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Institutionalising Local Economic Development: A Trends Based Analysis of New Approaches in South Africa

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Abstract

The article examines the implications of South Africa's developmental local government approach in the context *inter alia* of the new public management paradigm. The implications of key paradigm shifts are discussed. The focus is particularly upon the promotion and support of local business development as the foundation of sustainable local economic development. The article specifically addresses the institutionalisation of community economic governance as a vehicle for the pursuit by communities per se of community economic imperatives and the spanning of the divide that is the economic legacy of Apartheid in most local government jurisdictions in South Africa.

Key Words: local economic development, new public management, local business development, local government, co-operative management, community economic governance, community governance.

Introduction

Interest in local economic development (LED) in South Africa was largely presaged by statements in the Reconstruction and Development Programme (RDP) (The Republic of South Africa, 1994). This signalled an emerging consensus in South Africa that development is much more than merely the expansion of aggregate income and wealth, and that economic growth, though a necessary condition for the improvement of the human circumstance, is not a sufficient one. The matter of how that economic growth is generated, who participates in economic processes, and where its benefits are ultimately bestowed, are crucial if economic growth is to translate into social benefits for the community at large. In addition the sheer scale of the developmental challenge facing South Africa coupled with the limited capacity of government alone to rise to the challenge threw into sharp relief the need for alignment of effort and recruitment of developmental resources from across the South African community. The local economic development approach has come to encompass a *process* driven by local community stakeholders in which local resources, skills and initiative are combined with external developmental impetus to stimulate economic growth and development. The preoccupation of the approach has come to lie more especially with:

- Creating sustainable local employment opportunities,
- The alleviation of local poverty; and
- Creating sustainable local employment opportunities,
- The equitable redistribution of resources and opportunities to the benefit of all local residents (The Republic of South Africa, 2000).

LED as currently envisaged is therefore less a thing we do than a way we do things.

How projects and developmental initiatives are undertaken, and *by whom*, can in the final analysis and in developmental terms be just as important as what is delivered in terms of physical output. By extension of reasoning development projects and programmes undertaken in developing areas and communities have come to include objectives that go beyond the provision of mere physical facilities to include more comprehensive developmental outcomes and impacts. This paradigm has been designated the 'Development Impact Paradigm' (Milne, 1993). It focuses on the conceptualisation, planning and implementation of development projects to the

greatest degree feasible within the communities affected rather than on the imposition of development from outside on those communities. It seeks to generate the maximum possible multiplication of collateral developmental impact of development projects. It strives as a first step in development processes toward improved organic self-sufficiency at community level. There has thus from the perspective of the developmental project practitioner also been an increasing emphasis upon total engagement of communities in developmental processes in recognition of the view that the end game of development initiatives is about capacity to influence one's own circumstances as much as about the delivery of services and similar material preoccupations.

The development policy focus upon communities and localities ushered in by the new democratic dispensation in South Africa since 1994 has caused the role of local authorities and other representative instruments at community level to be brought into sharper focus. These institutions should now not only be vehicles for service delivery, but also be vehicles for the promotion of local economic development (LED). The approach is enshrined in the Constitution of the Republic of South Africa, 1996, (Act 108 of 1996) hereafter referred to as the Constitution in terms of which the object of local government is *inter alia* "to promote social and economic development" (The Republic of South Africa, 1996:152[1]). The developmental duties of municipalities pursuant to this object and as enshrined in the Constitution specifically require municipalities to:

- Give priority to basic needs and to promote the social and economic development of the community; and
- Participate in national and provincial development programmes' (The Republic of South Africa, 1996:153).

Nationally the view of local government as the 'hands and feet' (The Department of Constitutional Development, 1997) of development in South Africa has been confirmed by extensive statutory powers extended to local government. Examples of such pieces of legislation are:

- The Local Government: Municipal Structures Act, 1998, (Act 117 of 1998); and
- The Local Government Systems Act, 2000, (Act 32 of 2000).

These various developments formally heralded a new era of developmental local government in South Africa and have clearly established the pivotal role of the local government sphere and of communities in developing and implementing an inclusive local economic development approach. Such an approach is seen to incorporate the promotion of local business activity as a key component, if not the key component of sustainable local organic growth and development (DPLG, 2000). Yet whilst the imperative has been for an increased role for government in LED, the sheer scope of the interventions required extends well beyond the capacities and capabilities, or indeed the jurisdiction of local government.

