

THE STRATEGIC POSITION AND INTERGOVERNMENTAL RELATIONS ROLES OF SOUTH AFRICA'S LOCAL ECONOMIC DEVELOPMENT AGENCIES

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ABSTRACT

The creation of local economic development agencies (LEDAs) is a result of the South African government's efforts to increase socio-economic benefits in communities. As opposed to national and provincial sector departments, LEDAs as municipal actors, locate the local economic development (LED) agenda in its rightful place, in municipalities. LEDAs counteract LED initiatives imposed from national and provincial sector departments that often generate skewed and distorted development patterns in municipalities, and between urban and rural municipalities. LEDAs possess a locational advantage and their mandates, legislative frameworks and strategic objectives, as well as their structural composition, allow them to play multiple roles that are geared towards the creation of economic opportunities in communities. These roles of LEDAs uncover available and opportune networks together with which they can make meaningful impact in communities they serve. LEDAs' roles are sought to be embedded within the intergovernmental relations framework and are referred to as intersectoral, extra-sectoral and international roles. In this way, LEDAs assume a meaningful role and offer a significant contribution to the implementation of LED.

INTRODUCTION

Governments worldwide have had to reorganise and reposition themselves to respond to socio-economic challenges that face their societies. Their roles in fighting underdevelopment and the pressure to extend socio-economic benefits have received a great deal of coverage in their developmental agendas. The 2015 Millennium Development Goals (MDGs) serve as the most referred to development targets to which governments have committed themselves (Ki-moon, 2008). The purpose of this article is to bridge the existing information gap on the strategic position and the intergovernmental relations roles of LEDAs in LED implementation. It focuses on how LEDAs, as municipal entities, fit into the

intergovernmental relations framework, particularly their roles in LED implementation. LEDAs are a new development in the operation of South African municipalities, and are therefore a critical area of research. LED implementation, in which LEDAs play a significant role, forms an integral part of the roles of municipalities in service delivery improvement and is therefore of particular interest to scholars in public administration and development.

LEDAs' intergovernmental relations roles complement those of municipalities in LED implementation. They locate the LED agenda in its rightful place, in municipalities; and their inventiveness deviates from those of national and provincial sector departments whose results have largely been skewed between urban and rural municipalities in South Africa (Augustine, 1999:10). These initiatives do not enjoy support because they are often imposed and out of joint with local community needs. Since they are not local initiatives, they fail to attract local support. The first part of this article argues the strategic position of LEDAs in LED implementation. In specific terms, emphasis is on LEDAs' locational advantage, their mandates, legislative framework, funding protocol and strategic objectives, as well as their structural composition. The second part deals with the intergovernmental relations roles of LEDAs, in particular their intersectoral, extrasectoral and international roles.

THE STRATEGIC POSITION OF LEDAS

In order to recognise LEDAs as strategically positioned, it becomes necessary to explain their level of interaction and sphere of operation within which they function in South Africa's system of governance. LEDAs can be established in either a district or a local municipality (local government sphere). In terms of the *Constitution of the Republic of South Africa, 1996*, the local government has a key role to play in stimulating economic development. This role is carried out through investment in economic infrastructure and raising private sector investment to boost the economic performance of municipalities. Local governments' status and developmental roles are enhanced through a commitment to the principle that they are not merely the lowest tier of government, occupying a subordinate position, but rather that they are a distinctive sphere of government, occupying a unique and important position within South African society. The South African system of government is constituted as national, provincial and local spheres of government. The three spheres of government are distinct, interdependent and interrelated. Local government is a sphere of government in its own right, and is not a function of national or provincial government. It is an integral component of the democratic state.

