



ERLN Practice Guide 5

Economic Development Policy Frameworks in SA

Moving from LED to development - An overview of related economic policy frameworks

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1. Introduction

Internationally, a growing focus on local economic development (LED) strategies emerged side by side with the rise of globalisation. According to the International Labour Organisation (ILO), globalisation connected national, regional and local economies more than ever before, with local economies strongly influenced by market liberalisation and expanding global production systems. (ILO 2008, in Rogerson 2010). Globalisation exposed even the most remote spaces to competition.

Definitions of LED vary. The World Bank defines LED as a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The ILO (2006) distinguishes four core features of LED strategies:

- the need for participation and dialogue
- the territorial focus
- mobilization of local resources and building of competitive advantage
- local ownership and management.

Although the activities of LED embody a clear economic focus LED is not simply about economic growth, rather it is geared towards attaining a sustainable development pattern which accommodates and reconciles economic, social and ecological issues and objectives (Rogerson, 2010).

In South Africa, after 1994, the legislative and policy context making LED an obligatory mandate for all South African local authorities was initially recognised by the 1996 Constitution and later established in the 1998 White Paper on Local Government (Rogerson, 2010). It was however only really after the December 2000 local government elections that the concept started to be operationalized.

Despite recognition of its importance, there were also difficulties in reaching a common agreement on approaches to LED. In the early phases in particular, and in contrast with the definitions provided above, LED was often understood as involving interventions in the local economy by local government, in the form of the direct funding and establishment of job creation projects. By contrast, it was argued that the role of local government needs to be at a more systemic level, facilitating the creation of an enabling environment to encourage business development and growth, addressing economic infrastructure constraints, enhancing skills and building partnerships.

While the latter approach fits more closely with approaches advocated internationally, and has largely been embraced in the metros and the more economically dynamic municipalities, LED approaches with a relatively limited focus on setting up projects are still common in many areas.

In addition, while LED in South Africa has tended to be approached in relation to administrative boundaries at the local level, it has been increasingly recognised that the factors promoting economic development at the sub-national level often straddle these. This has led to a shift in focus to regional economic development strategies.

At a policy level, the emphasis on more systemic-level approaches informed the guidelines that came out in 2006, when the National Framework for LED (2006-11) was released by the Department for Provincial and Local Government (DPLG): now the Department of Co-operative Governance (DCOG). The Framework provides a vision for creating 'robust and

inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives' (DPLG, 2006).

Although this framework has not been updated or replaced since 2011, dimensions of LED have become mainstreamed into policy and programming in a range of ways. In practice, the challenge confronted by any framework for LED is that it is such a cross-cutting issue. As a result, the policy and regulatory frameworks for LED are fragmented, with diverse components, including Integrated Development Planning, spatial development frameworks, land and zoning regulation, public-private partnerships, by-laws, infrastructure development and the creation of special purpose vehicles: which has created difficulties in developing policy coherence.

As a consequence, rather than being a stand-alone area, LED has increasingly become a cross-cutting element within integrated development approaches at a spatial level. So, for example, economic development goals are integral to the Integrated Urban Development Framework that has been under discussion for some time.

Increasingly, the role of cities as drivers of economic growth in the economy as a whole has also been recognised, with this becoming an area of significant policy focus and specialisation. This includes the City Support Programme in National Treasury, with the Economies of Regions Learning Network (co-ordinated from within GTAC in National Treasury) also placing the spotlight mainly on city regions. The SA Cities Network includes a focus on 'productive cities', but its other focus areas - such as on governance and sustainability - also have implications for creating an enabling environment for economic development. At a small town level, the focus on LED forms part of small town development; it is also mainstreamed within strategies for mining town regeneration, for example.

This document begins with a summary of the National Framework for Local Economic Development (LED) (2006-2011), followed by a summary of the position on LED taken by the South African Local Government Agency (SALGA). Thereafter, consideration is given to some of the central pillars of economic policy in South Africa, and their relevance to LED.