The local economic development paradigm has two essential defining features:

- It is inclusive, involving all stakeholders in the community to achieve a sustainable shared developmental vision for the local community; and
- It is non-prescriptive, recognising uniqueness and inherent asymmetry in deference to the reality that there literally is no "one-size-fits-all" solution that can be replicated from community to community.

Whilst there is no universal recipe for successfully promoting LED in widely divergent communities, nevertheless important generic guidelines are emerging from international and domestic good practice that are useful as pointers to the way forward.

Key elements of such emerging good practice in local economic development are as follows:

The Role of Local Development Alliances and Coalitions

In the wake of the advent of representative democracy in South Africa the important role of institutions of civil society as partners in governance in all spheres has at times become eclipsed (CASE, 2002). However recognition of the need for an inclusive participatory democratic governance approach that goes beyond the bounds of representative democracy is emerging as a crucial determinant of success in LED. Increasingly the need is emerging to go beyond mere ad hoc consultation on development issues as required by legislation to achieve genuine local participation in local economic decision making. The pivotal role of standing (permanent) development alliances and coalitions in various facets of local economic development in emerging international LED good practice also cannot be overemphasised. (Gibson, Hitchins & Marshall, 2001). However to achieve this ideal of proper participation invariably also requires a local facilitation nexus or a 'champion'. Experience in South Africa suggests that even this role is not the sole preserve of local government per se. Local government itself simply does not have the capacity to play such a role. Local government does, however, have a potentially key supportive role to play in enabling and nurturing LED processes and in creating the necessary circumstances for it to take root.

The Necessity for a Shared Economic Developmental Vision

Whilst the various elements within a typically diverse South African community display a diversity of frequently competing imperatives, to achieve a requisite measure of unity of purpose it is important to distil a shared vision. This is particularly important in South Africa where the Apartheid dispensation drove wedges between the various ethnic components of local communities. The legacy of Apartheid has been to institutionalise two worlds within communities – one largely affluent and the other significantly less so. This schism needs to be bridged. However new challenges also come to the fore to complicate the task. To the extent that the new global dispensation has ushered in a competitive age where communities increasingly find themselves in the front line competing directly with one another for; developmental resources and ultimately for prosperity, economic growth and development and its proceeds. The success of communities in South Africa in creating common purpose and in developing competitive advantage will largely determine their success in the area of LED in the new competitive dispensation, but the pursuit of external competitive advantage in a technological age is not always consistent for example with the imperative of job creation faced by many communities. Clear community focus is necessary. Too many LED initiatives fall foul of the problem of trying to achieve too much too soon, thus diluting community effort in the face of limited community resources (Ackron, 2001).

The Right Levers for LED

Given the particular objectives of LED four levers typically are applied in pursuing LED objectives at community level. The applicability of these levers and their relative importance however differs depending upon the circumstances:

Industrial and Business Recruitment and Place Marketing

Place marketing is the manifestation in the marketplace of community identity, literally through the establishment of a community brand image or “footprint”. Communities can utilise a variety of tools, including various incentives to recruit outside investment in local productive economic activity and the creation of jobs.

Support of Local Enterprise

- Support of local enterprise has essentially two dimensions namely local affirmative procurement in which local government, local business and the local community preferentially source goods and services within the local community; and
- The promotion of local business development.

Traditionally the emphasis has fallen upon small-, medium- and micro-enterprise (the so-called SMME's). More recent thinking however reflects the reality that it is not SMME's *per se* that are important, but *entrepreneurial businesses* across the business spectrum and capable of self-sustaining growth and the creation of employment.. Only a small proportion of businesses are responsible for the growth in employment worldwide. Such businesses are generally of the innovative 'entrepreneurial' type. Entrepreneurship development is therefore crucial to business development and in its turn, to LED.

Increasingly government's critical medium term role in business development support in South Africa as elsewhere in the world reflects a paradigm shift away from the provision of business support services *per se*, – a role for which government is most often poorly equipped - toward the promotion of a viable competitive market in business support services to local business.

