2 LED key role players, partners and networks

Due to the central government reducing its control and responsibilities through decentralization in regional and local development, the main LED key role player is considered to be the local municipality (Helmsing, 2001; Mahlawe, 2010). In South Africa, the local municipalities' credence as main LED key stakeholders is backed by the legislation of Municipal System Act of 2000. The government enables the local municipality to take control and also enables the municipality to allow other key stakeholders to take part in local economic development.

Despite the local municipalities and other key stakeholders such as Non-governmental organizations (NGOs) and private owned institutions, Trah (2002) argues that LED stakeholders are not clearly identified and therefore results in conceptual confusion. Possible tools to bring forth clarity, eliminate confusion, clearly identify who the key stakeholders and partners are, and measure LED progress are the Participation Appraisal of Competitive Advantage (PACA) and the LED Maturity Assessment.

2.3 LED measurement, opportunity and proposal tools

During LED proposal workshops, the more LED key stakeholders a municipality possess the better, as the stakeholders are highly likely to identify various opportunities, challenges, competitive advantages, resources and various other valuable variables that have a positive impact on LED (Helmsing, 2010). One such LED proposal workshop were by a municipality's LED and its various factors is drafted is what is termed a PACA. In a nutshell PACA is a set of tools utilized to quickly enable key stakeholders together with LED researchers identify competitive advantages, challenges and proposals to stimulate the local or regional economy (Meyer-Stamer, 2003). One could argue that in order for a regional or local municipality to effectively and efficiently identify and target possible LED opportunities and overcome challenges, the local key stakeholders should be well informed of the region they reside within.

Thus interaction between local stakeholders and economic researchers is required during PACA workshops and interviews.

The PACA interviews and workshops might take a maximum of two weeks to be complete (Meyer-Stamer, 2003), although the PACA is considered a quick method to gather data and analyses on a municipality prior to any LED project (Trah, 2002), there is an even quicker assessment tool than the PACA. The quickest assessment tool takes merely three hours for stakeholders and researchers to gather insight, strategize and plan on implementation of a municipality's LED project, the tool is called the Maturity Assessment Tool (Lawson, 2012). Both the PACA and Maturity Assessment Tool are useful in identifying a municipality's market resources, market gaps, strengths, weaknesses, opportunities, challenges and ways to overcome the challenges. The PACA and Maturity Assessment Tool mitigate possible limitations and risks prior to an LED project.

2.4 Uncommon LED definition results in various limitations

It is generally expected that projects that consist of various stakeholders from varying sectors and backgrounds, such as LED key stakeholders, would have multiple obstacles (Trah, 2002). South Africa as a developing country is not immune to multiple common LED constraints and challenges. Mahlawe (2010) in cohesion with Meyer-Stamer (2002) and Trah (2002) emphasise that there is a lack of common understanding of what exactly LED is and what LED processes and stakeholders' roles are. Failure to attain and hold a common definition of LED, LED processes and stakeholders' roles has a greater potential to result in negative impacts on the entire community.

Mahlawe (2010) mentioned that an uncommon LED definition among stakeholders contributes to poor LED results as stakeholders contributes to poor LED results due to stakeholders not working cohesively towards a common community goal and objectives. All community stakeholders tend to attain a lose-lose situation as there is an uncommon LED definition. Community resources cannot be effectively utilized for common community good, leading to no economies of scale and economies of scope.

Trah (2002) believes that the LED conceptual confusion brings forth stakeholders neither knowing nor clearly defining what their specific roles should be.

The above mentioned stakeholders inabilities have a potential to result in ineffective and unsustainable strategic and implementation plans and roles.

2.4.1 PACA addressing the uncommon LED definition

Due to the uncommon understanding of LED among stakeholders resulting in further LED challenges, it would be mostly recommended that a solution to overall LED challenges should be centred around better defining LED and establishing a common LED meaning. An innovative approach to the main challenge is the introduction of PACA (Trah, 2002). Trah (2002) emphasised that the PACA is a tool solution due to the PACA's ability to offer careful research scenarios, detailed planning and most importantly enable all interested local stakeholders attain common LED meaning, plan and goal. Furthermore PACA tends to offer quick and tangible results, identify and target regional competitive advantages, solutions and recommendations (Meyer-Stamer, 2003).

3.0 Analyses of Maturity Assessment variables

The LED Maturity Assessment creates a unique platform that evaluates LED's key performance areas over time. The LED Maturity Assessment offers an awareness of existing know-how gaps and various opportunities for key role players to learn (Ledna, 2014a). The LED Maturity Assessment broadly speaking is scheduled around two key performance factors:

- Insight and strategy describes the ability of the municipality to understand the local economy and make sound choices on pragmatic initiatives.
- Ability to execute describes the ability to follow through on the choices made, from idea to implementation and measurement of impact.