Municipalities in South Africa are a distribution of local government and form the lowest sphere of the democratically elected government structures. They can belong to one of the three categories: metropolitan, district or local (referred to as categories A, B and C respectively). Metropolitan municipalities (category A), also

known as Unicitys, have exclusive municipal executive and legislative powers in their areas. Unicitys usually encompass some urbanised region(s) which might be regarded as a city. There are six metropolitan municipalities, Cape Town, eThekweni, Ekurhuleni, Johannesburg City Council, Tshwane and Nelson Mandela (Reddy, 2003:1). District municipalities (category B) are the main divisions of provinces and are subdivided into other local municipalities (category C).

District and local municipalities are interdependent and involve a division of powers. A district municipality has municipal executive and legislative powers over a large area and its primary responsibility is district-wide planning and capacity building. Legislative provision for the categorisation of local government is entrenched in Chapter 7 of the *Constitution of the Republic of South Africa, 1996*, the *Local Government Municipal Systems Act, 2000*, the *Local Government Municipal Structures Amendment Act 2003* and the *Redetermination of the Boundaries of Cross-Boundary Municipalities Act, 2005*.

Municipalities, according to Thornhill (2008:492), provide a point of contact between individuals and government. Municipalities enjoy their right of existence as the statutory bodies (Nzimakwe & Reddy, 2008:667) through which local residents voice their concerns. They operate as open systems that receive inputs from immediate communities (Malefane, 2008:713), and they represent channels through which people participate in the decision-making processes of government. They make a meaningful contribution to the total growth of provinces in which they are located and ultimately to the entire country. Municipalities therefore contribute to the achievement of the development mandate that is bestowed upon the South African government. LEDAs operate as municipal entities in which municipalities themselves are shareholders.

THE LOCATIONAL ADVANTAGE OF LEDAS

The focus on LEDAs as key elements in LED implementation is directly in line with international developments, because all economic activity takes place within cities, towns and villages (municipalities). The comparative advantage that LEDAs have over national and provincial departments of government derives from them being municipal entities: that is the sphere of government at which they have been initiated. Municipalities are often well positioned to implement (or at least coordinate) initiatives to counter underdevelopments and to be responsive to the needs of their communities. The article identifies four key aspects that best explain the locational advantage of LEDAs.

PROPINQUITY OF THE LEADERSHIP OF LEDAS

The leadership of LEDAs (shareholders, board of directors (BoDs) and executive management) can provide critical leadership in decisions on resource allocation to match priorities of local communities. The leadership of LEDAs

have intimate knowledge of local resources, variations in conditions, tastes, standards, affordability, needs and community factors that provide them with insights and the capacity for making more sound and timely judgments than national and provincial sector leadership. This advantage allows the leadership of LEDAs to avoid planning mistakes which may constrain access, especially by the poor or marginal segments in communities. The physical proximity of LEDAs to communities allows leadership a better competence to determine local interests and requirements. In short, when members of local communities require urgent assistance, the leadership of LEDAs can best understand what needs to be done.

EFFECTIVENESS OF LEDAS

LEDAs are able to ensure that once resources are allocated, they are effectively and efficiently used to benefit targeted segments of the local community. Compared to national and provincial sector departments, LEDAs can provide services more affordably. There is also a more efficient use of local factors because LEDAs are able to exercise closer oversight control to ensure more competitive tendering, increased performance and contract compliance from local private contractors. As municipal entities they are able to ensure greater coordination of service activities. LEDAs, compared to national and provincial sector departments, are able to keep pace with growing demands and needs for economic development services.

LEDAs' ability to mobilise local resources

In addition to their propinquity to the local communities they serve, LEDAs have local information (often kept on databases) about conditions and community groups, the advantage that usually positions them better to negotiate with local community groups and representatives. This advantage offers LEDAs an ability to mobilise local users to ensure sustainability of services. Local communities are more willing to pay taxes when these taxes are kept in their communities for use on local economic development activities such as local self-help and contributions to economic infrastructure investment. Local communities, businesses and other local actors can see the link between their taxes and development projects in their own communities. This link is critical for generating local revenue. In terms of local public private partnerships (PPPs), LEDAs are better able to negotiate agreements with local private entities for joint investments in economic infrastructure.

