STRUCTURING SOUTH AFRICAN MUNICIPALITIES FOR EFFECTIVE LOCAL ECONOMIC DEVELOPMENT (LED) IMPLEMENTATION

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ABSTRACT

The leadership role of municipalities in local economic development (LED) is crucial to its success. Despite the recognition that LED is perceived as a municipal intervention, it is not being efficiently implemented in most South African municipalities. This article identifies the relationship between ineffective current municipal structural planning for LED implementation and municipal structures based on notions of bureaucracy and authority. It reports on the current structural planning for LED implementation, where the results of an assessment reveal that the current system of LED implementation offers insufficient economic development opportunities, reduces LED implementation to a municipal department and therefore, renders the municipality unable to offer a representative outlook (economic diversification) on the total municipal economy and promote dominant economic sectors. The system is slow in adapting to environmental changes, with serious implications for local communities. This article recommends the restructuring of the current system for LED implementation. The bases of the recommendations rest on the need to shift towards flexible systems for LED implementation and away from those founded on notions of bureaucracy and autocratic authority.

INTRODUCTION

The importance that researchers, practitioners and politicians have attached to LED has largely been driven by the needs of South African society, particularly the poor (Davis 2005:15). Without being unduly influenced by the opinion of these three groups in their respective fields of operation, the importance of LED implementation to municipal success is acknowledged. LED aims to address inherited inadequacies and the failure of apartheid policies, and to effectively facilitate equitable economic growth.
and social development. It anticipates reducing economic vulnerability and dependence, curbing unemployment, and addressing the lack of capacity and resources (Mongake 2005:20; Human, Lochner & Botes 2008:56).

The purpose of this article is to conduct an assessment of the current municipal structural planning for effective LED implementation. It focuses on category C municipalities in South Africa. The first two discussions/sections in this article focus on the significance of the research and the background information respectively. The third section discusses the legislative and theoretical framework for LED in South Africa, while the fourth section covers the essence of structure in LED implementation and the relationship between organisational structure and strategy implementation. The fifth section considers the current structural planning for LED implementation. Finally, an assessment of current municipal structural planning for LED implementation is provided.

SIGNIFICANCE OF THIS RESEARCH

Two major topics are raised to elucidate the significance of conducting research on the need for municipal restructuring for effective LED implementation. The topics are broader LED implementation challenges facing municipalities, and the core problem areas identified for this research.

LED implementation challenges

Despite sanctions laid down in the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000, South African municipalities continue to operate without having their authority and progress regarding LED implementation assessed (Malefane & Moshakoe 2008:54). Here assessment refers to a review of the contribution of the organisational structure as a strategic factor in identifying strengths and weaknesses, which could influence the achievement of organisational objectives, efficiency and effectiveness (Fox, Schwella & Wissink 1991:226). Structure could be viewed in terms of simple structure, functional structure, divisional structure, matrix structure and conglomerate structure.

The lack of municipal internal control systems and the absence of monitoring and evaluation instruments, which could have been helpful to municipalities, exacerbate the problem. As a result, progress in implementing municipal programmes and initiatives is often not recorded, documented and verified. In the South African government, and municipalities in particular, there is no record or clear evidence of efficient and effective implementation which most government institutions facing implementation challenges could learn from. Thus, there is no evidence of effective LED implementation.

Core problem areas

Despite the broad LED challenges cited above, the essence of an organisational structure as a strategic factor in achieving effective implementation is often overlooked (McMillan s.a.:2). It is also one of the themes that has received scant attention from researchers.
(Meijaard, Brand & Moshelom 2002:1). Despite considerable research on this theme as it relates to economics and private sector organisations, there is currently little research on organisational structure as it relates to the South African government, municipalities and, in particular, the field of public administration.

The current South African system of municipal LED implementation has been inherited from the apartheid government. The structure manifests itself in bureaucratic and divisionalised municipal departments that are slow to respond to environmental influences. The divisionalised system of implementation is inflexible, and fails to offer a diversified outlook on a municipality’s economic prospects. Since the system of implementation assigns responsibility for LED implementation to a single municipal department, the implementation of LED as a cross-cutting municipal intervention becomes limited.