The maturity key dimensions are each scored between 0 and 5, 0 indicating an ignored dimension and 5 signifying an excellent dimension (Lenda, 2014a). In this paper we initially analyse Western Cape's average key performance areas that is key dimensions followed by analysis on George municipality, for two periods, November 2013 and April 2014. The Western Cape's highest average scores for the periods were shared vision and focus at 2.7 and 3.2, respectively. A score which is regarded as well performing for a municipality is 3, in this case Western Cape municipalities in 2013 overall had less than acceptable average score in shared vision and focus of 2.7. However in 2014 the province's municipalities' key performance of shared vision and focus scored above the standard score.

Shared Vision and Focus

Marquardt (1996) posits that to build, maintain and sustain an organisation there must be a shared vision in other words a vision that everyone believes in. According to the author without a vision effort can dissolve into a list of confusing and incompatible projects. Jane and Huffman (2003) in a similar research concluded that a strong and shared vision in an organisation is the foundation of informed leadership, staff commitment and sustained growth. Sustainability is the long-term objective of all municipalities thereby making a shared vision very important aspect of their plans. This implies that the absence of a shared vision can always result to bureaucracy,

competitiveness of individuals rather than collaboration, poor leaders and rigid hierarchy.

The results from the municipalities show the presence of shared vision and actually an average improvement by 18.5% from 2.7 to 3.5 on their maturity assessments. George however has outperformed most of the municipalities, suggesting therefore that there has been increased communication and education of the municipality's vision to all. When organisations have clear visions, it implies the organisation has got a clear direction, which facilitates goal setting (Locke and Latham; 2006). When vision is well communicated it becomes a corporate culture. There was no significant difference between 2013 and 2014 in George's shared vision and focus but yet it was significantly high. The success of this municipality relies on its ability to understand what is happening in its internal and external environment.

Understanding the Local Economy

Businesses that succeed have a great understanding of how their environment works. Unlike businesses, municipalities do not choose their location but this does not stop them from understanding their local environment and taking advantage of the opportunities. Porter (2000) emphasised the importance of a company understanding its environment. Based on his findings institutions could be very productive if they offered unique products and services. Massey and Allen (1984) however share a different view. These authors believe that geographical location could well determine how prosperous or simply the economics of an area, in other words countries are successful based on their location. We must acknowledge the uniqueness of every municipality and the reiterate that understanding this environment could be a key in the success of every LED plan.

The table/graph shows us that the level of understanding in 2013 of the economy was quite low and in average increased by 13% in 2014. This increase showed that trainings were successful and those responsible were taking their work serious. Looking at George in particular they faired well compared to other municipalities in the Western Cape and even better in 2014. They registered a percentage increase of 29.6%, 16.6% more than the average increase meaning a better understanding of their environment. An institution would owe great performance to correct interaction with

the business environment (Houben; 1999). The recognition of their internal strengths and weaknesses, opportunities and threats can only place George in a better competitive position relative to other municipalities. This information could also assist George in building a knowledge-based system, like job creation needs, establishing a critical skills gap, improving service delivery, understanding the most pressing needs of the people just to name a few; all of which are important for strategic planning and strategic decision-making in the municipality, a fact supported by Dyson (2004), Terrados et al (2007).

Strategic Decision Making

Despite the fact that writers such as Dyson (2004) have supported environmental scanning as a basis of strategic decision making it is not easy in practice. Many institutions both private and public, after such researches do not implement its output (Hill and Westbrook;1997). However this does not underscore the importance of linking our understanding of the local economy and our strategic plans. Terrados et al (2007) indicates that strategic decision-making is a tool commonly used by politicians, administrators and policy makers at both national and local level to redesign development policies.

Development is at the heart of every municipal administrator and the maturity assessments indicate a slight improvement from 2013 to 2014 of 17.4%. George however has outperformed the average increase in the municipalities and also grew by 21.2%. This improvement in strategic decision-making could mean a better delivery of services to the people. Its forward looking hence not only the present needs of the people are taken into consideration but the future needs of the municipality thus improving on service delivery proficiency.

Municipal Service Delivery Proficient

Service delivery has played an important part in South Africa politics since the taking over of the first democratic government in 1994. According to News24 (2014) there have been over 48-service delivery protest in the first quarter of 2014.