Community Economic Development

Where business development has the clear objective of achieving the establishment of viable and self-sustaining businesses as the foundation of growth, community economic development is concerned with the establishment of self-employment as a basis for poverty alleviation. Its main thrust is thus the promotion and support of subsistence economic activity at the margin. However where traditional developmental approaches viewed the poor as necessary recipients of charity rather than as incipient entrepreneurs or business proprietors the emerging reality increasingly dictates a more business-like approach to community economic development initiatives with increased emphasis on the promotion of viable self-sufficiency for self-employment enterprises as well. Self-employment activities in fact frequently constitute the genesis of fully fledged formal entrepreneurial business' (Driver, Wood, Segal, & Harrington, 2001).

Export Promotion

The stimulation of local economic growth is a function of the level of import substitution that can be achieved or alternatively where local markets are limited, by the level of exports by communities. Both these elements have a bearing on the level of local production and thus also on the level of local income. The advent of globalisation and greater international connectivity has ushered in a totally new competitive milieu in which local communities, no matter how small or how geographically 'isolated', compete directly on a wider canvas than ever before. To be able to compete, local enterprise wishing to export goods and services from their communities to their region, the rest of the country, or internationally, have to produce better products more competitively than their competitors. The effect of increased connectedness of the regional, national and global community has served to redefine the competitor base with communities now competing with others that until relatively recently did not in any immediate sense constitute part of their market environment. There is rising awareness in many communities that sharp and informed focus is required to deal with these developments. Targeting sectors and niche markets in which local communities in accordance with their shared economic developmental vision have credible economic comparative advantage can be effective. According to 'Russo, Clara and Gulati (2000)', 'Enright & Frowcs-Williams (2000)' and 'McVay & Miehlabradt (2000)' the development of value chains or matrices between communities, involving the clustering of intermediate production processes toward the final export product has proven internationally to be highly effective in achieving sustained regional- and local economic development. LED initiatives in South Africa as well need to be alive to the possibilities for achieving this and to the potential for forging local economic links across traditional ideological and institutional divides. The establishment of such value chains potentially provides many local communities and emerging small-medium and micro-enterprise with access to national and international export markets that would otherwise be closed to them.

The Need to Institutionalise LED

Whilst LED processes are ad hoc and unstructured and while community economic developmental initiatives are piecemeal and uncoordinated it is highly unlikely that they will generate sufficient sustained momentum to realise the full potential within communities. To this extent we may hypothesise the need for a threshold level of institutionalisation in order to enable "take-off" of local economic development processes. A wide variety of elemental institutional arrangements already exists and is countenanced in South African communities (DPLG, 2000). Essentially the following three institutional components are formally recognised in respect of municipal government in South Africa (The Republic of South Africa, 1998).

- Institutions of civil society. Such institutions are seen to be crucial as vehicles for achieving the participation of civil society in development processes. Where they have not been elevated to the status of institutions of community governance, they generally take the form of development forums and/or committees established specifically to serve LED objectives and more especially to serve as mechanisms for policy consultation. They are made up of interest collectives in the community such as for example organised business and civil society. Where civil society does not have the requisite capacity local government or non-governmental institutions (NGO's) frequently need to assist in the development of the necessary capacity to enable stakeholder collectives to participate meaningfully in LED processes;

- 'Internal' arrangements within the administration of local government. These provide some form of focus for LED within local government in the shape of an LED secretariat or LED unit; and
- 'External' arrangements comprising various possible arms' length institutional arrangements within the ambit of the legislation for the conduct of LED projects and interventions. Included here are such mechanisms as public-private partnerships, corporate arrangements and service utilities.

Finding the 'right' mix of institutional arrangements for LED in each community is crucial. The institutionalisation of community-wide economic governance implies institutional reform in both the public and private spheres and needs to be informed by developments in public management and amongst others by the new public management approach that is reflected amongst others in the intent of government to pursue greater efficiency and outcomes-based governance in South Africa (Mbeki, 2004). Whilst it has come to have a variety of to its various proponents and detractors, in its generic form the approach attempts to encapsulate the inherent tension between the main themes of making government efficient on the one hand, and keeping it accountable on the other; and of conceiving people as consumers of public services in the context of relations between the state and the market on the one hand and as citizens in the context of relations between the state and society on the other (Minogue, 1998). The past two decades in particular have witnessed shifts toward the a 'new public management' approach in a number of countries (Minogue, 1998).

The application of the new public management (NPM) paradigm in these countries has variously seen:

- The restructuring of the public sector particularly through privatisation;
- The restructuring and slimming down of government and civil services generally;
- The introduction of competition, especially through internal markets and contracting public services to the private sector; and
- Attempts at improving efficiency, especially through performance management.