BACKGROUND TO THE RESEARCH

Prior to conducting this research, discussions were conducted with experts (practitioners and managers) whose daily chores relate to implementing and accounting for LED implementation in South African municipalities. The discussions not only recognised LED as a change instrument, but also as a municipal intervention without which integration becomes impossible. These discussions included those at the South African municipal managers’ training workshop hosted by the Association for the Promotion of African Unity (APAU) from 14 to 15 May 2007 in Cape Town, focus group discussions with South African municipal LED specialists attending an LED capacity-building programme hosted by the Development Bank of Southern Africa’s (DBSA) Vulindlela Academy from 25 to 29 August 2008 in Midrand, Johannesburg, as well as the then Southern District Municipality’s (SDM) (with effect from 25 April 2008 the name changed to the Dr Kenneth Kaunda District Municipality) Economic Development Strategy and Alignment gathering hosted by SDM’s Economic Agency Pty (Ltd). This series of events was concluded by interviews with both the Chief Executive Officer (CEO) of the SDM’s Economic Agency Pty (Ltd) and the Director of the SDM District Economic Development and Tourism (North West Province).

Included on the agendas for these proceedings were municipal LED implementation, current structural formations for LED implementation, the nature of LED initiatives and the role of municipal departments in LED implementation. The setup for deliberations was informal and allowed participants to elaborate on matters they felt were of serious concern to their local municipalities. It is from this series of events and proceedings that the current structural planning for LED implementation was identified as having serious negative implications for South African municipalities.

LEGISLATIVE AND THEORETICAL FRAMEWORK FOR LED

The implementation of LED by South African municipalities is not optional, voluntary or unconditional. It is not by their own choice, or by favour intended to benefit their local communities, that they have to implement LED, but rather in terms of a
legislative obligation with which they need to comply. As argued by Malefane and Mashakoe (2008:5), the Constitution of the Republic of South Africa, 1996 is the most important piece of legislation that guides various laws, policy papers and regulatory frameworks. It serves as a foundation for reference to the institutionalisation of LED as a strategic function of municipalities. In terms of sections 152(c) and 153(a) of the Constitution, 1996 municipalities must “promote and manage their administration, budgeting and planning processes to give priority to the basic needs of the communities”.

The 1995 Reconstruction and Development Programme (RDP) as an integrated, coherent socio-economic policy 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. The RDP was designed to restructure the economy by addressing serious inherent weaknesses and issues relating to racial and gender inequalities in ownership, employment and skills, past industrial policies that were accompanied by repressive labour practices, neglect of training, isolation from the world economy and excessive concentration of economic power in the hands of the minority. The RDP assigns municipalities the task of seeking investment in research and skills development as an appropriate strategy to deal with low productivity and declining employment.

The 1996 Growth Employment and Redistribution (GEAR) macroeconomic strategy for rebuilding and restructuring South Africa’s economy and the 2006 Accelerated and Shared Growth Initiative for South Africa (AsgiSA) emphasise initiatives to enhance private sector involvement in the operations of municipalities. AsgiSA sees private and public partnerships as a means of addressing the social and economic issues facing municipalities. Despite its focus on growth that is driven by the development of priority skills. AsgiSA also focuses on sector investment or industrial strategies, the development of second economy interventions and eminent macroeconomic issues in South Africa. It views infrastructure development as a potential source of both domestic and international investment, and identifies the distinctive role of municipalities in economic development.

The Local Government Transition Act, 1995 (Act 61 of 1995 and its 1996 Amendment are major post-apartheid local government enactments, and both refer to LED as a municipal strategy for promoting economic and social development. The Act states that government should be open to review by concerned residents and other stakeholders within their municipal jurisdiction, and it further recognises that municipal transitional arrangements should allow for the promotion of economic development and job creation.