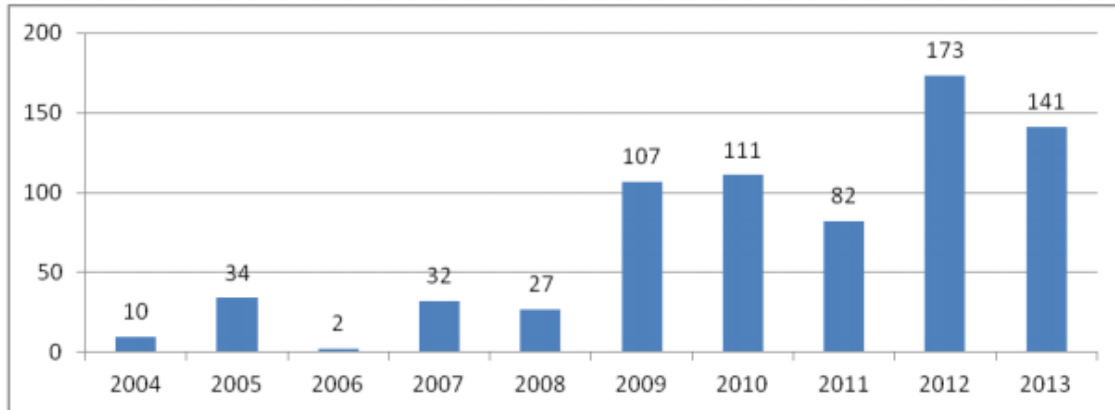


Figure 3.1. Service delivery protests

Source: *Municipal IQ Municipal Hotspots Monitor*

Figure 3.1 above shows that service delivery protest have been an issue in South Africa and has increased under President Zuma’s era. Alexander (2010) describes the service delivery protest as a “Rebellion of the Poor”. According to his research the underlying issues that have led to the protests have been poor service delivery and then cases of corruption, uncaring and self-serving municipal leaders have also been pointed out. Booyesen (2007) in a similar research points to poor quality of service delivery and lack of representation of grass roots needs as a direct cause of these protest.

Though protests have been an issue in South Africa, George has not been plagued by service delivery protest actions. Despite the fact that George municipality underperformed compared to the municipal average in 2013 the municipality made a significant improvement in 2014, moving from 2.5 to 3.5 on the maturity assessment a 40% improvement. This shows that the municipality is in touch with the needs of the people. According to the *Municipal IQ Municipal Hotspots Monitor* of 2013 7 of the top 10 performing municipality are from the Western Cape and George was amongst the top ten in 2011. It could be argued that most of these areas benefited from infrastructural development under the apartheid government and hence face less challenges compared to other municipalities that were had infrastructure underdevelopment in the apartheid era. To overcome some of the challenges a greater percentage of municipalities are involving the private sector in their LED initiatives in a bid to enhance their performance.

Public- & Private-Sector Champions Implement LED Initiatives

Enhancing public sector performance is a key goal of governments around the world. Innovation in the public sector, particularly in policy development, program design and service delivery is a necessary element in public services becoming better targeted, more responsive to community needs and more efficient. Private and public partnership: cooperation between, and the coordination of different development activities deter actors from ineffective go-it-alone approaches while supporting the legitimacy and sustainability of the development process. Municipalities in implementing LED initiatives, attention should be paid as to where, when and how the public sector might best engage the private sector to use their particular skills and expertise.

Looking at the table the average scores for public and private sector initiatives for 2013 and 2014 have been below average. George on the contrary has been on top of its game despite a 5.7% decrease from its 2013 score. In relation to this George can effectively mobilise local resources by encouraging investments with the highest rate of socio-economic return. The partnership between private, public and non-profit actors becomes crucial for a sustainable development process allowing the convergence in investment programming between the different local actors.

Stakeholders Participation and Contribute to Sound LED Decisions

This key dimension comprises of between private, public and non-profit actors within a municipality contributing inputs, information, consultation, decision-making, partnership and empowerment towards a common goal of improving the municipality's LED (FOA, 2014). According to FAO (2014) interaction between all key stakeholders and other skills and resources hold a greater result of making sound decisions for an entire community. Analyzing Western Cape's average stakeholders participation and contribute to sound LED decisions for 2013 and 2014, the key dimension was the highest in 2014 at 2.3, being greater than 2013's score of 1.9. Thus on average the Western Cape municipalities' stakeholders participation and contribution has increased by 17.4 per cent within a period of one year. George municipality's stakeholders participation and contribution increased by 27.3 per cent in 2014. The above-

mentioned highlights that George municipality's stakeholders increased their skills and resources contribution in 2014, compared to 2013.

