

# Developmental local government in the 21<sup>st</sup> century

## Implementing local economic development as a new mandate

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### ABSTRACT

The problem statement of this article is to show that South African local government does not exist in a vacuum, but is a member of and signatory to various international forums and declarations which her sustainable development has to respect. It is in this context that the article provides for the concept and background of developmental local government in the 21<sup>st</sup> century, and discusses how South African developmental local government could implement local economic growth and development programmes as a new mandate to move citizens away from despair to the age of hope and prosperity.

The angle of approach to local government transformation in the 1980s of the Nordic countries is discussed prior to a brief examination of the African perspective on local government in the context of the international perspectives on the concept and background of developmental local government. This is followed by a perspective on the historical evolution and functioning of local government in Africa. In addition, the article considers the new role of developmental local government in the 21<sup>st</sup> century as that of improving and sustaining local economic development (LED). In this context, a LED model is adapted and proposed to policy makers and LED practitioners in South African municipalities to accelerate the improvement of socio-economic conditions of their local inhabitants.

## INTRODUCTION

"[Developmental Local] Government should not be made an end in itself; it is a means only -- a means to be freely adapted to advance the best interests of the social organism. The [local] state exists for the sake of society, not society for the sake of the [local] state".

Thomas Woodrow Wilson 1911

There is always a certain difficulty when discussing the subject of local government, in South Africa or elsewhere. This is a matter of definition. It is necessary to be quite precise about just what kind of settlement or development justifies the name or label of "local government". There are different definitions of local government. The common one is that of Reddy (1999:9) who defines it as *"a second or third level of government deliberately created to bring government to the local populace as well as to give its members a sense of involvement in the political processes that control their daily lives"*. Local government is a government of a city, county, parish, township, municipality, borough, board, or district closest to the people, and where people are inclusive in its processes of governance, service delivery, and sustainable socio-economic development, that is central in creating jobs for the masses.

All the countries in the world have this level of government, but they differ in terms of the what (nature) and how (or the extent) to which it improves the lives of the people it governs and provides local public goods and services. For example, countries differ in terms of what they call local government. Germans call it *gemeinde*; French and the Nordic countries, (i.e. Denmark, Finland, Iceland, Norway, Scandinavia, Sweden together with three territories, namely: Aland, Faroe Islands and Greenland that are members of the Nordic Council but enjoying their autonomy) call it *communes*; Swiss call it *cantons*; Fijians call it *province*; British call it *borough* or *parish*; Hong Kong people call it *cantonese*; and South Africa (SA) call it a *municipality* or *city*. In some Asian countries a municipality is taken to mean a settlement of any size, contrary to the Western understanding that a certain minimum size of settlement is to be expected (Bristow 1989:1). SA is no exception to the Western countries as it is using the Westminster system of governance, and is a member of the Commonwealth of Nations.

In this article, an analysis of selected theories and literature on local government is used. In addition, a descriptive and analytical approach is used to discuss international and African perspectives on the evolution of developmental local government. In addition, how South African local government evolved to become developmental local government is also shared. In this context, the concepts of development and sustainable development are discussed. Lastly, LED as a new mandate of developmental local government in SA is briefly

discussed. An LED model is then adapted and proposed for policy makers and LED practitioners in local government to use.

## **AN INTERNATIONAL PERSPECTIVE ON THE EVOLUTION OF DEVELOPMENTAL LOCAL GOVERNMENT**

The evolution of developmental local government is discussed in relation to the development of local government in the United States (US), Britain and the Nordic countries. Lastly, a brief discussion on the development of the local government in Africa follows. Bristow (1989:1) wrote that local government emerged from towns which are defined as *"planned communities consciously created in response to clearly stated objectives. Town creation as an activity of will presupposes the existence of an authority or organisation sufficiently effective to secure the site, marshal resources for its development, and exercise continued control until the town reaches viable size"*. Ebenezer Howard, in his book *Tomorrow: A peaceful Path to Real Reform*, provides ideas which are considered as a foundation stone for the evolution of new towns (and new town planning or new urban form) that he terms "the garden city". The term "garden city" was not new; it was used already in the US in 1869, and in Britain in the early 1800s (Bristow 1989:4; Wigglesworth 1971:63). The impression is that the "garden city" theory serves as an attempt to devise new means of better integrating the best features of towns or municipalities in a relevant country into a single urban form, and thereby grant new towns an authority to govern by creating developmental local governments that are effective in rendering local public services and improving local economies to efficiently improve the general welfare (Wigglesworth 1971:63).