The driving ideology behind the new public management approach is often criticized particularly in relation to its appropriateness in developing countries although in South Africa its precepts have come to reflect to an increasing degree the commanding heights of declared government policy. NPM had its genesis in the cost-cutting, tax reducing concerns of the northern states rather than in the capacity-building concerns of developing states (Minogue, 1998). The application for example of privatisation has according to Minogue been more rhetoric than substance. A new and appropriate form of public management, which does not necessarily follow all of the precepts of NPM but provides an appropriate governance vehicle, is strongly indicated in the developing world. This model, it would seem, could viably strive toward:

- A separation of strategic policy from operational management;
- A concern with results rather than process;
- An orientation to the needs of customers rather than those of bureaucratic organisations;
- A withdrawal where circumstances permit from direct provision of public services in favour of an enabling role; and
- A transformed bureaucratic culture.

New Approaches to Business Development Support in Developing Communities

The matter of how best to promote self-sustaining business activity as the basis of economic development in private free enterprise economic systems has occasioned much debate and a considerable body of literature. Whilst experiences throughout the globe have been varied, nevertheless there is evidence of emerging good practice to guide the approaches of governments and other agencies.

The deficient performance of state-owned production enterprises against industrial- and general economic development objectives, and the rising debt of many countries in the developing world in the mid 1980's led to major structural adjustment initiatives led by such international agencies as the World Bank. The so-called "new wave" approaches that ensued placed greater emphasis on market orientation and the recognition of the private sector as the pre-eminent driver of sustainable industrial- and other commercial development. Inherent in these new approaches has been the acceptance of the fact that in a world characterised by greater connectivity the role of governments in regard to industrial- and other commercial development would need to undergo significant change (UNIDO, 1995). At the centre of the debate has been the issue of whether, how, and to what extent governments at all levels, and indeed other non-governmental- and donor agencies as well, should engage in the promotion and development of local enterprise and of local entrepreneurial capacity in an effort to achieve sustainable improvements to the quality of life in communities. This has naturally focused attention upon the means and mechanisms for achieving local enterprise growth and of improving levels of entrepreneurship and thus has constituted the genesis of the international debate on business development support systems. Specifically it has focused attention on the business support deficiencies of developing countries and on the accumulation of a record of good practice methods for dealing with them. In sub-Saharan Africa, where economic policy has largely been dominated by concern with the trade in, and export of primary commodities, liberalisation of investment policy has brought little in the form of benefit in terms of foreign direct investment and technology inflows. There has also been a significant lack of broadly-based industrialisation and declining productivity has been in the order of the day (Nziamasanga, 1995). The knowledge economy in which competitiveness is increasingly influenced by the capacity to innovate (that is, by entrepreneurial activity) and to add value with the aid of technology has placed a new complexion on the rules of the game for economic development, and particularly so for business development as the lynch pin of sustainable local economic development.

With the new reality has come the perception that

- Promotional policies need to play a key role in stimulating the growth of investment, the application of appropriate technology, and in bringing about major changes in industrial structure; (UNIDO, 1995). This can be achieved largely through a combination of foreign direct investment and small-, medium- and micro-enterprise (SMME) promotion programmes that are at least initially trade-neutral but ultimately aim toward the development of competitive export capability in specific markets and niche areas; and
- The new imperative is the creation of a new class of entrepreneurs and a skilled labour force alongside the development of technological capabilities for the manufacture of non-traditional products in new areas in which local

enterprises can achieve a comparative advantage in local and international markets.

The failure of traditional approaches to business development support in relation most particularly to the achievement of scale, outreach and sustainability objectives has led to a central paradigm shift in the approach to the provision of business services in general, and business development services (BDS) in particular (Prey, 2000). This paradigm shift reflects key defining imperatives of the new public management approach.

The success of emergent new micro-financing initiatives (Goldmark, 1999), the increasing realisation that emergent business actually accesses many services from sources other than those specifically created more especially by governments worldwide to provide business development support and the realisation that emergent businesses when accessing those services most often purchase them at full cost has lent momentum to this paradigm shift (Gibson, 2000) The emerging new business development support paradigm places increasing emphasis in the delivery of business services in general, and of business development services in particular, on the basis of the interplay of supply and demand in a functional marketplace. However, as with all paradigms the new has the same potential for becoming blind ideology as the old, if it heralds overemphasis of the support of business development through the medium only of the marketplace. There is however an increasing preoccupation with what may be described as a more businesslike approach to the nurturing and support of business. Application of the paradigm requires the redefinition of the respective roles in business development across the board of government, organised business, non-governmental organisations, civil society and commercial business service providers.