The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) assigns municipalities the task of creating and promoting economic development and ushers in participatory mechanisms that allow for informed municipal decisions and strategies. It champions LED as a vehicle for addressing spatial inequalities that have been created by apartheid planning. Furthermore, the Act considers municipalities as part of the developmental mission and linked to the overall approach to planning and public investment.

In terms of the Municipal Systems Act, 2000 LED represents a municipal development process that involves the mobilisation and development of local resources that are stimulated by the need to tackle local economic and social problems, and that anticipates
managing the processes of economic restructuring (Mosiane 1999:5). Local economic development is both part of the objectives and larger development process for which municipalities have been established and is one of the mechanisms available to achieve the goals of a better life for all (Haffajee 2002:24; Mears 1997:178). The purpose of LED is to build up the economic capacity of a local area to improve its economic future. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. Local economic development offers a municipality, the private sector, the not-for-profit sectors and the local community the opportunity to work together, and aims to enhance competitiveness and thus encourage sustainable growth that is inclusive. The subsequent discussion of the article points to the essence of structure in LED implementation.

STRUCTURE IN LED IMPLEMENTATION AND STRATEGY IMPLEMENTATION

The legislative framework identified above outlines the legislative mandate (see figure 1) assigned to municipalities. The most notable piece of legislation is the Constitution of the Republic of South Africa, 1996, which provides for municipalities to promote, administer, budget and plan to give priority to social and economic development in their municipal areas of jurisdiction. Municipal management impacts directly on the efficiency of all activities that take place within a municipal boundary (Naidoo & Reddy 2006:877).

Implementation is necessary to achieve the outcomes envisioned in the strategy. Organisational structure and implementation are related. An organisational structure, as a strategic factor, makes implementation possible. The model presented in figure 1 below illustrates the relationship between an organisational structure and implementation. It views both the organisational structure and implementation from a holistic point of view: as strategic factors without which organisational outcomes cannot be achieved. The model concerns four major elements: the mandate for which an organisation has been established; the development of strategy and structure; implementation to accomplish the desired outcomes, and the outcomes themselves. It provides a simplified skeletal framework that explains the essence of structure in LED implementation and the relationship between the organisational structure and implementation. Suffice is to say that an organisational structure is an essential ingredient to obtain successful implementation.

As illustrated in figure 1 above, a strategy is not the end result. It has to be implemented in order to achieve the expected outcome. Successful implementation requires efficient and effective support systems; and for a strategy to be implemented successfully, the organisation must have a compatible structure (Leeds & Leeds 2000:183). When the strategy changes, the structure follows (form follows function); and as organisations change, the organisational structure must also change.

The organisational structure has a significant influence on the organisation’s operation and resolves the organisation’s ability to achieve the purpose or objective for which it has been established, or the opposite thereof. If an organisation is to achieve maximum
performance, its structure must fit with or match the rate of change in its environment. If the structure of an organisation and the underlying design principles which forms are not aligned with the core purpose of the organisation and its environment then it is unlikely that it will successfully survive (McMillan s.a.:1).

An organisational structure refers to a primary reporting relationship that exists within an organisation (Lewis, Goodman & Fandt 2004:284); a pattern of relationships between roles in an organisation and its different parts (McMillan s.a.:4) where its purpose is to allocate work and responsibilities, to direct activities and to achieve the organisation’s objectives. Structure enables managers to plan, direct, organise and control the activities of the organisation. It connects all aspects of an organisation so that it functions as a complete dynamic entity (McMillan s.a.:4).

Forms of organisational structuring

Each era evolves new forms of organisation as new problems are encountered (Peters 1984). Three internationally acclaimed forms of organisational structuring have been identified for the purpose of this article, and are discussed in the subsequent sections. They include bureaucratic, divisionalised and destructured forms of organisational structuring.