It is in this context that a balance between providing services to communities and developing local economies to improve the socio-economic conditions of people was sought. Bristow (1989:101) writes that *"[the authorities] are satisfied that the administrative mechanisms in new towns provide an adequate means to achieve balanced [economic] development in respect to the rendering of [enabling and holding] auxiliary community facilities"*. It is the research of Ebenezer Howard which led to the founding of the Garden Cities Association in 1899. This association assisted with the creation of Letchworth Garden City, a municipality in the north of London in 1903. This model spread to Europe where garden city models were developed. The creation of *die gartenstadt* in Germany, *la cite-jardins* in France, and *cuidad-jardin* in Spain serve as examples of how developmental local government evolved within the context of new town planning (Bristow 1989:7). Countries like the US, Australia, Japan, Hong Kong, and SA, followed suit in building their towns or municipalities based on the ideas of Ebenezer Howard.

The evolution of local government in SA can be traced back to the garden city of Good Hope established when settlers set foot in the Cape in 1652. Similarly, modern or new towns or municipalities emerged during the colonial era in most of the former colonised countries in the world (Marais 1989:1).

What led to developmental-orientated *communes* in the Nordic countries is that decentralisation and public sector administrative reforms took the shape of the communalisation of public responsibilities with the transfer of more functions from central government to local government; the granting of more freedom to local government; and creation of visionary local leadership and professionalised senior management which is committed to govern, manage and set local priorities to improve the socio-economic conditions of the local inhabitants (Baldersheim and Ståhlberg 1994:5). The local government of Nordic countries, viz: Denmark, Iceland, Finland, Norway, Scandinavia, and Sweden as well as Åland, the Faroe Islands and Greenland (which are autonomous from these countries but serve as members of the Nordic Council) are considered as the most decentralised and people-centred organs of policy implementation for the welfare states. Common to the Nordic countries and SA is a clientelisation of local government and the improvement of LED as a mandate of local government par excellence to municipal service delivery (Baldersheim and Ståhlberg 1994:3).

The introduction of a developmental perspective on local government in the Nordic countries was due to the fact that a corporatist model which was based on modernisation and deregulation or pure capitalism used in the 1970s overloaded these countries and drove them over the brink of a resource pinch in the 1980s. Looking for solutions to problems, countries' presidents and Ministers of local governments introduced a programme called *"free communes, which focused on decentralisation, accountability, and bottom-up governance where people participated in local governance"* (Batley and Stoker 1991:147). Baldersheim and Ståhlberg (1994:4) stated that *communes* are municipalities with a special status given by national governments. Central to these *communes* is the bottom-up and learning-oriented approaches that enable them to carry out experimental projects that are developmental in nature, a new way of conducting local affairs. Communes are legislatively empowered to generate and sustain revenue to be used to implement programmes for improving local economies that will provide jobs to the local people. They maintain business and political relations with their central governments and business organisations.

The progress made by international countries on development varies. The assessment of the global status reveals needs which municipalities have in common for improving the welfare of the local citizens. The International Union of Local Authorities (IULA) signed in its 31<sup>st</sup> World Congress in Toronto on 13-17 June 1993, provided the following in an attempt for local government to achieve their country's developmental mandates:

- A clear, coherent and realistic legislature and administrative framework which is based on principles of subsidiarity, accountability, participation, partnerships and the enabling role of developmental local government and services.
- The promotion of and support for stronger national associations of local government to represent and defend their interest before national parliaments/governments and international organisations.
- Local officials to be more effective in managing partnerships and development of local economies with private sector and other non-state sectors.
- Training of local government councillors and staff in public management, especially in the areas of financial management, policy processes, management and leadership, governance and LED.
- More women to be elected to and take positions of leadership and management in local government.
- An information strategy for effective communications between members and key partners in local government networks.
- The promotion and facilitation of decentralised municipal international cooperation initiatives aimed at capacity building and the development of democratic local governments.
- A data base on good practice in areas such as LED, public-private partnerships, decentralisation, and sustainable human settlement, and service delivery.
- An enhancement of the impact of representation and lobbying efforts by local government associations, city networks, and other international organisations through concerted and coordinated efforts.
- The formulation of World Charter for Local Self-Government based on the IULA Worldwide Declaration of Self-government, and European Charter for Self-Government.
- The development of a reporting system on service delivery, decentralisation, municipal budgeting, and local government plans.
- Dialogue and cooperation with the international donor community and other African states through African Union programmes (Reddy 1999:25-26; International Union of Local Authorities 1993).