The obstacles to be faced in effecting the paradigm shift have been summarised as follows (Prey, 2000).

- The institutional gap requiring the review of institutional arrangements that may no longer be appropriate;
- The mentality gap reflecting the scepticism towards change that needs to be overcome;
- The co-ordination gap requiring joint and concerted action to ensure alignment of approach by the various key players; and
- The conceptual gap requiring acceptance of the fact that the pursuit of market-related objectives does not in an open free enterprise society necessarily compromise the achievement of developmental objectives.

The more rigorous preoccupation with economic efficiency ushered in by the evolving paradigm shift has direct implications for the various role players and generally for the manner in which business support services to and within communities are provided and financed as a component of local economic development initiatives. The dominant element in the debate specifically on the role of government in the provision of business services relates to whether, or to what degree, business development support services may be deemed respectively to constitute public- or private goods provision of public goods is the responsibility of government. In reality there are few pure public goods. There are however common instances where the consumption of a "private" good or service by an individual brings with it external benefits to society as a whole beyond those private benefits accruing to the individual. In such instances society as a beneficiary may be considered to have an interest in that good or service. This argument has formed the rationale behind state

intervention in, and subsidisation of, a wide range of goods and services. Whilst the approach is principally sound, problems with its practical implementation derive from the fact that there are in most instances no objective measures of relative benefit as between “public” and “private”. Specious application of the approach has led to the justification of undue and unwarranted state intervention and subsidisation in a variety of areas, not least the area of business support (Gibson et al. 2001).

The evolving new (“market development”) paradigm for the provision of business support services reflects the need for a wider re-evaluation of the role in particular of the state and of government at all levels. Government’s role in the provision of business support in the evolving paradigm is seen in addition to its “minimalist” and “intermediate” roles that clearly also impact business essentially to be one of activist co-ordination (World Bank, 1997). Experience worldwide has strongly suggested that whilst societal ills such as poverty and inequity exist, they are not necessarily constraints on market formation. Rather, the relevant constraints are seen to derive from the supply-side’s inability to produce appropriate goods and services to serve segments of the market defined by such criteria as income level, gender, ethnicity, ability, and geographic location (Gibson et al. 2001:51).

The significance of the paradigm shift in business development support is firstly that it heralds the formal recognition of the fact that the structures erected by government for the purpose have generally met with indifferent success and secondly that government is not the optimal locus in the community for conducting business development support activities in their broad sense. Whilst government’s role in line with the new public management prescription is essentially regulatory, its direct engagement in the provision of business development services increasingly is seen from the viewpoint of principle and practice as being one of intervention by exception. To the extent that business development support forms an important constituent of sustainable local economic development the paradigm shift in business support has implications for the institutional role of government in local economic development as well.

The Focus of Business Development Support at Community Level in South Africa

In the context of South Africa business activity has been broadly classified as follows:

Entrepreneurial business activity comprising business ventures in the start-up and consolidation phase; in the order of between 9% and 11% of adult South Africans nationally are engaged in such activity. Of these approximately 7% are typically engaged in business start-ups and 2% in new business activity.

Entrepreneurial activity may be subdivided into categories:

Opportunistic entrepreneurial activity involving the start-up of new business ventures in pursuit specifically of business opportunity. In the order of 6% of adults in South Africa are typically engaged in such activity - a figure close to international sample means; and

Necessity entrepreneurship involving the start-up of business ventures because no alternative exists for employment or the generation of income. Typically 3% of South African adults are engaged in such activity – well below the distribution of the mean

between 4.6% and 6.9% for developing countries. In the metropolitan areas 50% of all entrepreneurial activity, representing the engagement of approximately 2.3% of adults represents necessity entrepreneurship; and

Other business activity constituting the hard core of business activity in South Africa that falls outside of the above categories. Whereas new business and start-ups reflect trans-incremental growth and job creation in a sense along the envelope of development of the business sector, the growth of the core business sector represents the stable platform for sustained job retention and of incremental job creation within the economy.