2. DPLG/DCOG: The National Framework for Local Economic Development

The National Framework for Local Economic Development (LED) 2006-2011 was formulated in South Africa following the recognition of local government as an important sphere of government post-apartheid, and the need to support the development of sustainable local economies through integrated government action.

The LED Framework realises the role localities can play in addressing national government objectives such as poverty alleviation and mass inequalities. In 2004, twenty of the fifty-two municipal regions accounted for 82.8 per cent of the country's Gross Value Added (GVA). At the time this Framework was put together none of the municipalities in the top twenty was growing at more than six per cent (the ASGI-SA growth target at the time). Only eight municipalities grew above the national average of 2.5 per cent per year between 1996 and 2003, with Uthungulu (Richards Bay, Empangeni) in KwaZulu-Natal having the highest per year growth rate of 5.8 per cent. Eleven areas grew below the national average over this time period.

The framework acknowledges that to accelerate national economic growth better economic planning and coordination with local governments will have to take place on a more frequent basis. The LED Framework identified the following implementation challenges facing local governments in South Africa:

- Most cities do not have adequate economic growth strategies in place and therefore are unable to tackle poverty.
- Cities cannot develop local economic strategies in isolation from national economic policy.
- Manufacturing is in long-term decline.
- There is a decline in levels of professional employment.
- Unemployment and low skills levels are major barriers.
- Cities make a key contribution to social and economic life in the country but they are also the greatest concentrations of poverty.

There are ten principles that guide this Framework which are:

- Government has a decisive and unapologetic role to play in shaping the economic destiny of South Africa.
- Creating an environment in which the overall economic and social conditions of localities are conducive to the creation of employment opportunities is the responsibility of Local Governments.
- Local Economic Development is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programs in local spaces.
- Inward investment from the state or private sector will only be effective where the potential and competitive advantages of each area are known and exploited.
- Promoting robust and inclusive local economies requires the concerted, coordinated action of all spheres and sectors of government-centered on the application and localisation of the principles espoused in the National Spatial Development Perspective (NSDP).
- Locally formulated solutions and strategies must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements.
- South Africa competes in a global and increasingly integrated world economy whose threats must be minimised and whose opportunities must be exploited.
- Private companies, including social enterprises and cooperatives, form the heart of the economy and have a crucial role to play as partnerships with public and community role players that will ultimately stimulate robust and inclusive local economies.

- People are the single greatest resource and including all citizens in development and increasing their skills leads to increased opportunities for stimulating local economies
- Local initiative, energy, creativity, assertive leadership and skills will ultimately unlock the latent potential in local economies and will shape local spaces.

The Framework suggests pursuing the following interventions in addressing the challenges facing local governments:

- Develop long-term economic strategies.
- Directly assist new market entrants.
- Make cities more inclusive.
- Enhance comprehensive service development for implementing the strategies.
- Form city development partnerships.

In addressing the capacity constraints in smaller municipalities, the Framework proposes the following interrelated strategic interventions for government focus:

- Improve good governance, service delivery, public and market confidence in municipalities.
- Spatial development analysis and planning, exploiting the comparative advantage and competitiveness of the municipal regions.
- Intensify enterprise support and business infrastructure development in local areas.
- Introduce sustainable developmental community investment programming.

3. The South African Local Government agency (SALGA)

Within SALGA, the National Directorate of Economic Development and Planning “supports municipalities with developing Local Economic Development (LED), ensuring that priorities and policies determined at a national level are articulated down to local government, this includes sharing best practices in areas such as land use development planning; land management; Local Economic Development, Information Communication Technology and Municipal Finance.”

LED is only one of this Directorate’s focus areas and in practice almost all of SALGA’s support is delivered via the LED Network (www.led.co.za), which was developed out of a SALGA-GIZ joint project. The website is an open resource with an extensive library and discussion forum. Municipalities can have their own pages where they may upload relevant documents and present the projects that they are working on. Since 2010 the LED Network has been producing case studies that aim to identify and publish lesson learned in LED. To date more than 20 such case studies have been produced.

In 2008, SALGA developed a SALGA position paper on LED, updated in 2010 following consultation and input. The aim of the position paper was to identify the main challenges to more effective LED and to conceptualise a role for SALGA in addressing these, within the bounds of its mandate.