Bureaucratic forms of organisational structuring

Classical bureaucracies are structured on principles of hierarchy, authority and notions of control, and are neatly structured into many compartments (divisions) that form an organisation. The term “bureaucracy” carries a negative connotation (Kramer 1981:82). It is often equated with delay, red tape, pettiness and rules that seem to create barriers
that prevent the utilisation of common sense. It refers to regulated institutions that are slow to respond to change (Wilson 1990:55), and a cause of growth in public and government expenditure (Peters 1984:23). According to Wikipedia it is a structure and set of regulations in place to control activity, usually in large organisations and government, and it is represented by a standardised procedure that dictates the execution of most or all procedures within an organisation.

Bureaucracies follow the principle of fixed and official jurisdictional areas which are generally ordered by rules, i.e. by laws or administrative regulations. Regular activities required for the purposes of the bureaucratically governed structure are distributed in a fixed way as official duties (Weber s.a.: online).

South African municipalities have inherited a bureaucratic form of operation from higher spheres of government. They resemble their central and provincial counterparts in terms of both their internal structuring and systems of operation. They are regulated and follow a strict set of procedures that are often stipulated in their own by-laws: a criticism-inducing condition which has largely resulted in a slow pace of delivery and dissatisfaction on the part of local communities. Bureaucracy in the South African system of municipal government, particularly in the delivery of economic and social benefits, has fragmented the pace at which municipalities are expected to deliver, and remains detrimental and a major threat to achieving partnerships that need to be effected in the municipal sphere of operation.

**Divisionalised forms of organisational structuring**

As cited by McMillan (s.a.:2), the 1980s and 1990s saw decentralisation as a key trend for large organisations that laid down divisionalised structures and strategic business units. During the same period, decentralisation rose to the forefront of the development agenda alongside the renewed global emphasis on governance (Work 2002:5). Decentralisation, as a complex and cost-effective tool of restructuring, reaches beyond structural reforms proposed in institutional frameworks (Work 2002:4), and is defined as the transfer of responsibility for planning, management, resource acquisition and allocation from the top to lower levels of an organisation. Decentralisation in government refers to the restructuring of authority to ensure that there is a system of co-responsibility between higher and lower spheres of government.

Work (2002:6) identifies three broad categories into which decentralisation can be classified, i.e. political decentralisation (the transfer of political power and authority by a national sphere of government to provincial and local spheres of government), administrative decentralisation (the transfer of decisionmaking authority, resources and responsibilities for the delivery of selected public services from the national government to other spheres of government, agencies and field offices of national government) and fiscal decentralisation (a comprehensive and traceable degree of decentralisation that is linked to budgetary practice and resource reallocation to other spheres of government).

In South Africa’s system of government, the implementation of LED by municipalities manifests itself in the form of administrative decentralisation in which authority and
responsibility have been delegated by the national government. Within a municipal setting, LED is a function of a specific division/department of a municipality. The divisionalised form of organisational structuring in LED implementation refers to municipal structural planning in which the LED implementation is a responsibility of a specific municipal division, strategic business unit or department. Local economic development in this case is seen as one of the separate strategic business units in a municipality for which accountability for implementation is vested in key individuals in such a department.

**Destructured forms of organisational structuring**

Destructured forms of organisational structuring represent a shift from old (bureaucratic) organisational structuring practices. These forms of organisational structuring are broadly defined in McMillan (s.a.:2) to cover a range of organisational structures such as high performance, knowledge creating, empowered teams, *ad hoc*, boundary-less and process-based. Destructured forms of organisational structuring represent non-permanent structures which are highly influenced by the environment within which an organisation operates. Employees and departments are assigned to attend to more projects. Since destructured forms are sensitive to environmental influences, organisations are able to adapt quickly.