LEDAs' ability to ensure that local processes are democratic

LEDAs as municipal entities do not operate in a vacuum, but in local government spheres that are democratically elected structures. They operate in municipalities that enjoy their right of existence as statutory bodies through which local residents voice their concerns. The essence of LEDAs' ability to ensure local democratic processes denotes that LED implementation enlists roles and resources of

various local actors in a community and refrains from limiting local community groups to the status of spectators of their own development. LEDAs, as compared to national and provincial sector departments, have the potential to build community consensus around controversial issues. Without strong links between LEDAs, local groups and residents, support for economic development initiatives may be weak and acceptance of such initiatives poor. In short, the decision-making processes are more likely to be democratic and participatory when they are implemented by LEDAs than by national and provincial sector departments.

LOCAL ECONOMIC DEVELOPMENT AGENCIES

In this section, special attention is devoted to the LEDAs' economic development mandate, the legislative framework within which they operate, their funding protocol, strategic objectives and structural composition.

The economic development mandate of LEDAs

The economic development mandate on which LEDAs are founded counteracts the impetus of the excessive dependence of municipalities on national and provincial economic development drives that are often inconsistent with the needs of local communities and that often appear to be locally irrelevant. LEDAs anticipate boosting the levels of economic activity in the country's rural, underdeveloped and previously marginalised areas (townships) where unemployment is high. They are set to respond to socio-economic challenges, growing concern over economic growth and development, poverty and poor performance of municipal sector departments in economic development. Their economic development mandate is based on the premise that traditional municipal structures cannot optimally respond to the socio-economic challenges that are faced by local communities. They also counteract past (apartheid) policies that have bequeathed a legacy of massive poverty and humiliating social and economic environments in which people live and work. LEDAs are seen as activist vehicles for realising the vision of a democratic and developmental local government in which municipalities fulfil their constitutional obligations to ensure social and economic development, participation and, among others, human settlements in which residents can lead dignified lives (IDC, no date:2). According to the observations of the author, LEDAs' mandates have the following inadequacies:

- Lack of business confidence and minimal opportunities for private investment in underdeveloped areas of a municipality
- Increasing risk of investing in poor and underdeveloped municipal areas
- Minimal contribution of municipal sector departments to local economies and their inability to act effectively at business level and in joint ventures due to bureaucratic practices and over-regulation
- Lack of business development support and entrepreneurial skills development

- Reduced opportunities for municipalities to engage in large-scale economic development projects, so as to compete locally and on a global stage
- Lack of innovation, integration and coordination between economic development activities in municipalities

These inadequacies are a direct inheritance from apartheid local authorities, and restrict the access of the poor and marginalised groups in communities to full engagement in real economic activities. LEDAs are an alternative means mandated to restructure the distorted municipal economic base of most South African municipalities.

LEDAs' legislative framework

The legislative framework on which LEDAs are founded is obligatory and guides their roles and orientation within a municipal area. The legislative framework on which they are founded rests upon sections 152 and 154 (1) of the *Constitution of the Republic of South Africa* 1996, the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) 2006 and the 1995 Reconstruction and Development Programme (RDP). The *Local Government Transition Act*, 61 of 1995 and its 1996 *Amendment* are major post-apartheid local government enactments that put into place policy parameters to translate the constitutional imperatives into LED practice. The *Local Government Municipal Systems Act* 32 of 2000, in addition, identifies the significant role of municipalities in realising integrated development planning (IDP) and public investment (cf Malefane & Mashakoe, 2008:54).