## **AFRICA'S PERSPECTIVE ON THE EVOLUTION OF LOCAL GOVERNMENT**

It is considered important to share a brief perspective on the historical evolution and functioning of local government in Africa. It is known that SA is a member of the United Nations (UN), and is one of the commonwealth countries, and subscribes to various international accords. Internationally, the status that SA

enjoys is that of a developing country. Paradoxically, as a country that exists in the southern hemisphere of the continent of Africa, a continent known as “the cradle of humankind”, it is given the status of a developed country. It is in the light of this view that an African perspective is considered vital for this article.

Reddy (1999:89) write that the evolution of local government in Africa has five stages:

- Pre-colonial period: indigenous self-rule under various forms of traditional chiefdoms or kingdoms.
- Colonial period: modern municipalities were established in urban areas where most Europeans and Westerners resided. In addition, traditional leaders were in charge of some municipalities mostly situated in rural or urban outer peripheries with the colonial power in a system of indirect rule. The indirect rule was common to all the Anglophone countries where the British hand was felt through the indigenous or traditional leaders who were under the supervision of the Colonial District Commissioner responsible for political, law and order and judicial functions. South African local governments during the periods that the country was the colony of Britain had the same experiences as other Anglophone countries in Africa. Although the matters were worse in all the francophone countries prior to 1918, as French policy was based on assimilation and the direct rule system of governance with colonial Administrators operating from the municipal centres to the village levels.
- Transition period: this is a period where Africans were preparing for their independence. Agreements which led to the establishment of democratic local governments between the colonial masters and African leaders were signed, although these democratic local governments were short-lived in some African states due to factors such as corruption, tribalism and a lack of developmental vision.
- Post-honeymoon period: this period was characterised by administrative and political centralisation by either one-party or military regimes under which local self-government was abolished. In most states, local governments served as puppets of central government, which led to a progressive decline of competence, resources, legitimacy and service delivery.
- Contemporary new dawn: this period started from the mid-1980s in some states and early 1990s in other states.

It is worthwhile discussing briefly the local government programme of action that the Anglophone or Commonwealth countries agreed upon to improve the efficiency and effectiveness of their municipal leadership, whose responsibility is to ensure that their respective countries and municipalities comply with local government principles enshrined in the New Partnership for Development

(NEPAD), and the Commonwealth Roundtable on Decentralisation and Democratisation for Senior Local Government Policy makers in Africa:

- Adherence to the Commonwealth principles of democratisation and decentralisation entailing a commitment to democracy, fundamental human rights, the rule of law, the independence of the judiciary and just and honest local government including the empowerment of people at local government level, unrestricted political activity and fair and free local government elections.
- Allocation of the necessary resources and technical expertise by central governments as well as the international donor community, to ensure the successful preparation and implementation of a democratic agenda including support for a civic education programme.
- Recognition of the role that local government has in support of the consolidation of participatory democratic and development orientated states.
- Promotion of corporative policy and an institutional framework for intergovernmental relations.
- An adequate enabling environment, including the necessary constitutional, legislative and financial safeguards and allocation of resources.
- Effective devolution of power to ensure that local government is recognised by central government as a distinct sphere or level of government and a partner in development.
- Restructuring of ministerial organisations and decentralisation of the national administrative machinery in response to public sector reform and support for good local governance.
- Consolidation of the democratic process by support for post-election capacity building and induction/training programmes for elected local representatives.
- Recognition of the need for close links between local democracy and parliamentary democracy at national level.
- Effective implementation of the IULA Toronto Declaration on the Worldwide Declaration of Local Self-Government as a valuable guideline for the promotion and strengthening of local governance and effective delivery of municipal services.
- Recognition that traditional leaders have considerable credibility in many local communities and that the creation of appropriate structures for the involvement of such leadership can assist in the realisation of local government's objectives.
- Full participation of women in local government.
- Full participation of local communities in the decision-making process, especially with regard to project identification and implementation.

- Democratisation and decentralisation strategies must not compromise the integrity of the country concerned (Reddy 1999:24-25; Commonwealth Local Government Forum 1995:3-4).