In South Africa, the utilisation of destructured forms of organisational structuring is not common, and has not been explored as many organisations are still based on the previous two forms. Ideally, the destructured form of organisational structuring in LED implementation would refer to a pattern in which the LED function or activities do not solely reside within a specifically designed municipal division, sector or department. The concept expressed by this form of organisational structuring is that the LED function is a cross-cutting municipal intervention that all municipal departments have to implement. All municipal departments, other than the LED department to which LED implementation is assigned, are assigned to implement LED as their *ad hoc* function, and are therefore held accountable to participate in and report on the progress they have achieved over a specific period of time. This, in terms of the ideal system of implementation, would embody the creation of cross-functional teams, lateral communication, the minimisation of hierarchy and the sparse use of rules in a municipality. Informality and the exploitation of expertise are essential ideas put forward by this form of organisational structuring.

**CURRENT STRUCTURAL PLANNING FOR LED IMPLEMENTATION**

The South African system of government is based on the model illustrated in figure 1. The operations of national departments, provincial departments and municipalities derive from the mandate assigned by legislation. From these mandates they have to develop internal strategies and structures that would ease implementation, the outcomes of which have to satisfy societal needs. Municipalities form a vital part of South Africa’s system of government (Steytler, Titus, Carrim & Mkhalipi 2002:3) since they have to ensure that their policies and programmes are co-ordinated to those of national and provincial spheres of government.
The intention in this section of the article is to explain the current structural planning for LED implementation. In explaining this, the article identifies strategy development and implementation as core administrative functions in a municipality. It, therefore, omits the municipal council from the illustration of the municipal structure. The current structural planning of municipalities directs what happens in a municipality and represents all the activities that are conducted by different sectors or departments, their relationship, and levels seniority. Their basic structures are founded on linear, segmented, hierarchical design principles as typified in figure 2. The top structure of the municipality is occupied by the municipal manager (MM), who accounts for administrative deliverables in a municipality. Depending on the category of a municipality, it often happens that in larger municipalities there is an appointed deputy MM who assumes the role of MM during the MM’s absence in office. The sector managers, often referred to as section 57 managers, (cf Municipal Systems Act, 2000) report directly to the MM. The responsibility of managers in different sector departments is to supervise the activities that are conducted at the subsection level (middle management). These subsections are usually highly specialised and their number often depends by and large on the size of the municipality and the complexity of the tasks carried out by the departments.

As illustrated in figure 2, subsections are specialist subsections in a municipality. In the case of the human resource department, specialist sections, such as for labour relations, employee assistance and employee benefits, are the most common in South African municipalities. Local economic development, like other municipal functions, is a departmentalised/divisionalised function. Depending on the availability of resources, section 57 managers (Municipal Systems Act, 2000) are appointed to oversee LED implementation, and in cases where managers are not appointed LED co-ordinators (often lower field work positions) are brought in. The role of co-ordinators, as informed by the activities outlined in the background information, is to connect the municipality with communities, local businesses and other local stakeholders. The predominant role carried out in LED departments is often linked to community outreach programmes, and the development of LED projects.

Evidence from a variety of municipalities has shown that the structural planning for LED implementation tends to be varied amongst municipalities. Co-ordinators report
directly to the divisional/sector managers in their specific LED departments. In most instances the subsections are headed by subsection heads, who account for operational activities within their respective departments.

In terms of the municipal structure, LED implementation is delegated by the MM to a specific senior manager in the LED department whose responsibility is to account for all LED activities in a municipality. The municipal structure is a direct inheritance from the old local authorities of the apartheid regime with a complex multilayered structure and many divisions. Despite the progress in terms of the introduction of new municipal programmes, the municipal structure is designed to carry out the apartheid mandate has not undergone any structural change process.

CURRENT MUNICIPAL STRUCTURAL PLANNING FOR LED IMPLEMENTATION

The discussion in this section provides an assessment of the current municipal structural planning for LED implementation. Stated simply, the discussion reports on the results of an assessment of whether LED structures in South African municipalities add to/complement successful/effective LED implementation. The assessment is founded on the current structural planning for LED implementation, discussed in the previous section, and is informed by the background information detailed during the initial discussions in this article.