LEDAs' funding protocol

First of all, LEDAs are funded through special grants made available by the Industrial Development Corporation of South Africa (IDC) and their founding municipalities (stakeholders). Through its Agency Development and Support (ADS) department, IDC's funding criterion has been generous in covering three of the five distinct agency development phases. The *pre-funding phase* is the initial phase in which the IDC is either approached (by political leadership of municipalities) with an opportunity to establish a LEDA, or there is a condition in which it identifies an opportunity itself. During the pre-funding phase, the IDC offers only technical support. The requirement of the pre-funding phase is that there is political buy-in of the Agency concept, which must then be adopted as a municipal council resolution. During the *pre-establishment phase*, the LEDA concept graduates from being an idea to a legal entity. It has at this stage realistic operational policy and procedures, strategies, programmes and reporting mechanisms. The objective of the pre-establishment phase is to ensure a smooth process that leads to the ultimate establishment of a LEDA. Should a LEDA meet the requirements of the pre-establishment phase, the IDC offers a grant of eight hundred thousand rand (R800 000).

The *establishment phase* relates to the state in which a LEDA is formally established, staffed and has long-term operational plans. When a LEDA adheres to the requirements of the establishment phase, the IDC offers a grant of R2.5 million. Upon meeting the requirements of the *operational phase*, the IDC offers a grant of R5 million per annum. The operational phase precedes the *exit phase* in which a LEDA is expected to be operating smoothly. Should a LEDA adhere to the requirements of the operational phase, the IDC offers a grant of R5 million for three consecutive years. During the exit phase, a LEDA has to be self-funding. The IDC will, during this phase, withdraw from funding a LEDA; however, it will, through its SBUs, consider providing finance opportunities on a project basis. In addition, funding can be made available by the founding municipality. For this to happen, LEDAs become part of a funding agreement, for which the LEDA has to submit a term-specific business plan. Business plans that are incorporative of financial projections are usually tabled at the meeting of the municipal council, from which they are approved or rejected. The financial relations between LEDAs and their founding municipalities (stakeholders) are enshrined as prescripts of the *Municipal Financial Management Act*, 2000 in South Africa.

LEDAs' strategic objectives

The strategic objectives of LEDAs complement the mandate for which they have been established. As municipal entities, LEDAs are set to operate at business level to purge local obstacles and to reduce bureaucracy and over-regulation. They operate as dedicated and focused vehicles that promote, oversee, plan, implement and monitor LED initiatives in a municipal area (IDC, no date:6). They are a good home for LED since they are able to gain municipal support for LED processes. The ideal strategy of LEDAs responds to (or at least should respond to) their legislative guidelines. LEDAs are set to raise the standards of living of the poor by promoting economic activities ranging from self-employment and small businesses to medium enterprises and giving priority to disadvantaged groups (ACLEDA, online).

According to the IDC (online), the primary objectives of the LEDAs is to promote and develop economic potential on a local and district basis by building on the unique competitive strengths of each district's economy and assets; to leverage public and private resources for development opportunities; to foster the innovative thinking and entrepreneurial activity which support and drive economic growth; and to manage the spatial organisation of their areas in a socially efficient manner through the use of public land and targeted private projects. They are partners, stimulators and sources through which local economic activities are increased, and create local environments that are conducive to both domestic and international investment. Investment is herein not only interpreted in pure financial terms, but also incorporates the attraction of skills, inputs, capacity and resources to boost local economic performance.

LEDAs are delivery tools that are owned by municipalities to coordinate and manage public resources, potential investors and regional investment opportunities in accordance with the development objectives (IDC, no date:10). They are also tasked to pursue key strategic projects that are catalytic in nature. They are local entities intended to identify business opportunities, to facilitate entrepreneurial training and small business development and management, and to offer support in the development of business plans. They also facilitate access to technical advice, credit for medium-sized enterprises and access to entrepreneurial skills training (ACLEDA, online).

Key to their role as local economic base restructuring agents is that the LEDAs are multi-approach agents that do not focus on a single economic development approach. A blend of economic development approaches is used to enable greater impact on targeted areas and groups. Though they have a distinctive role to play in their municipal areas of jurisdiction, their strategies need to be aligned to the Provincial Growth and Development Strategies (PGDS) of the provinces in which they are situated.