Facilitation of LED

One of the important skills key stakeholders should possess is the ability to facilitate projects and various resources within the community. Facilitation indicates how the facilitation capability allows LED key stakeholders to shift their LED process towards improving overall LED interventions (SALGA, 2014). In the private sector, facilitation of businesses is regarded as a variable that motivates and enables entrepreneurs to create a diverse and robust business environment which brings forth more opportunities within a community (Scorsone and Powers, 2003). For the Western Cape municipalities' facilitation of LED on average has increased from a score of 2.1 in 2013 to 2.5 in 2014, thus an increase of 16 per cent. On average the Western Cape municipalities have increased local opportunities and brought forward robust business environments. Unlike overall Western Cape municipalities, there was no improvement in LED facilitation for George municipality as the municipality's score decreased by 3.2 per cent in 2014. Such underperformance should be of concern not only to George's LED leaders but the municipality as a whole.

Governance of LED by Business and Political Leaders

This entails of business and political stakeholders who jointly lead and oversee the implementation of the LED governance system together with LED performance (Ledna, 2014b). Business and political leaders within a municipality's key stakeholders are required to govern the whole LED procedure. Khan (2008) argues that good LED governance procedures tend to mitigate possible market failures within a municipality. In the Western Cape, municipalities on average are performing badly in terms with the key dimension of governance of LED by business and political leaders, such bad performance might reduce the municipalities' current and potential business investments. In 2013 and 2014 the scores obtained were below 3, in 2013 the score was recorded at 1.4 on average and in 2014 the score was recorded at 1.8 on average, indicating an increase of 22.2 per cent average increase in 2014. The unpleasant score could have been as a result of unclear and uncommon roles of key stakeholders, as per argued by Trah (2002) section 2 of this paper. The George municipality had a significant

improvement in 2014 from a score of 1.5 to 2.6, thus an increase of 42 per cent. Due to George's improvement in this key dimension, the municipality has a potential to mitigate possible business failures and improve ways of doing local business.

Learning to do LED

One of the dimensions that focus on municipalities improving their LED performance overtime is 'Learning to do LED better' key dimension. This dimension prioritises key stakeholders learning how to produce products better and efficiently, furthermore stakeholders should learn how to use one another's different skills, learn of different opportunities within the economy and how to attain opportunities (Cunningham and Meyer-Stamer, 2005). Key stakeholders should learn from previous triumphs and mistakes to better improve LED performance.

On average the Western Cape municipalities attained the same score of 1.5 in the dimension 'Learning to do LED better' in both periods. Such a stable score might have been as a result of having the same key stakeholders in 2013 and 2014 who brought forth the same skills and opportunities in both periods. The George municipality attained a significant improvement in this key performance area. George municipality's 'Learning to do LED better' dimension increased by 33.3 per cent in 2014. The George municipality managed to obtain the standard score required of the 'Learning to do LED better' in 2014. The recorded improvement of George has a potential to attract other business opportunities and investments.

4.0 Recommendations

Trah (2002:2) suggested that the best way for municipalities to tackle LED effectively is by introducing a 'low-cost system and approach to empower local municipalities to start LED processes'. According to Trah (2002)'s argument a municipality that scores below 3 should be offered a low-cost empowering system a municipality to perform better. In relation to George municipality's underperformance of 'Governance of LED by business and political leaders' the key stakeholders should undergo training to improve the municipality's performance in the governance key dimension. The training sessions should be offered once-off or on part-time basis to adhere to Trah (2002)'s suggestion of acquiring a low-cost empowering system.

Although it appears that George municipality's key stakeholders improved the overall LED performance of the municipality, it should be noted that despite the improvements certain key performance areas have declined in 2014. Two of these key dimensions are 'Facilitate LED' and 'Public and private sector champions implemented LED initiatives'. A decline in scores indicates possible vulnerability of scoring below 3 and having unsustainable LED projects. As such, in addition to the training system, a learning system should be implemented. Rucker and Trah (2007) emphasized on fostering a learning culture that prevents key stakeholders from replicating previous mistakes. According to Rucker and Trah (2007) in future the George municipality should avoid improving in certain key dimensions at the cost of neglecting other key dimensions in the LED process, all key dimensions should improve. This recommendation requires George municipality's stakeholders to embrace both success and failure as lessons learnt to reduce replication of underperforming key dimensions in future.

5.0 Conclusion

George municipality was within the top 10 national performing municipalities, a position that the municipality lost in 2013. An analysis on the George municipality has indicated that despite the municipality being regarded as one of the top 10 performing municipalities within the country in 2011/12, the municipality has certain key dimensions which are below the accepted standard score of 3. Such key dimensions provide an indication of possible vulnerability which cost the municipality to drop out of the top 10 national performing municipalities in 2013.

The municipality's struggling key dimension is 'Governance of LED by business and political leaders', whilst vulnerable key dimensions are 'Facilitate LED' and 'Public and private sector champions implemented LED initiatives'. Recommendations to revive these struggling key dimensions are implementation and sustainability of training and learning cultures for all key stakeholders and other interested potential key stakeholders.

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