The SALGA paper reflects that getting LED to work in South Africa is a critical success factor in addressing poverty and inequity. Although there is general agreement on the desired outcomes of LED – reduced poverty levels, higher employment, better equality, etc – SALGA members were very much part of the debate over what the role of local government should be in achieving these outcomes, with differences over whether LED should provide a direct solution (through setting up job creating projects) or an indirect solution (through the creation of an enabling environment). Over time, however, it became increasingly clear that many of the projects initiated as ‘LEDs’ were unsustainable once donor or public-sector funding disappeared, with no real long-term impact on poverty reduction. Over time, the consensus shifted towards more systemic approaches: which is reflected in SALGA’s position paper.

SALGA has identified the following as the key issues that undermine effective LED:

1. A lack of common understanding of the role of LED and LED processes;
2. An increasing urban-rural divide in LED processes and practices;
3. The practical spatial constraints of economic planning at a very local level;
4. A less-than-effective working relationship between provinces, districts and local authorities;
5. A lack of effective LED networks in many areas;
6. The inability of many local authorities to clearly define a LED strategy within the broader IDP process; and
7. A lack of planning resources and capacity.

An assessment of the issues set out above could result in any number of initiatives to improve the quality of LED process, practice and results across South Africa. However, not all of these would be appropriate for SALGA, given its own particular mandate, resources and positioning. SALGA’s mandate is clearly defined as:

- Supporting and advising its members.
- Engaging with stakeholders and lobbying them and advocating on issues in the interest of member municipalities.
- Representing members as the employer body.
- Contributing to the positioning of local government - locally, regionally, and internationally.

On that basis, the SALGA position paper identified the following as the key areas for SALGA to be involved:

1. Contributing to a common and better understanding of LED and specifically the most appropriate and effective role for local government in LED;
2. Lobbying COGTA to establish a central and easily accessible database of key micro- and macro-economic data at the local, district and provincial level;
3. Lobbying key stakeholders to support the development of capacity to better understand and analyse the spatial and value-chain economy, as opposed to the local economy;
4. Working with members to encourage better co-operation between logical spatial and value chain economic units;
5. Working with members to raise the political and actual profile of LED within local authorities;

6. Working with members to begin documenting “best local practise” with respect to LED and encouraging the exchange of ideas and the “mentoring” of smaller local authorities; and
7. Working with members and other stakeholders to promote the concept of and the practical issues around LED networks.

Many of these initiatives are inter-linked and co-dependent. In a context in which the local economy is often not really “local”, but in which economic activity is often linked in multiple ways to neighbouring local, district and provincial economies, successful initiatives often require co-ordination among local government officials in multiple locations. SALGA – with its strong day-to-day working relationship with officials – is well positioned to negotiate this.

4. The National Development Plan

While the National Development Plan does not address the issue of LED directly, a range of its focal areas have implications for strategy at the local level. In this regard, the section on Economy and Employment provides an overall framework, with significant emphasis on the need for faster and more inclusive growth as the basis of eliminating poverty and reducing inequality.

Key elements of the strategy include the following:

- Raising exports
- Improving skills development
- Lowering the costs of living for poor people
- Investing in competitive infrastructure
- Facilitating private investment
- Improving the performance of the labour market to reduce tensions and ease access to young, unskilled workseekers. (NDP: 109).

In the section on economic infrastructure, the NDP emphasises the role of electricity, water, transport and telecommunications infrastructure as foundations of social and economic development, focusing on the role and effectiveness of the regulators in these areas. The NDP emphasises the importance of partnerships across society to achieve rising confidence, investment, employment, productivity and incomes, and the role of a capable and developmental state, able to redress historical inequalities, and a vibrant private sector able to invest, create employment and penetrate global markets.