The following findings serve to inform the focus of business development support as a component of local economic development within communities in South Africa: (Driver et al. 2001):

In the short term there is thus limited potential for increasing the pool of opportunistic entrepreneurial business activity. In South Africa key conditions associated with entrepreneurial behaviour are absent (Ackron, 2004). Where enclaves of potential do exist its realisation is constrained by lack of education, skills and entrepreneurial attitude;

In a comparative study done with a sample of 27 countries, South Africa's level of necessity entrepreneurship is in the order of 33% lower than that of other developing countries. This suggests some capacity for improved levels of necessity entrepreneurship at the lower end but this will also be constrained by lack of education and skills. 35% of necessity entrepreneurs have a matriculation qualification and 14% a tertiary education;

Assuming an annual growth rate in the economically active population of 2% the current crop of new firms is projected at first order to generate in the order of a mere 27% of required new jobs (Driver et al. 2001). Less than 5% of new firms will be "front runners" or "gazelles" capable of rapid, innovative and self-sustaining growth and contributing 50% of the total of jobs created by new firm entrepreneurs over a five year horizon. "Gazelles" will at a first order projection thus be responsible for only 13% of South Africa's required new job creation over a five year horizon. Such businesses are however typically self-starters requiring specialised and nuanced support. If new jobs are to be created at a sufficient rate in South Africa business start-ups must translate into stable new firms and the current high failure rate amongst new businesses must be addressed. This applies to start-ups emanating both from opportunistic- and necessity entrepreneurial activity;

The established business sector provides 70% of new firm entrepreneurs. In the light of the tenuous capacity of new business and entrepreneurial activity alone to create jobs at a sufficient rate the stabilisation of the core business sector and the upgrading particularly of viable survivalist business with the capacity for self-sustaining incremental growth are necessary.

Based on the above, and to the extent that national aggregates reflect conditions prevailing in individual communities the core short-term imperatives for business development support in the context of local economic development may be adduced to be:

- Improvement of levels of necessity entrepreneurship;
- Reduction of high failure rates of start-up businesses across the board; and

- Stabilisation of the business core of local economies specifically by addressing business failures, survivability and incremental growth of businesses across the board but particularly at the less sophisticated end of the business spectrum.

It is clear that the business service needs of the more sophisticated competitive- and growth-oriented businesses in the local business economy are generally substantially met by commercial business service providers. The main target of community facilitated business support may thus be regarded as start-up businesses and the less sophisticated end of the business spectrum. The multi-faceted nature of the challenge involves the engagement of government, service providers, organised business, non-governmental organisations and civil society within the context of a shared community economic vision as to the role of free enterprise business as an engine for development in the new South African communities. This lies close to the heart of the debate on the economic developmental governance paradigm in South Africa and seems to suggest that there is a case to be made for the recognition of local economic development as a community governance issue rather than as the policy preserve of government alone.

Towards an Institutional Approach to the Management of Local Economic Development

The more sharply focused economic developmental role of local government in the new dispensation in South Africa has increasingly reflected a focus on communities not only as social entities but also as economic- and developmental entities. The approach has challenged the concept of the centrality of government in key areas of community endeavour, and in particular in those areas such as local economic development where government does not command either the resources or the authority to determine outcomes. Most significantly it has suggested an incipient distinction between the concepts of “government” on the one hand and “community governance” on the other – the former relating to the regulated, monolithic creature of statute, the latter consistent with post modern concepts of structured networking between essentially autonomous community stakeholders in the pursuit of consensual community objectives. (Ackron, 2004) The Provincial Growth and Development Summit (PG&DS) in Cape Town in November 2003 that produced a consensus Framework Agreement subscribed to by all key provincial role players (including government) to guide development in the Western Cape, provides instance of incipient community governance at provincial level.

The institutional challenge posed by such a shift in focus involves (Ackron, 2004):

- The “virtual institutionalisation” of mechanisms of joint community governance of activities, functions and interventions that have an impact on the local economy; and
- The institutional capacitation of community stakeholders and local government consistent with their respective roles in the pursuit of consensual community economic development objectives (Ackron, 2004). The promotion and support of local economic development involves a range of actions on the part of government and other community stakeholders. The so-called functions of government in this regard have been classified by the World Bank (World Bank, 1997).