As stated above, SA contributed to the establishment of various local government forums and has signed international accords that aim at promoting the democratic and sustainable development principles of local government. Furthermore, South African local governments' irrespective of categories have to abide by the provisions of the following forums and declarations:

- International Union of Local Authorities (IULA), Toronto Declaration on the Worldwide Declaration of Local Self-Government;
- World Charter for Local Self-Government;
- European Charter of Local Self-Government;
- Local Agenda 21 based on RIO Sustainable Development Earth Summit of 1992;
- Commonwealth Local Government Forum;
- World Association of Cities and Local Authorities Coordination (WACLAC) which was formed in Paris in September 1996;
- Commonwealth Roundtable on Democratisation and Decentralisation for Senior Local Government Policymakers in Africa.
- Millennium Declaration of 2000;
- The Monterrey Consensus of 2002;
- The Rome Declaration of 2003;
- Paris Declaration of 2005;
- African Local Government Declaration on Climate Change of July 2009;
- International Liaison Services for Local Economic Development Agencies (ILS-LEDA) ( Binza 2010:119; Reddy 1999:24-26).

These international forums provide local governments of the countries of the world with opportunities and an array of procedures for projecting local concerns on to global agendas. The transformation of local government by these forums is guided by the principles of the theory of New Public Management (NPM). NPM in this regard, enables countries to connect local government through rapidly increasing flows of information and knowledge capital, and flexible economic production processes. Local governments are also becoming connected through networks of expertise (Salskov-Iversen *et al.* 2000:183; 185).

It is in this context that South Africa is considering capacity building of senior leadership of its municipalities to competently inhabit the Transnational Discourse Communities (TDC) which are also referred to as epistemic communities (Robinson, McCarthy and Foster 2005:76). Epistemic communities are defined as *"a network of professionals with recognized expertise and*

*competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area. They have often proved to be significant actors in shaping patterns of international [local government] policy coordination"* (Robinson, McCarthy and Foster 2005:76). Salskov-Iversen *et al.* (2000:183) state that in the last two decades of the 20<sup>th</sup> century that a number of TDCs for local government have been formed, inhabited by experts from a wide range of countries and they tend to have a global, rather than national or local, outlook on key issues who work for learning organisations.

## **EVOLUTION OF DEVELOPMENTAL LOCAL GOVERNMENT IN SOUTH AFRICA – CONCEPTUALISATION OF DEVELOPMENT AND SUSTAINABLE DEVELOPMENT**

It is important to understand the meaning of sustainability and development before an examination of their role to improve LED is undertaken. In this article, "sustainability" and "development" are taken as two different concepts that are artificially interlinked to give meaning to the type of development that the 21<sup>st</sup> century local governments are pursuing. It is worth defining each concept separately. Development may be defined as *"satisfying basic needs such as housing, water, education, health care, jobs, and recreation in a way which changes economic, social and power relations"* (United Nations 1992:7). The *Local Government: Municipal Systems Act* (2000:14) states that development includes *"integrated social, economic, environmental, special, infrastructure, institutional, organisational and human resources upliftment of a community aimed at: (1) improving the quality of life of its members with specific reference to the poor and other disadvantaged sections of a community; and (2) ensuring that development serves the present and future generations"*.

Sustainability is an important aspect of development, along with social and intergenerational solidarity (Mesev 2003:10). The concept of sustainability involves the comprehensive assessment of all costs and benefits of economic activities including externalities to obtain efficient allocation of resources and an improved quality of life (World Bank 2003). The concept of sustainable development has deep roots in early 20<sup>th</sup> century theory of renewable resource management (Reedy 1996:20). The conceptual foundation of sustainable development was chronicled at the Stockholm Conference in 1972, and is reflected in the Stockholm Declaration. The revolution on the conceptualisation of sustainable development went further and was revisited at the Rio Conference in Brazil in 1992 where 178 governments including SA signed an Earth Charter, which was implemented in the form of an action programme called Agenda 21 (Binza 2010:127). The Rio Declaration of 27 sustainable

development principles underpins other commitments made at the conference. There were two overarching commitments made, viz: (1) the United Nations Programme of Action for Sustainable Development; and (2) the Agenda 21. The latter one remains the most comprehensive international agreement on sustainable development to date. Central to Agenda 21 is commitment by local governments to *“address social and economic dimension through combating poverty, exclusions and unsustainable patterns of production and consumption; the conservation and management of resources for sustainable development; strengthening public participation and access to information; and implementation of the Earth Summit resolution”* (United Nations 1992:14). The principles enshrined in the Earth Charter were adopted and further developed to form the first socio-economic policy of the democratic government which described the Reconstruction and Development Programme (RDP) as a linchpin for promoting sustainable development practices in SA.