While many of these goals require national-level policy and co-ordination, many of them also actually succeed or fail in relation to what happens at the local level. While national (and global) factors influence investor confidence, the final location of investment depends on choices influenced significantly by the investment environment at the local level – and the capabilities of the local state. In the first instance, this relates to delivery of the basics: to a predictable and effective supply of energy, water, sanitation, waste services, telecommunications, road infrastructure, safety and security, and a labour force with at least basic education. These factors matter whatever the size of the local economy, and impact on all forms of enterprise: big, small and informal.

The NDP has high hopes for the role of small enterprise:

Small and expanding firms will become more prominent, and generate the majority of new jobs created. They will also contribute to changing apartheid-legacy patterns of business ownership (NDP: 140).

In practice, small enterprise development is often a mainstay of LED strategies, with these having the potential to play an important part in creating conditions conducive to such development and growth.

Yet the NDP also emphasises that even in the most optimistic scenarios, the scale of market-based employment growth is unlikely to create jobs on the scale currently needed, and that given the importance of employment for social and economic inclusion, public employment programmes (PEPs) under the umbrella of EPWP will remain an important part of overall employment policy. PEPs are one of the few levers that government has to influence employment outcomes directly, with much of the initiative for this needed at the local level. PEPs can also contribute to LED, through the trickle-up impacts on the incomes earned within the local economy, as well as by using PEPs to create public goods with economic spin-offs – whether this is road maintenance, the construction of earth dams in rural areas, or of market places for trading.

The responsibility for translating the overarching economic priorities set out in the NDP into strategies and programmes is spread across the economic departments. So, for example, one way in which the emphasis on partnerships in the NDP is given practical expression is through cluster development, in which a key aim is to bring together the ‘triple helix’ of the private sector, institutions of higher learning and government in ways that foster innovation. This strategic approach is an element within industrial policy that takes effect in a specific spatial context: creating a necessary interface with LED strategies. This and other such examples are explored further below.

The NDP section on Environmental Sustainability also has relevance to LED strategies in a context in which energy constraints place limits on the scope for growth at all levels, but also in which alternative energy solutions are creating new economic opportunities that require active support at the local level, including where feed-ins to the grid are envisaged. This focus also creates new comparative advantages for places – such as the Northern Cape – where such advantages have previously been limited, creating a need for new approaches to LED (NDP 197).

For rural local economies, the section on ‘An integrated and inclusive rural economy’ has relevance. Here, the focus is on lifting agriculture out of the doldrums, to contribute optimally to employment and economic growth. The NDP advocates agricultural development based on successful land reform, employment creation and strong environmental safeguards, coupled with quality basic services. In areas with greater economic potential, industries such as agro-processing, tourism, fisheries (in coastal areas) should be supported. While local economic development is held hostage, in part at least, to wider processes such as around land reform and communal tenure, the NDP recommends a range of over-arching strategies that can also

be operationalized as part of LED. These include:

- Increased investment in water resource and irrigation infrastructure
- Provision of innovative market linkages
- Use of preferential procurement to support small farmers
- Investigate different forms of financing
- Greater support for public-private partnerships
- Increase and refocus investment in research
- Improve and extend skills development in the agricultural sector, including entrepreneurship
- Review how extension and other agricultural services are delivered.

5. The New Growth Path Framework

The New Growth Path (NGP) document released at the end of 2010 aims to address the structural 'problems' inherent in South Africa's economy. At the focus of the NGP are strategies aimed at fighting against poverty, reducing inequality and addressing rural development all in the effort of creating decent jobs. The NGP is a response to the global economic downturn that occurred from 2008 and the changing technological production systems. The NGP has set a target to create five million jobs and reduce unemployment (as per the narrow definition) from 25% to 15% by 2020.

The New Growth Path identifies areas where employment creation is possible, both within economic sectors and in cross-cutting activities. The main indicators of success of the NGP have been identified as jobs (the number and quality of jobs created), growth (the rate, labour intensity and composition of economic growth), equity (lower income inequality and poverty) and environmental outcomes.

In the NGP the following areas have been identified for creating employment:

- Public investment in infrastructure both to create employment directly, in construction, operation and maintenance as well as the production of inputs, and indirectly by improving efficiency across the economy.
- Targeting more labour-absorbing activities across the main economic sectors – the agricultural and mining value chains, manufacturing and services.
- Taking advantage of new opportunities in the knowledge and green economies.
- Leveraging social capital in the social economy and the public services.
- Fostering rural development and regional integration.