In South Africa the business environment comprises two worlds – the one modern and established, the other emergent, survivalist and generally struggling. Past local business development paradigms have tended to institutionalise this schism rather than to develop synergies and connectivity across the divide. It seems imperative that any strategy that is to impact meaningfully upon the common local business environment in which all businesses and “business-like” activities take place must be driven from a single community locus, thereby providing for the effective alignment of the efforts of various role players in a coherent and appropriate local package.

A broad framework for the institutionalisation of local economic development management generally, and of business support at community level in particular is provided by the application of accepted design principles and parameters. (Ackron, 2004) In general any institutional arrangement may be characterised as comprising the following five major components (Mintzberg, 1979):

The Strategic Apex charged with ensuring the institutional arrangement serves its broad mission and incorporating the governance arrangements of to the institutional structure;

The Operating Core comprising those elements of the institutional arrangement engaged in the production of outputs across institutional boundaries;

The Middle Line connecting the strategic apex to the operating core by means of various more or less formalised authority systems or protocols;

The Techno-structure comprising the elements of the institution engaged in control-analytical tasks of task standardisation and alignment. These include strategic planning, in-house training, work study/order and method (O&M), quality assurance and clerical/administrative tasks.

The Support Structure comprising elements of the institution engaged in specialised tasks outside of the operating work flow. These tasks include public relations and external liaison, research and development, knowledge management and e-Business applications.

An Indicated Generic Good Practice Institutional Form

The challenges of the emerging new business development support paradigm and with it of local economic development in the highly connected and competitive environment of the present suggests that the community institutions erected to manage it themselves be “businesslike” and capable of flexibility and innovation and the capacity to absorb ambiguity. In addition the complexity of local economic development issues reflects the need for a high level of connectivity and interactivity with and between the elements typically comprising local economic and business development coalitions, networks and -systems (Glas, 2001).

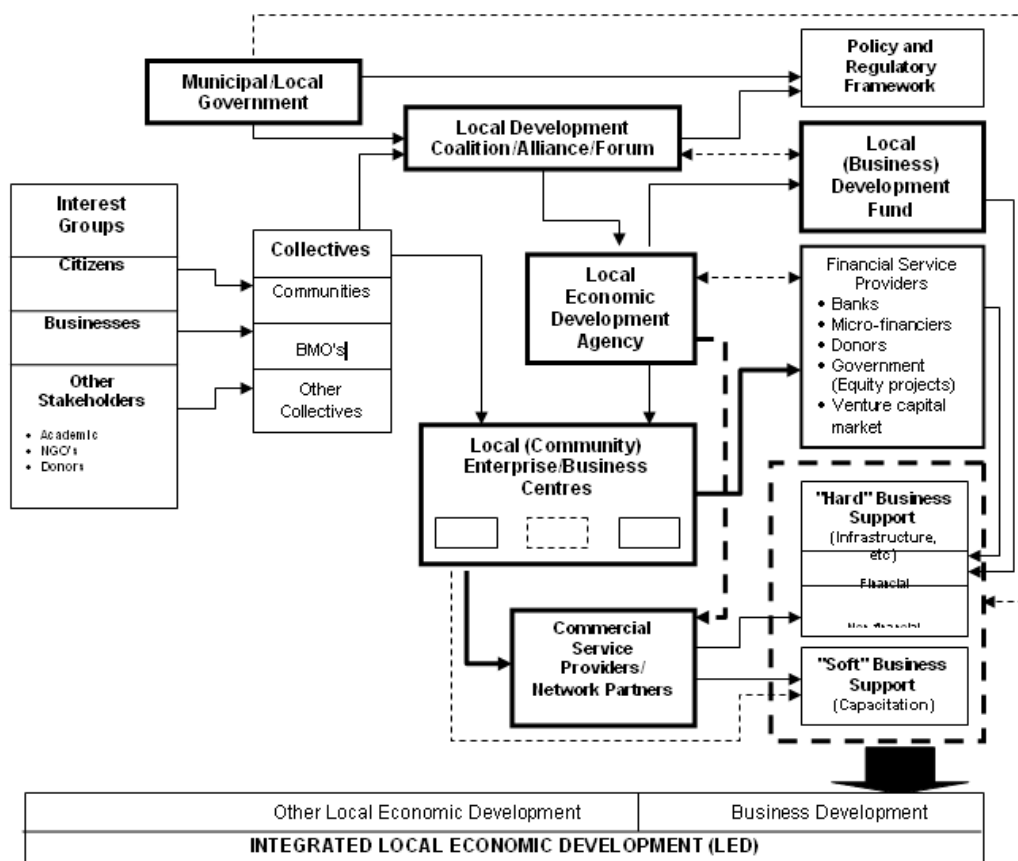
In combination these requirements suggest an institutional form classified by Mintzberg (1979) as the “Adhocracy” – a highly organic essentially project-based structure encountered in circumstances calling for flexibility, multiple focus, network management and innovation in complex environments.