The Brundtland Commission defines sustainable development as *“development that meets the needs of the present without compromising the ability of the future generations to meet their own needs”* (World Bank 2003:20). The World Commission on Environment and Development (Brundtland Commission) popularised the phrase sustainable development in connection with the combining use of economic, social and environmental resources by governments. Sustainable development embraces the concept of increasing human needs and the idea of limitations which are imposed by technology and society on the ability of the environment to meet those needs. Later, advanced as a more fully integrated approach to economic, environmental and social developments (Misev 2003:11), the concept has been adopted by both the developed and developing countries which are making efforts to ensure that sustainable economic growth and development is achieved without unduly eroding the resource base, causing environmental pollution or upsetting any existing ecosystem. This should be done by implementing integrated local governance systems tailor-made to meet the country's local needs, and recognising the interdependence of the triple bottom line of economic growth, social equity and ecological or environmental integrity (Essop 2004:2).

## **LOCAL ECONOMIC DEVELOPMENT AS A NEW MANDATE OF THE 21<sup>ST</sup> CENTURY'S DEVELOPMENTAL LOCAL GOVERNMENT**

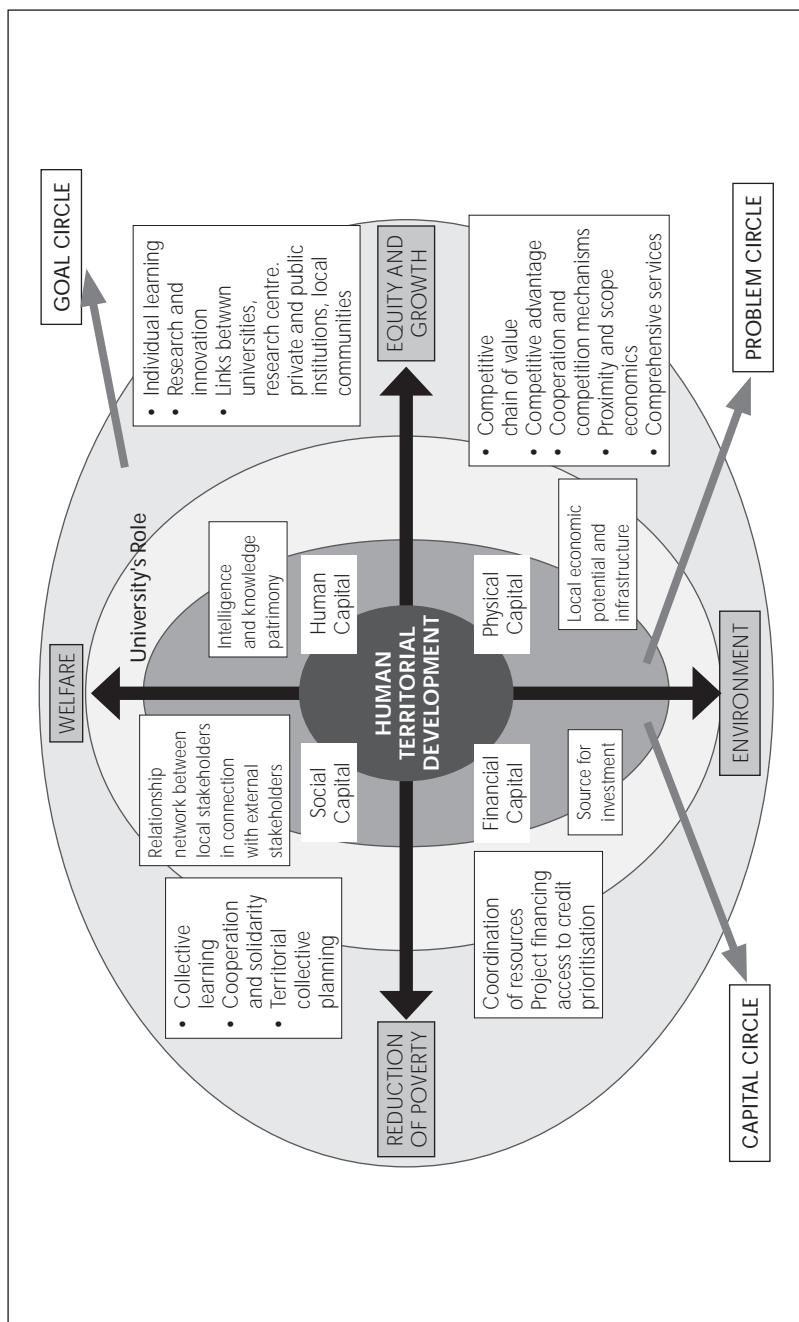
In an attempt to cope with internationally rooted service delivery and socio-economic problems, local governments consider it imperative to undertake a new role which is sustainable local economic development (LED). The World