The NGP recognises that there exist disparities in South Africa's economic prosperity from a regional perspective as a result of apartheid policies. The NGP proposes to break away from this status quo through a coherent approach to spatial development backed by investment in infrastructure and the identification of viable and sustainable opportunities for historically disadvantaged regions, with rural development to depend on urban areas.

An important step recognised in this regard will be to enhance communication between the spheres of government on their development strategies and to improve their alignment. The NGP also envisions government developing a realistic spatial perspective on long-term settlement patterns and opportunities for employment creation and economic development.

6. Industrial Policy

6.1 The National Industrial Policy Framework (NIPF) & Industrial Policy Action Plan (IPAP)

- The Department of Trade and Industry's (the dti) 2007 National Industrial Policy Framework (NIPF) encapsulates the framework and rationale for supporting industrial growth in South Africa, and the Industrial Policy Action Plan (IPAP) concretises this through strategic interventions (and customised support) to priority industries, especially within the manufacturing sector. The rolling four-year IPAP by the dti is aimed at bringing about structural economic change in South Africa by leveraging state support for industrial development through value-added production focused primarily on manufacturing sectors. IPAP promotes labour-absorbing industrialisation, with a key focus on raising competitiveness and broadening economic participation. It aligns trade policy, investment and export promotion, industrial finance, public procurement and competition policy. IPAP is an attempt to bring manufacturing back to the forefront of South Africa's economy by targeting investments in high labour- absorbing sectors. Yet, global competitiveness (broadly) remains an issue, and IPAP attempts to support investments in productive capacity, skills development and increased manufacturing capabilities. To achieve its goals, the NIPF had the following core objectives:
 - Restructuring the economy and reversing the prospect of deindustrialisation;
 - Moving to a more value-adding, labour-intensive and environmentally sustainable growth path – especially in globally competitive non-tradable goods and services;
 - Shifting the focus of economic activity towards historically disadvantaged people and regions; and
 - Contributing towards comprehensive industrial development in Africa (primarily through infrastructure development, increased industrial productive capacity and greater regional integration).

The NIPF was premised on the need to implement 13 strategic programmes (SPs), IPAP (as the implementation programme) translated these programmes into key action plans with measurable performance indicators. The implementation of the NIPF required coordination across a range of government departments, as well as appropriate organisation and capacity within them. The Economic, Investment and Employment Cluster (EIEC) were identified as being critical to the implementation of the NIPF and IPAP and there has been significant progress in implementing most of the core elements (see Tsedu, 2015). However, there has been a diffusion of some key programmes to other (new) ministries and departments, such as Small Business Development and Economic Development, and although not envisioned when the NIPF was first developed this trend may have some unintended consequences – especially around co-ordination and implementation with the potential to reduced impact.



6.2 Industrialisation and Local Economic Development

Although largely accepted as a critical component of South Africa's economic development plan, industrial policy is mainly driven and coordinated at the national government level. Also both, the NIPF and IPAP do not explicitly tie industrialisation to local economic development, even though economic activity (inherently) occurs in geographic localities. This highlights the important role municipalities (and provinces) play in supporting industrial development through for example providing affordable and reliable utilities, services to firms and residents (workers), infrastructure development, incentives and supporting investments.

The 2010 Gauteng Industrial Policy Framework (GIPF) is one clear example of a provincial government purposefully and explicitly aligning with national policy frameworks for a localised growth and development strategy, effectively absorbing IPAP into local development plans. This has been further translated into the "Gauteng City Region" and the creation (or rather strengthening) of five regional development corridors consisting of distinct industries with different comparative advantages:

- Central Corridor (Johannesburg): finance, services, ICT and pharmaceutical industries;
- Eastern Corridor (Ekurhuleni): manufacturing, logistics and transport industries;