Structural composition of LEDAs

The structural compositions of LEDAs, like municipal departments, are influenced by mandates bestowed upon them, the legislative frameworks that guide their operations, available funding and the nature of strategies they implement. These components determine whether the LEDAs either will or will not be able to satisfy the basis for which they have been established. Recent trends in structural composition of existing LEDAs have resulted in the inclusion of stakeholders (founding municipalities), appointed agency boards of directors (BoDs), and agency executive management and staff into their operations. The stakeholder has rights pertaining to the change of ownership and liquidation.

The BoDs is the coordinating and policy-making body and consists of non-executive directors. It is a governance structure that is directly open to community leaders, interests and institutions and is embedded into the socio-economic context. The executive powers of the agency are vested and are delegated to agency executive management and staff. The executive management carries out broad operational activities and accounts for key deliverables that are discharged by the LEDA. In accordance with the stipulations of section 84 of the *Local Government Municipal Finance Management Act* (MFMA) 2003, the stakeholders' participation in agency activities happens through a municipal representative.

INTERGOVERNMENTAL RELATIONS ROLES OF LEDAS

According to the IDC, there are 23 LEDAs in South Africa. Most agencies operate smoothly since they currently facilitate and implement a variety of projects that are financed by the IDC. There are, however, those that do require additional

support to compensate for lack of capacity and resources. LEDAs are strategically positioned to raise funding for economic development initiatives in their areas of operation. Their economic development mandate can be achieved by utilising existing networks with national and provincial government departments, external institutions and available global networks. This means that they have an important role to play within South Africa's intergovernmental relations framework. LEDAs' roles within the intergovernmental relations framework are referred to here as intersectoral, extrasectoral and international roles and are discussed in subsequent sections of the article.

INTERSECTORAL RELATIONS ROLES OF LEDAS

The role of LEDAs in intersectoral relations acknowledges the complex nature of the development challenges that South African municipalities face and recognises the need for partnership between all spheres of government in dealing with them. As municipal entities to which municipal councils are shareholders, LEDAs are fundamental local actors whose roles include (1) *vertical intersectoral relations*: they play an important role within government's intersectoral relations framework in terms of their relations with government institutions at national and provincial spheres of operation; and (2) *horizontal intersectoral relations*: they are able to jointly act and to take advantage of networks, partnerships and collaboration that exist in their sphere of interaction. The roles of LEDAs in the government's intersectoral framework assist in harmonising national and local policies to increase the long-term competitiveness of local development actors, and to create an environment that favours economic internationalisation, international partnerships and foreign private investment (UNDP, online).

Vertical intersectoral relations roles of LEDAs

Vertical intersectoral relations refer to the relations between government institutions or entities in different spheres of government. A typical example of vertical intersectoral relations is that of relations between municipalities and sector departments at national and provincial spheres of government. In the case of LEDAs, vertical intersectoral relations are reflected in relations between LEDAs and government institutions at both national and provincial spheres of government in South Africa. The decisive significance of vertical intersectoral relations is the possession of power by higher spheres of government. Because of the distinctiveness, interdependence and interrelated nature of the spheres of government in South Africa, municipalities or their entities often rely on key resources and funding that are often budgeted at national and provincial spheres.

A few examples of national and provincial departments with which LEDAs can establish networks may include both national and provincial Departments of Transport for road infrastructure projects; National and Provincial Departments of

Economic, Environmental Affairs and Tourism (DEAT) for poverty relief projects; Departments of Provincial and Local Government (DPLG) for technical support and advice on a variety of programmes; and National and Provincial Departments of Agriculture for technical and funding support for agricultural development in rural municipalities. Networks with the National Development Agency (NDA) and the Industrial Development Corporation (IDC), as development financing institutions, are essential for the vertical intersectoral relations of LEDAs. Despite the specific focus areas in which national and provincial sector departments operate, they often offer support and resources that enhance economic development activities in municipalities.