Bank (2003:1) defines local economic development as a *“process by which public, business and non-governmental sectors partners work collectively to create better conditions for economic growth and sustainable employment generation”*. Developmental Local government of the 21<sup>st</sup> century through LED would be able to *“build up the economic capacity of a local area to improve its economic future and the quality of life for all by undertaking a collaborative, strategically planned process to understand, and then act upon, its own strengths, weaknesses, opportunities, and threats”* (World Bank 2003:1). Blakely (1994:xiv) states that LED is a *“process in which local governments engage to stimulate or maintain business activity and/or employment. The goal of LED is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural and institutional resources”*. Examples of economic generating sectors are: manufacturing, services, agriculture, tourism, and mining. It is argued that each country or municipality should enable the private sector to improve the local economy so as to minimise economic dislocation, or de-industrialisation, or capital mobility. However, before going further with this debate, local government’s capacity to address economic problems remains a legitimate question (Blakely 1994:6). It is important for municipalities to be cautioned about the common challenges to and/or LED, namely: too much bureaucratic red tape; municipal leaders uninformed and unknowledgeable about local government issues in particular LED matters; lack of funding for development or lack of capital for development; too many subsistence regulations; leaders and senior managers dealing with politics which delays solving local economic problems, and lack of locally qualified people with expertise and experience to initiate and manage home-made solutions to service delivery problems (City of Elim, 2005:2; Blakely 1994:83). The World Bank suggests that developmental local governments should follow a five-stage strategic planning process to get their LED to improve the quality of life and to combat poverty, viz: organising the effort, conducting the local economy assessment (LEA), creating the LED strategy (5-10 years), Implementing the LED, and monitoring and evaluation of the LED strategy yearly or bi-annually (2003:6).

However, growth and development are not achieved with ease; challenges do take their toll in certain seasons and lead to low economic growth, whilst in some seasons municipalities do register a high growth rate. The LED model (see figure 1) is adapted and proposed to assist and enable local governments to provide appropriate solutions to the above problems.

Most developed countries have realised that the goal of bringing efficiency in LED requires involvement of various participants, in particular, universities. The contribution of universities is to develop human capital required for sustaining economic growth and improving performance of organisations responsible for

Figure 1: LED model for 21st century developmental local government



Sources: Canzanelli 2003:2; Blakely 1994: 83

local public administration. As depicted in the model, external and internal environments have a significant influence on LED. It is required of municipal senior officials to use their scientific knowledge and wisdom to ensure that the negative influences of the environments are minimal. It is considered important to conduct an environmental scanning before [any] actions towards LED are taken (Baldersheim and Ståhlberg 1994:154-155).

The view is that for LED to take place, developmental local governments must convince the investors that they have the basic infrastructure (physical capital), finance (economic or financial capital) to add value to what they will be obtaining from investors or other revenue sources. In addition, there must be skilled and knowledgeable people (human capital) who are not “work-shy”, but creative (Mbanga and Binza 2004:4) to lead and manage LED projects and programmes, and the social environment (social capital) must be stable and accessible so that development can take place and labour be drawn to serve as the source for effective LED (Canzanelli 2003:2; Bakley 1994:178). Creativity is considered the most important factor in economic growth because it improves labour and capital and extends resources.

**Physical capital** refers to the infrastructure and natural resources required for the development of local economies. Coleman (1988:148) states that in order to attract and sustain foreign direct investments and domestic investments, local government must have or strive towards building a quality physical infrastructure so as to build investors’ confidence. Zhou and Bankstone (1994:48) refer to physical capital as “*non-human assets made by humans for production purposes which consist of producer goods and the infrastructure needed to support the livelihoods*”. Producer goods are tools and equipment that the local governments would use to improve their productivity, performance and professionalism needed for economic growth. Noteworthy is the balanced growth which is achieved when the infrastructure capital and natural capital are developed in tandem as prerequisite capital for LED (Zhou and Bankstone 1994:49).