The meaning drawn from the specified discussions, as well as the theoretical foundation of this article, is that South African municipal structures are based on both bureaucratic and divisionalised forms of organisational structuring. These were unfortunately inherited from the old local authorities. These structures manifest themselves in a system in which LED implementation becomes a function of a designated municipal department. The municipal structures have had significant influence on the system by which LED is implemented by municipalities. The system is ineffective because it does not recognise the rate at which municipal delivery has to take place, it is not flexible, it is too specialised and therefore fails to achieve integration of municipal programmes. It is control-based rather than innovative in orientation. The current municipal structure is ineffective because it fails to identify LED as a cross-cutting municipal development intervention.

The inability to recognise LED as a cross-cutting intervention results in municipalities that are unable to offer municipal communities a representative outlook on, or diversity of, economic development opportunities. In this way LED is then simply reduced to those economic development opportunities that are sourced from a single municipal department. This system of implementation, as evidence suggests, has resulted in fashionable economic development patterns (for example tuck shops and car washes in townships, and small community farming projects in rural areas), for which the impact is small. In terms of local business development, business opportunities are concentrated around major and dominant sectors of the local economy, and there is no mix. The system has had no influence in linking big business with small and developing local entrepreneurs. Designated LED departments “think small” and reduce local communities’ vision to specific-sector small, micro and medium enterprises (SMME), and nothing
beyond that. This system of implementation holds various implications for municipal communities. The following are among those relevant to this article:

In terms of the implementation of human resources management practices, municipalities continue to attract highly skilled individuals who do not necessarily reside within their municipal jurisdictions. In terms of the implementation of infrastructure and highly technical and maintenance municipal projects, appointments tend to favour highly established and skilled experts who do not necessarily operate within the municipal boundaries of the advertising municipality. Not only this but the phenomenon creates a notion in which money does not circulate within the municipal area, but no arrangements are made to transfer skills to inexperienced local bidders. This happens virtually across municipal departments other than those designated to implement LED. Most development projects derived from other municipal departments benefit individuals and organisations other than local individuals and organisations for whom the benefits of LED are to their advantage. This phenomenon holds local community members and local businesses as protagonists and spectators in their own development. It is as a result of this assessment that recommendations for the restructuring of structural planning for LED implementation are sought.

CONCLUSIONS AND RECOMMENDATIONS

The purpose of this article was to conduct an assessment of the current structural planning for effective LED implementation. This purpose was founded on identified LED implementation challenges and the core problem areas that this article anticipates to resolve. As part of ensuring a valid and objective argument, relevant background information and the core theory of the essence of structure in LED implementation and the relationship between strategy (structure) and implementation, as well as the current structural planning for LED implementation, were explained. It is from these discussions that this article concludes that the current municipal structural planning for LED implementation is ineffective. The result of an assessment presents arguments that could be useful in creating future municipal structures for LED implementation. The assessment identifies the basis on which the restructuring of municipal structural planning for LED implementation rests.

To be effective, LED implementation has to be considered as a municipal-wide intervention, and as opposed to the current system of implementation every municipal department should make its own contributions. This is because LED, by its rightful nature, is a cross-cutting intervention and intends to respond to social, economic, natural, physical and many other needs in a municipal area of jurisdiction. The rightful way in which all municipal departments can be held accountable for the implementation of LED is to inscribe a key performance area (KPA) in the performance contracts of all section 57 managers of a municipality. These managers’ LED performance would also have to be evaluated from time to time.

The current municipal LED departments could in terms of structural placement, reside in the office of the municipal manager, as an extension thereof. The role of employees
in this extension could be restricted to the facilitation, monitoring and evaluation of LED performance of all municipal departments. Future LED structural planning has to be informed by notions of flexibility to be able to absorb the economic development needs of local communities and stakeholders. The importance of the proposed system of LED implementation will assist to unlock LED initiatives across all sectors of the municipality and will enhance economic diversification and a total restructuring of the local economic base of municipalities. The proposed system, in comparison with the current system, offers new economic opportunities as it does not promote dependence over fashionable economic development patterns, and dependence over dominant sectors of the local economy.

REFERENCES