Despite vertical intersectoral networks with national and provincial sector departments, numerous provincially based economic development agencies and corporations such as Invest North West, Limpopo Economic Development Corporation, Northern Cape Economic Development Agency, Mpumalanga Economic Development Agency and Free State Development Corporation are economic development entities that can potentially provide resources for the operations of LEDAs. The primary focus of these agencies and corporations is to promote investment and project facilitation. They assist local businesses within their provinces to diversify and to become exporters of goods and services; they improve competitiveness, and assist exporters to access new international markets. Invest North West for example, is in the process of developing a Trade Competitive Strategy for the North West province which will be aligned to the national Trade Strategy. Invest North West also supports multisectoral trade, mainly export growth. LEDAs' vertical intersectoral relations with these agencies/corporations are beneficial to their operational progress. Vertical intersectoral relations are beneficial to curb role duplication.

Horizontal intersectoral relations of LEDAs

LEDAs' horizontal intersectoral relations refer to their relationship with government institutions on the same sphere of operation. Unlike vertical intersectoral relations, which uncover LEDAs' interactions and networks with government institutions at national and provincial sphere of government, horizontal intersectoral relations uncover LEDAs' networks within the same milieu and on the same sphere of operation. Horizontal intersectoral relations might exist at national sphere: between two or more national sector departments; at provincial sphere: between two or more provincial departments; or at the local sphere of government: between two or more municipalities or municipal entities. An important aspect of their existence is that, through the establishment of interdepartmental task teams/units, they make service integration possible.

In the case of LEDAs, horizontal intersectoral relations are established by their relations with stakeholders (founding municipalities) that often contribute funding for LEDAs' operational requirements. Another example includes LEDAs' rela-

tions with sector departments (e.g. health, infrastructure, LED, human resources, technical and engineering) in municipalities. In addition to these municipal sector departments' core business, they also play a significant role in augmenting economic infrastructure that is necessary to facilitate an investor-friendly environment. With the development of horizontal intersectoral relations, LEDAs are also able to partner or collaborate among themselves. A detailed discussion that reflects on South Africa's existing LEDAs is presented in the discussion of LEDAs' institutional relations.

EXTRASECTORAL ROLES OF LEDAS

In addition to the intersectoral networks that LEDAs are able to take advantage of, they also have an essential extrasectoral role to play in achieving their economic development mandate. By extrasectoral relations reference is made to LEDAs' role in developing networks, relations and collaborations with external institutions/bodies. Extrasectoral relations are relations between government institutions and external institutions. The extrasectoral role of LEDAs distinguishes LED as a multidimensional and multisectoral activity (Malefane & Mashakoe, 2008:480) through which skills, resources and ideas are combined to stimulate local economies (Kanyane, 2008:700) to respond innovatively to changes in the national and global economic environment. Through the use of extrasectoral relations/networks, LEDAs bring the following to the regional and local municipalities: (1) institutions/autonomous legal structures that allow municipalities to make their own decisions on policies for sustainable and human economic development; (2) skills for SMMEs, credit services, negotiations with local banks, fundraising to finance projects and create jobs; and (3) finance for international partnerships and foreign investment (UNDP, online). Extrasectoral relations can be categorised into four main divisions, social, political, economic and institutional relations, within which LEDAs can play a meaningful role.

Social relations of LEDAs

In terms of their economic development mandate and strategic objectives, LEDAs perform a significant social role. Social relations refer to a multitude of social interactions with external bodies that are regulated by social norms, between two or more organisations, each of which has a social position and performs a social role. Social relations refer to a condition which groups of people or organisations have *in common* or share (Wikipedia, no date). Organisations that enter into this kind of relation are socially related and, in business terms, depend on each other. LEDAs have exceptional social roles to play and cannot operate in a vacuum. They are shaped by multiple relationships, events and influences (Malefane, 2008:713). The social relations of LEDAs recognise the socio-economic challenges that South African municipalities are faced with, and acknowledge the need for integrated, coordinated and coherent strategies to deal with such challenges.