**Economic or financial capital** refers to the availability of financial resources which are invested or saved and distributed in such a manner that they attract more financial investments. Winter (2000:2) states that economic capital is “*convertible into money and may be institutionalised in the form of property*” and revenue collection rights. Financial resources must be used to optimise economic growth. Therefore local government must be encouraged and capacitated to function within the parameters of the *Municipal Finance Management Act* 56 of 2003, and to expand their revenue base by at least investing some of their moneys into infrastructural, human and social developments. According to the Local Government: *Municipal Systems Act*, 2000, economic capital enables South African developmental local government to be financially sustainable so as to ensure the provision of services “*in a manner aimed at ensuring that*

*the financing of such services from the internal and external sources of revenue is adequate to cover the cost of the initial capital expenditure required for the service, as well as the operating and maintaining or replacing cost of the physical assets"* (2000:14). Economic capital is the fundamental resource for local economic growth and development at all levels.

**Human capital** refers to a situation where local government invests in learning and training through formal education of its human resources and members of communities. The knowledge economy of today requires human resources with competencies (skills, knowledge and behaviour) and relevant qualifications to manage innovately the resources placed in their hands (Giorgas 2000:3). Chandler (2004:2) asserts that the area in which governments have the greatest ability to generate sustainable resources for improving growth of local economies is through transforming municipalities to become learning organisation that invest in education not only for staff, but also for local communities. A common paradox in the public sector is that of investing in people's development and then seeing the flight of this human capital because of poor work conditions and political interference in the administration, in particular in procurement of public goods and services (Coleman 1988:12). Local governments in the world have the problem of keeping skilled and educated people on their payroll as most of these people migrate to the private sector seeking better opportunities (Mbanga and Binza 2004:6). The view is that public-private partnerships must be built so as to enable the transfer of skills and knowledge from the entities of the private parties to the local government, i.e. "brain gain" (National Treasury Regulation 16:2004:3), and not *vice versa*.

The former South African President, Mr Thabo Mbeki, considered investment in human capital to be significant in the growth and development of a local economy. In 2006 he wrote: *"We will have to attend to the improvement of the state machinery on a sustained basis so that it is both responsive to the needs of the people and accessible to the masses. Among other things this requires that those who serve in the public service should have the necessary skills to provide the required goods and services as well as commitment to serve the people"* (Mbeki 2006:14). The essential role of knowledge in local economic growth is borne out by Borrus and Stowsky (1998:42) who assert that *"investment in new knowledge, research and development activities enables local governments to jump onto and stay on a high-growth path"*.

**Social capital** is found in the *"closed system of social networks inherent in the structure of relations between persons and among persons within a collectivity"* (Zhou and Bankston 1994:824). Giorgas (2000:3) sees social capital as the shared feelings of social belonging that enable groups to set up institutions and other social networks that members can access. Social networks are *"complex formations that channel and filter information, confer a sense of identity, allocate*

*resources, and shape behaviour*" (Giorgas 2000:5). In this regard, the choices that developmental local government should make depend not only on the availability of material and intangible assets in the society at large, but also on the way in which the members of networks interpret information and relate to structures of development opportunity. The view is that local government can make use of social capital to deal with negative impressions of some members of the community emanating from the use of liberal development initiatives such as public-private partnerships, outsourcing and privatisation. Local inhabitants who have knowledge of privatisation or restructuring can be requested to inform others about the advantages of the system to *"closed doors of picketing of the misinformed reactionaries"* (Zhou and Bankston 1994:824).

The view about the putting to use social capital is taken by Fukuyama (2001:7) who argues that it is an *"instantiated informal norm that promotes co-operation between two or more individuals or parties"*. Cooperation between local government and the community is considered to be of the utmost importance for improving and sustaining local economic growth. Local government is not only responsible for rendering services and improving the socio-economic conditions of local inhabitants, it is also responsible for ensuring safety and security in its respective areas so that harmony and social stability can prevail to enhance investment and growth. Developmental local government could use social capital as a means through social connections to resources that are keenly sought in capitalist South African society to improve their economic capital standing (Robinson, McCarthy, and Foster 2005: 187; Winter 2000:2).