- Northern Corridor (Tshwane): the automotive sector, research, development, innovation and the knowledge-based economy;
- Western Corridor (West Rand): new industries, new economic nodes and new cities;
- Southern Corridor (Sedibeng): new industries, new economic nodes and new cities;

The Gauteng approach highlights the usefulness of long-term socio-economic planning with a key focus on linkages between spatial and industrial policy that supports local economic development. In another example from the Limpopo Province (which adopted a Provincial Growth and Development Strategy (PGDS 2004-2014) in October 2004). The PGDS was based on taking advantage of the province's competitiveness in the Mining, Agriculture and Tourism sectors, the strategic intent still being evident in municipal development plans today. The Vhembe District (and Makhado Local) Municipality's Local Economic Development Plan (2013) is centred on investment attraction, SMME development, infrastructure development and a focus on human resources; it further targets agriculture, mining, manufacturing and tourism sectors as key thrusts of the strategy.

The City of Cape Town's (2013) Economic Growth Strategy (EGS) provides another useful example of the linkage or spill-over of industrial policy into local economic development plans. The EGS has five strategic themes:

- Being a competitive city by building an enabling regulatory and institutional environment (regulatory modernisation, incentive administration and business improvement strategies);
- Providing quality infrastructure (focus on maintenance, transport expansion and ICT roll-out);
- Inclusive economic growth (job creation, poverty reduction and skills development through EPWP, employee recruitment and skills development and enhanced informal sector support)
- Trade promotion and sector development (business and investment promotion and facilitation in growth sectors, entrepreneurship and SME support, marketing and showcasing;
- Sustainability (water, electricity, green economy, environmental management and eco-tourism)

The above examples point to the link between provincial growth and development strategies, municipal IDPs and LED plans and national policies such as IPAP. A key question is around the institutional arrangements that govern multi-stakeholder and inter-governmental co-operation between provinces, municipalities, national government departments and agencies, business and communities. LED results from collaboration in the implementation of programmes and projects based on long term planning that integrates spatial and strategic planning with the objective of improving efficiencies through improved coordination, collective decision making and sharing of resources.

6.3 Examples of Spatially-Based Industrial Development Strategies

6.3.1 Cluster Development

Clusters of interconnected firms in close proximity to one another have proven to catalyse improved productivity and innovation, particularly where this goes along with strong partnerships between a 'triple helix' of the private sector, government and institutions of higher learning. The dti currently supports cluster development, and provincial strategies have done so also. In the Western Cape, a concerted cluster strategy initiated 15 years ago by the Department for Economic Development and Tourism led to the establishment of a network of twelve cluster organisations, including in business process outsourcing, oil and gas, the craft sector, the furniture sector and clothing and textiles. In Kwa-Zulu Natal, there are seven clusters, including in the maritime, chemicals and automotive sectors.

A critical success factor for cluster development is the establishment of a Special Purpose Vehicle, that is industry-driven but involves the triple helix stakeholders and provides the platform for the networking and collaboration required for increased productivity and innovation.

6.3.2 Special Economic Zones:

In South Africa, Special Economic Zones (SEZs) are being used as an industrial development tool to provide targeted support for sector and regional development. The designation and support of SEZs has been introduced at a national level and established through the SEZ Act 2014; serving as an economic development tool that also enhances the initial Industrial Development Zones (IDZ) policy of the early 2000s. SEZs are defined as "a geographically designated area of a country set aside for specifically targeted economic activities, which are then supported through special arrangements (which may include laws) and support systems to promote industrial development". The objective of SEZs in terms of local economic development is to provide rapid economic growth by using support measures to attract targeted foreign and domestic investments and technology (dti, 2012).