LEDAs' extrasectoral social role suggests multi-institutional strategies to deal with local economic challenges, and acknowledges the facilitative role of government in economic development and growth. A few locally based institutions that are of relevance to the social relations of LEDAs may include, but are not limited to, the business sector, community business organisations (CBOs), non-governmental organisations (NGOs) and municipal departments, all of which cater for the social interests, needs, wants and desires of communities. LEDAs' extra-sectoral social roles go beyond the municipal jurisdictions in which they operate; however, the relevance of these social roles in a local setting is central because local actors play a significant role in seeking solutions to local problems.

Political roles of LEDAs

The LEDAs' political role acknowledges that LEDAs, as municipal entities, do not function in a fully apolitical environment. LEDAs' mandate derives from the dominant local political forces in municipal areas. Their economic development mandate results from local political programmes that anticipate satisfying the needs of local constituencies, and therefore operational activities are to a great extent shaped by the political environment within which they function. The LEDAs' political relations are strengthened by the role of the founding municipality as a shareholder. The shareholder offers the much needed political and financial support required to achieve the mandate bestowed upon LEDAs. In terms of their pre-establishment phase, LEDAs are an outcome of local political processes; they have to go through a political process in which they get a political buy-in or not. By virtue of the pre-establishment phase in which LEDAs' existence in municipalities has to be adopted as council resolution, LEDAs have a special political role to play. In addition to funding for operational activities, part of LEDAs' political requirement is best explained as planning to cater for the needs of local communities, which has to be tabled for approval in a meeting of the municipal council. Instances in which political intervention may well be required will be reflected by the nature or size of LED projects that LEDAs engage in. Depending on the nature or size of the project, there might be a requirement in which certain municipal regulations or by-laws have to be repealed. The leadership of LEDAs in this case will have to mobilise political support which will ensure the repeal of these by-laws. The political processes within which LEDAs operate influence the decisions that are taken by their leadership.

Economic relations of LEDAs

LEDAs have a special role to play in advancing economic activities in local communities. The economic relations role of LEDAs is consistent with the mandate bestowed upon them and the legislative framework that guides their operations. LEDAs have a facilitative role to play in increasing the economic activities of communities they serve. Recent developments in the operations of municipalities and

government in general have seen the introduction of partnerships in which they had to collaborate with the private sector. Public Private Sector Partnerships (PPPs), as an alternative service delivery option, are increasingly becoming important in service delivery in South Africa. These relations exist to counteract the scarcity of human, physical and financial resources. Examples of institutions to which LEDAs can relate in achieving meaningful economic relations might include local business sector participants such as mining sector companies, private farmers, managements of community property associations (CPAs) in tribal areas and financial banks. Some may include non-governmental organisations (NGOs), community business organisations (CBOs), local entrepreneurs and government institutions/ departments in all spheres of government. These are often resourceful, and are key partners with which LEDAs can realise both their economic relations role and their economic development mandate.