Coleman (1988:97) agrees that local governments must consider social capital as an imperative resource that they can use to achieve their objectives efficiently, effectively and economically. In addition, investment in social capital would secure for them both economic and human resources which would enable strong local democracy. In an attempt to speed up the process of LED, cities or municipalities of the US, UK, European and Asian countries began developing their local economic development plans (LEDP) in the early 1990s, to provide a legislative framework to implement their respective LED models. The common steps used by developmental municipalities in formulating LEDPs and models was based on the understanding of social capital which required local government to: (1) provide a description of the community; (2) do a SWOT analysis (an analysis of community's strengths, weaknesses, opportunities and threats); (3) develop community values and a mission statement; (4) do community assessment; (5) develop action plans with key priority areas and strategic goals (City of Elim 2005:2).

The international declarations, namely: the Local Agenda 21, IULA Worldwide Declaration of Self-government, and European Charter for Self-Government require municipalities of both the developed and developing countries to play

a role in developing their local economies with private institutions operating within their respective jurisdictions. The first step is that of developmental local government or municipalities to develop their LEDPs as a guide and commitment to improve people's social and economic conditions. The provision is that municipalities of the 21<sup>st</sup> century must:

- foster a stable and diversified economy,
- create and sustain municipal employment opportunities,
- improve the living conditions of the communities and sustain quality communities,
- strengthen the skills and qualifications of the local workforce,
- deliver municipal services that best meet local needs, and
- build and maintain quality facilities and infrastructure for LED (Binza 2010:147).

Although the details of the data gathering and analysis for LED vary from country to country and from municipality to municipality, the basic tasks to be performed in most cases are the same, namely:

- to determine the climate for LED in the jurisdiction of the municipality, to collect data on economic and political conditions, and to decide on goals.
- to determine which private agencies currently working in LED are accessible to local government for the purpose of research, coordination and planning.
- to determine whether LED should be conducted by local government alone, or in coordination with another agency, or by another agency alone.
- to identify the barriers to effective coordination of policy implementation, and alignment of budget and integrated development plans.
- to develop support for the proposed LED activities from organised business associations, labour unions, community and political groups, amongst others.
- To develop a set of milestones, a means of monitoring progress toward achievement of the milestones, and a plan for the revision of activities according to observed results (Blakely 1994:88).

The role of local government in LED is to enable a market between localised demand and supply with the aim of creating, implementing and sustaining the community vision of quality of life (Carpenter 2001:1). Put differently, the outcome of LED is a quality community. A quality community can be defined as a: *“safe family environment with vitality and where residents take pride of their community; place where community involvement has a strong rapport with local public officials; place where protection to communities and businesses is provided for; place where a high growth path is in accordance with local plans and policies, and is effective in creating jobs and combating poverty. Finally, it*

*can be called home*" (Turner 1980:46). The argument is that there will be no quality communities if there is no sustainable shared local economic prosperity, and if the rate of unemployment is high. Sherlock (1991:7) and Weis (2002:58) concur that the concept of quality communities rests unequivocally on shared economic prosperity within the community. In other words, shared economic prosperity must be first established for other quality of life goals to be achieved by all communities – rich and poor.

## SUMMARY

In this article, an LED model has been adapted and proposed for policy makers and practitioners involved in the design and implementation of policies and programmes for improving local economies. Relevant local public administration literature and approaches to LED has also been analysed. In addition, descriptive and analytical approaches were used to discuss the evolution of developmental local government internationally and in SA. It is in this context that the concepts of development and sustainable development were discussed. As a result, in most municipalities in the world, LED is sustained by encouraging sustainable development through broad-based community participation, planning, regulatory, and incentive programmes aiming to enhance investment to boost the local economy. Municipalities of the Western, European and Asian countries develop their local economies with the aim of improving the liveability and quality of life of their respective cities through economic growth that creates high quality jobs, generates wealth and investment, and helps to ensure the municipalities' long-term fiscal health. Lastly, it is important that the LED programmes and projects must be accessible to all citizens and other relevant stakeholders. Accessibility to markets by citizens as voters and consumers of goods and services is considered to be paramount in enhancing the efficiency of any local economy. The 21<sup>ST</sup> century developmental local government must be development- and learning-orientated with development that is people-centred. The aim is to combat a dependency syndrome of local government on aid from provincial and national government and dependency of local inhabitants on government.

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