Globally, SEZs have been used widely as an industrial and economic development tool. There were over 3000 SEZs in over 135 countries in 2008; accounting for over 68 million direct jobs and over US\$500 billion direct trade-related value add. (World Bank, 2008) In South Africa, the SEZ programme has been introduced (2012/13), with the plan to designate ten SEZs across the country with at least one SEZ in each of the nine provinces. The table below indicates the list of proposed SEZs and their sectoral focus

<i>Province</i>	<i>Region</i>	<i>Sectoral Focus</i>
Eastern Cape	Mthata	Agro-processing
Free State	Harrismith	Automotive-logistics, agro-processing, pharmaceuticals
Gauteng	Johannesburg	ICT and electronics
KwaZulu-Natal	Dube Trade Port	Agro-processing and electronics
Limpopo	Tubatse	Platinum group metals
Limpopo	Musina	Logistics, petrochemicals and a trade hub
Mpumalanga	Nkomazi	General logistics
Northern Cape	Upington	Solar corridor
North West	Bojanala	Platinum group metals
Western Cape	Atlantis	Renewable energy

Source: Dti SEZ Bulletin 2015/16

The SEZ Act 16 2014 provides for the designation and management of SEZs with supporting mechanisms such as an SEZ fund and other governance mechanisms. The benefits of operating in an SEZ include a 15% corporate tax incentive, building allowance, employment incentive, customs controlled area and 12i tax allowance (tax incentive for greenfield investments). These incentives are purposed to attract foreign direct investment but also to promote local economic development and the promotion of new and emerging sectors and industries (such as green industries).

7. CONCLUSIONS

Local economic development is a legislated mandate of local government. Despite a surge in policy debate, position papers and frameworks on the topic in the period from 2000 – 2011, there is a notable lack of updated policy positions or guidelines since then. Also notable is that the main pillars of economic policy in South Africa make little or no direct mention of local economic development, despite the fact that many of their goals are realised in practice at the local level, and require an interface with local policies and practices.

This does not necessarily reflect a decline in the policy priority being given to LED, but rather, that issues of economic development within defined, sub-national geographical spaces have been mainstreamed into a wide variety of policies, and taken up in more specialist ways in different contexts. The content and concerns covered by the concept of local economic development remain central to the goals of reducing poverty and inequality, and remain intrinsic to many wider economic and other policies. The question does however arise whether this mainstreaming indeed reflects more integrated and systemic-level approaches – and is hence positive – or whether it represents a level of fragmentation of LED policy that is detrimental to outcomes.

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www.ilo.org/empent/areas/.../lang--en/

www.worldbank.org/urban/local/toolkit/pages/led-primer.htm

LOCAL ECONOMIC DEVELOPMENT WEBSITES

1. The South African LED Network

<http://led.co.za/>

2. The National LED Forum

<http://led.co.za/forums/open-led-discussion/2012/05/10/review-process-national-framework-led>

3. South African Local Government Association (SALGA)

<http://www.salga.org.za/>

4. South African Cities Network (SCAN)

<http://www.sacities.net/>

5. Economies of Regions Learning Network

<http://www.erln.org.za>

ANNEXURE 1: GAUTENG INDUSTRIAL POLICY FRAMEWORK (2010 – 2014)

The Gauteng Industrial Policy Framework is used here as an example of a sub-national industrial policy framework, promoting regional economic development, with implications for LED. The GIPF aims to support wide-ranging industrial development and the creation of decent work opportunities in Gauteng Province. In the initial planning stages there was a focus on ensuring that the framework works towards addressing the legacies of the past; movement away from a dependence on natural resources and capital intensive industrial sectors towards a diversified industrial base that facilitates the expansion of decent work opportunities for those that were previously excluded by prevailing industrial structures.

The framework has five overlapping strategic thrusts that in principle should inform strategic programmes and action plans, and these are:

- Expansion of decent work opportunities;
- Development and expansion of medium tech- labour intensive manufactures;
- Strengthening inter-sectoral linkages through supply chain development;
- Enhancement of value addition and upgrading along supply chains; and
- Creation of an integrated and diversified industrial base in Gauteng.

The Gauteng Province plays a critical role in the South Africa economy; in fact the province's output contributes a significant proportion to the South African economy. In addition to this, the province is the location for most of the manufacturing and services industries further necessitating alignment of Gauteng Provincial Government's (GPG) industrial policy with the national Industrial policy-IPAP2.