Such an adhocratic form is may typified as comprising: This is consistent with (Mintzberg, 1979).

- A limited **techno-structure** inclining strongly toward training and indoctrination as the key adjustment mechanisms for standardisation and alignment of system activity within a networking context;
- A relatively elaborate **support structure** as the receptacle of innovative expertise at the service of the system;
- An extensive though relatively amorphous **middle line** employed on project-related management tasks;
- A truncated or independent **operating core** consistent less with an outward delivery focus than with an inward systems-developmental and network management focus; and
- The capacity to /retain expertise and to apply that expertise flexibly and on demand in diverse contexts on a geographic, market or other project or programme basis.

Institutional structures and arrangements that have emerged internationally, combined with key elements of institutional design in business support suggest a distillation of emerging generic institutional good practice features for business- and local economic development support at the community level as indicated in Figure 1 (Ackron, 2004); (Gibson et al. 2001); (Glas 2001).

Figure 1: Key institutional elements of an integrated good practice approach to business development in the context of local economic development



The emergent generic institutional form reflects the following essential features:

- Network-level community governance mechanisms at the institutional strategic apex providing on the basis of voluntary consensus for the formulation and pursuit of shared imperatives and objectives;
- An institutional- rather than an organisational approach that places the emphasis on multi-channel delivery of business support and other local economic development interventions within an aligned community network framework rather according to a single-channel delivery mechanism based on government alone as in the past;
- An integrated network-level institutional middle line, techno structure and support system provided by the one or other form of Local Economic Development Agency (LEDA). This could typically take the form of a public-private partnership between local government and other local stakeholders within community local development coalitions and alliances. In South Africa the Local Government Municipal Systems Act, 2000 provides for the establishment inter alia of corporate “municipal entities” to provide services to the community on behalf of government (The Republic of South Africa, 2000). LEDA’s would fall within the ambit of the definition and are thus also enabled by the relevant legislation to be assigned key local government developmental management functions and responsibilities that may be better performed “outside” of government bureaucracy than within. Such functions and responsibilities could encompass key local economic development interventions. Where LEDA’s are seen to be “community” institutions rather than “government” institutions they potentially are able to provide a more value neutral community platform for:
 - Assembling actors to design strategies for local economic development;
 - Researching and indicating most promising sectors, priority interventions and their configurations;
 - Sharply focussed community-based interventions aimed at particular groups within those communities;
 - Technical assistance to local administrations/ governments responsible for economic development planning;
 - Mentorship and the nurturing of entrepreneurial culture;
 - Assisting (local) businesses during start-up and initial establishment phases through business planning, procurement of venture finance, post financing assistance and other supportive activities; and
 - Community outreach through the medium of Local Community Enterprise Centres or Business Development Centres generally as extensions of the activities of the LEDA into local neighbourhoods.

Conclusion

The new democratic dispensation in South Africa at local government level has occasioned significant re-delimitation of the jurisdictions of local government and the redefinition by conflation of local communities across the country. In addition the fundamental paradigm shift in the approach internationally to business development support has highlighted the need for approaches involving all these diverse role players, aligned within the context of a working local community consensus on the way forward for local economies. It has also highlighted the need to re-evaluate the role of government in the promotion of local economic development and to encompass a multi-channel intervention approach. The common cause on key development issues such as poverty and the need for sustainable jobs now of necessity beginning to emerge in communities has seen an incipient need of suitable institutional vehicles in the local community sphere to drive the pursuit by the community per se of its own imperatives. As a creature of statute government has its particular functions to perform and simply does not have the requisite operational control or nuanced authority over many key interventions of autonomous stakeholders necessary to achieve accelerated local economic development in South Africa. What appears to be emerging is the need for an overarching institutional approach to community governance providing an operational vehicle for the management of structured networking and of community effort in pursuit of community developmental objectives.

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