Institutional relations of LEDAs

LEDAs' institutional relations roles refer to the relations of LEDAs with institutions that share similar visions and missions and with whose mandate they can relate. The uniqueness of institutional relations of LEDAs is conveyed by their relations with a multitude of similar institutions in all spheres of government, the private sector, NGOs and the international community. This unique role is also expressed by the relations of LEDAs with institutions that do not necessarily share similar vision, mission and mandate, but whose core business enhances economic infrastructure in a municipal area. Relations between the LEDAs and infrastructure and finance departments in municipalities exemplify this. In the private sector, LEDAs would have to engage financial institutions such as the banks for SMME funding; DFIs such as the National Empowerment Fund (NEF): the NEF is a catalyst of broad-based Black Economic Empowerment in South Africa. The fund enables, develops, promotes and implements innovative investment and transformation solutions to advance sustainable black economic participation (the Small Enterprise Development Agency (SEDA) is the Department of Trade and Industry's agency for supporting small businesses in South Africa and establishes funding through the National Empowerment Fund, the Industrial Development Corporation (IDC), and the Development Bank of Southern Africa (DBSA)). In addition, Khula Enterprise Finance Limited, as an agency of the Department of Trade and Industry (DTI), facilitates access to credit for SMMEs through various delivery mechanisms. Khula also provides mentorship services to guide and counsel entrepreneurs in various aspects of managing a business.

Relations between LEDAs themselves are crucial to their ability to realise both their institutional relations and the economic development mandates bestowed upon them. According to the IDC's ADS department (2009:1), the database of existing LEDAs includes the Johannesburg development agency (JDA) in the city of Johannesburg; Nkonkobe development agency in the Eastern Cape; Blue Crane

development agency in Somerset East; Enterprise Illembe in KwaZulu-Natal; Hibiscus Coast development agency in the KwaZulu-Natal south coast; Mandela Bay development agency in Port Elizabeth; Dr Kenneth Kaunda District Municipality economic agency, formerly known as the Southern District Municipality (SDM) economic agency, in North West; and the Northern Cape development agency (NCEDA) in the Northern Cape. Institutional relations are, in their fundamental nature, essential to the success of LEDAs because they unlock opportunities for mutual aid during project planning and implementation.

INTERNATIONAL ROLES OF LEDAS

South Africa's economic and political dispensation has exposed both government and private sector institutions to international markets and competition (Mongake, 2005:3). With these experiences, the emphasis of the local and regional economy has also changed. These have brought in renewed interest in forging partnership agreements with international partners from both the private and public sectors. Along with the developments of LED strategies, most South African municipalities have witnessed increased international activities in which municipal leaders become involved. LEDAs formalise this international role of municipalities. They function as mobilisers of international investment. In pursuit of their international role, the usual identification of a modelling city that competes characteristically is often followed by bilateral cooperative agreements that are intended to discover business opportunities. They match profiles of local businesses with requirements of international donor agencies from which funding can be sourced.

By identifying similar international municipalities, with which local municipalities characteristically compare, they are able to share best practices, mobilise funding and attract investment and other resources to benefit the local communities they serve. Examples of international institutions with which LEDAs are able to collaborate might include the International Finance Corporation (IFC), either as a loan or grant funder: it has a municipal grant fund initiative that provides financing and credit enhancement to subnational public sector entities for development projects.

The IFC acts as a catalyst to enhance municipal capacity and creditworthiness without central government guarantees. The DBSA, a leading DFI in Africa south of the Sahara, plays the triple roles of financier, advisor and partner and maximises its contribution to sustainable development in the region by mobilising financial, knowledge and human resources to support governments and other development role players in improving the quality of life of the people through the funding of infrastructure projects; reduction of poverty and inequality; and the promotion of broad-based economic growth and regional economic integration. Other prominent donor agencies that have created funding opportunities for organisations and have entered into collaborative work with institutions of South African

origin include the United States Aid for International Development (USAid) and the South Africa Netherlands Partnership in Development (SANPAD). These international institutions continue to play a significant development role in South African municipalities.

CONCLUSION

This article has attempted to bridge the existing information gap concerning the strategic position and intergovernmental relations roles of South African LEDAs in the implementation of LED. As municipal actors, LEDAs possess a locational advantage that enables them to respond decisively, effectively and authoritatively to the economic development needs of local communities. They locate the LED agenda in its rightful place, in municipalities. Their roles within the intergovernmental relations framework affords them an opportunity to network, partner and collaborate with various government, private and international institutions. LEDAs assume a meaningful role and make significant contributions to the implementation of LED in municipalities.

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