

# An assessment of the status quo of LED Units and LED strategies in the Free State: Challenges and solutions

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## **Abstract:**

Local Economic Development (LED) is key to any municipality as it brings together local residents, local businesses and government for the purpose of improving local economies. The purpose of LED is to improve the quality of life of its citizens by reducing unemployment and alleviating poverty. This paper examines the extent to which LED units and their strategies assist or improves the economic development of their local municipalities. LED approach to the economies of municipalities is a fairly new phenomenon with different theories and approaches to what it should look like and how it should function. In this scenario, Case studies of certain Municipalities' LED strategies will be assessed in relation to the socio-economic status of those municipalities to assess the impact of those strategies into the economics of that municipality. The main idea in LED is that local economic development players are best positioned to mobilize local resources that otherwise may have remained untapped and had a large number of social benefits, local participation, local voice and sustainability of the local economy (Rodrigues-Pose and Tijnstra, 2009). However, LED units are not well embedded in municipal structures with limited functions and funding.

Key words: Local Economic Development; Local Municipalities; Growth and Development:

JEL Codes:

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## Introduction.

Local Economic Strategies should be the driving force behind local economic growth and development (Meyer, 2014). However, most municipalities and towns are dormant and there is no growth or real economic development happening in the majority of the towns. All municipalities have Local Economic Development (LED) units and developed and endorsed Strategies to drive the economies of those municipalities. The question that needs to be answered is whether those units are driving the processes. If the roles and function of LED Units can be strengthened and bolstered the intention is that the situation will turn around provided other things are also aimed at economic growth? The best strategy or results will be given if the LED units are planning, implementing and driving the economic development processes. For the purposes of this document the purpose of LED is to build up the economic capacity of a local area to improve its economic future and the quality of life for all (World Bank, 2015). Which means that LED strategies are about economic growth, (conducive atmosphere policies) and economic development to improve the life's of the poor people (pro-poor policies)

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### **Purpose of the paper.**

The purpose of this paper is to examine the status-quo of municipal LED units and why the local economic strategies are unable to grow, assist or sustain the growth of municipalities and in reducing unemployment and alleviating poverty in municipalities. This will specifically look into the structure of the LED units and their reporting lines and the strategies that they have to deliver. The paper will then look into the key concepts, and the principles that are supposed to drive the LED Strategies.

### **Background of the paper.**

According to Rodrogues-Pose (2009), the traditional macro-economic policies have in the past not been successful in creating a conducive climate at the local level for economic growth, and LED has provided an alternative to the top down structure of development. According to the current development policy of South Africa which focuses on “Developmental” of local government and with a pro-poor policy emphasis local municipalities are well placed to drive the developmental process. Local government are strategically positioned and encouraged by the Constitution (1996) to effectively intervene and play a leading role in economic growth, job creation and the reduction of poverty in the local sphere of government through their LED (Meyer, 2014). The challenges facing the LED units in delivering the expected outcomes are many and some of them relates to capacity issues, some to resources to deliver the expected projects etc.

### **The research Question;**

In view of the slow or dormant municipal economies, there is a need to revive and assist the LED Units to be the driving force behind municipal economic growth and development.

- ❖ Why are most municipality’s economic growth strategies not working, or not growing the economy as they are supposed to?
- ❖ How are the LED units structured, and do they form part of the problem or part of the solution?

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- ❖ Thus the structure assist the implementation process?
- ❖ Are the strategies with which to drive the economic growth and development, endorsed realistic and implementable? Do they have a business plan to oversee the implementation phase of their projects, and whether those projects are pro-poor or outward looking in to the economic growth of municipalities?

### **Research Methodology:**

For the purpose of this paper, the research methodology will include an assessment of the functioning of LED units at the local government sphere, also taking into consideration economic growth of the municipality. An examination of the strategies endorsed and employed in LED by the municipality. The status-quo of LED units in the province will be taken into consideration by taking a generic sample consisting of at least one municipality within each district or a combination of municipalities depending upon the availability of LED strategies and other relevant information within the municipality. The idea is that if the strategies are well formulated and can be effectively implemented and the units of LED are well resourced, they can facilitate economic growth with job creation and poverty alleviation. Where possible interviews will be made with the relevant LED managers and or officials to have a practical functioning of LED and the challenges facing them. Qualitative analysis will be employed in an attempt to formulate solutions where possible.

### **Research Design**

#### 1. Case Study approach on the identified municipalities

This will be the most appropriate as each municipality's strategy and LED units will be evaluated providing a systematic way of collecting data and analysing it at the end.

#### 2. Literature review

For the purposes of what has already been done and published on the topic, the legislation and policies around the topic, the remedial action taken in some of the municipalities if any.

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3. Data collection, the LED strategies of municipalities to be identified, their organogram or reporting structure. This will also include the interviews of with the relevant LED Officers, for a firsthand information on the functioning of LED Units within their respective municipalities. Where possible the whole of IDP will also be looked into, if the information in LED is not sufficient enough to give the expected results. This will be done in certain cases were the LED manager is also an LED manger or Official.

4. Interviews from prepared questions, this will include open ended questions and closed ended questions for the purpose of understanding the functioning of LED in municipalities.

### Time frames

|   | Key Activity               | Sep   | Oct                                     | Nov   | Dec                             | Jan   | Feb | March |
|---|----------------------------|---|---|---|---------------------------------|---|-----|-------|
| 1 | Inception                  | Conceptualization of the study, Research proposal | Research proposal and Literature review |   |                                 |   |     |       |
| 2 | Legislative overview       |   | Literature review                       |   |                                 |   |     |       |
| 3 | Overview of LED units      |   |   | Status-quo of LED units, collection of LED strategies |                                 |   |     |       |
| 4 | Overview of LED strategies |   |   |   | Understanding of the strategies |   |     |       |
| 5 | Interviews                 |   |   |   |                                 | Design and Implementation of the interviews |     |       |

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|---|--------------------------|--|--|--|--|--|------------------|--|
| 6 | Report and communication |  |  |  |  |  | Writing a report |  |
| 7 |                          |  |  |  |  |  |                  |  |

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