There are a number of strategic programmes that were identified in the National Industrial Policy Framework (NIPF) and IPAP as important policy enablers for the achievement of industrial development in the province as envisioned by GPG and the Gauteng Industrial Policy Framework (GIPF). These include:

- Sector Strategies
- Industrial Financing
- Trade Policy
- Skills and Education for Industrialisation
- Competition Policy and Regulation
- Leveraging Public Expenditure
- Industrial Upgrading
- Innovation and Technology
- Spatial and Industrial Infrastructure
- Finance and Services to Small Enterprises
- Leveraging Empowerment for Growth and Employment
- Regional and African Industrial and Trade Framework
- Coordination, Capacity and Organisation.

The Gauteng Industrial Policy Framework (GIPF) identifies a number of additional Gauteng-specific policy levers (strategic programmes) that can be applied at the provincial level across a number of strategic programmes in line with those in the NIPF and IPAP. The Gauteng Department of Economic Development (DED) has provisionally identified the following strategic programmes that would enable and leverage implementation of the GIPF:

- Sector Strategies
- Strategic Infrastructure Investment
- Strategic procurement
- SMME Support
- Trade and Investment Facilitation
- Reducing the Cost of Doing Business
- Gauteng BBBEE Strategy
- Gauteng Green Economy Strategy
- Gauteng Tooling Initiative (GTI)

The potential sectors identified were:

- Food and beverages
- Furniture
- Textiles and Clothing
- Construction
- Machinery and Equipment
- Automotive and Components

IMPLEMENTATION OF THE GAUTENG INDUSTRIAL POLICY FRAMEWORK

The first phase of implementing the GIPF will require a focus on relatively more labour intensive sectors, particularly those sectors that can grow by drawing in unskilled and semiskilled workers. Further, the sectors supported should be sectors with strong links to other sectors as mentioned in the preceding section. The GIPF focuses on industrial structure and transforming the industrial structure, through emphasis on providing support to building value chains and clusters, given the rising concern in the low levels of clustering in the province area. Therefore, support should be given to building value chains and clusters.

The GIPF sees infrastructure as a critical element that is essential to industrial development as evidenced by its emphasis on the building of infrastructure and capacity that supports a range of sectors and value chains. An example of such an infrastructure initiative is the provision of support towards the establishment of foundries. This has the potential to enhance and build clusters, and it is the proximity and sharing infrastructure, that can in turn lead to positive economic outcomes across a number of enterprises. Further, the technological development and innovation supported in the targeted sectors could have positive spinoffs for existing advanced manufacturing sectors, which will be supported through their inclusion in value chains and clusters.

As mentioned above, there have been many advances in the low and medium technology sectors. Examples of these include use of ICT, advanced materials, biotechnology, packaging and logistical and production engineering services. These advances may also support productivity growth in enterprises through promoting energy efficiency, cleaner energy sources, less use of material inputs, less waste and overall better environmental outcomes. Support for growth and development of the targeted sectors, given their relatively high level of linkages with other sectors, should support a virtuous cycle of investment in productive, downstream, relatively labour intensive manufacturing sectors and services sectors that support them.

CROSS-CUTTING ISSUES IDENTIFIED BY THE GIPF

Decent work, broad based black economic empowerment, small, micro and medium enterprises, infrastructure, technology and innovation and spatial dimensions of development and the green economy have been identified as being important in the GIPF. The shift to new industries and investment in productive sectors will require different kinds of interventions. BBBEE will have to be supported in manufacturing and productive services and less in mining, finance and higher rent sectors. Most South African SMMEs are in services; therefore, there will have to be a shift in the types of support given to small businesses. Further, new kinds of infrastructure and a break with current path dependency in technological development will be required. All of these developments have huge implications for spatial aspects of development.

The GIPF acknowledges that this will be no mean feat, and elevating the province to this new growth trajectory will require extensive dialogue and coordination, an active government with staff dedicated towards the implementation of industrial policies, as well as staff to set up institutions responsible for planning and coordination. Needless to say the success of the GIPF necessitates serious commitment from the political leadership of the Province and the buy in from the captains of industry to achieve the levels of industrial development, envisioned in the GIPF.