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Assessing the role of Local Economic Development Agencies in KwaZulu-Natal, South Africa

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Abstract
There is a growing recognition of the role of subnational institutions in addressing some of the foremost developmental challenges that South Africa is facing; however, subnational institutions have been mired in inefficiencies and capacity challenges in leading local development. This has led to the establishment of Local Economic Development Agencies as institutions which were expected to give impetus to local economic development and accelerate local government's responses to unemployment, poverty and inequalities. Yet little is known about the efficiency of Local Economic Development Agencies in addressing the key failures of local economic development. This article employed a qualitative approach in which semi-structured interviews were undertaken with key gatekeepers. The article assessed the roles and functions of Local Economic Development Agencies in addressing key local economic development failings through a case study of three Local Economic Development Agencies in South Africa. The results indicate that while Local Economic Development Agencies do solve the implementation problem, their efficiency is undermined by the lack of coordination of roles and functions in the local government-led development landscape. Furthermore, the roles and functions of Local Economic Development Agencies are limited, constrained and do not necessarily adhere to the premise that led to their establishment. Local Economic Development Agencies thus lack the appropriate legitimate mandate to be the main economic development structure, due to their own inherent capacities.

Keywords
coordination, local economic development, Local Economic Development Agencies, local government, roles and functions

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Introduction

South Africa is aspiring to become a capable developmental state that utilises subnational state institutions to advance economic development, as postulated by the Constitution of the Republic of South Africa (1996). The Constitution further stipulates the direct involvement of the government in economic development matters in order to improve socio-economic standards. At the subnational sphere, the Constitution emphasises the need for local government (local municipalities) to structure and manage their administration, budgeting and planning processes to give priority to the basic needs of communities and to promote the social and economic development of society as a whole. This constitutional declaration gives municipalities the mandate to advance the socio-economic needs of the majority of South Africans who are mired in the triple challenges of unemployment, poverty and inequality. In addition, the White Paper on Local Government (Department of Provincial and Local Government,1998) further instructed local government to become developmental by committing to work with citizens and social groups to create suitable and sustainable mechanisms to meet the social, political and economic needs of the people, and in the process, improve their livelihoods. These obligations require the direct intervention of the state through devising mechanisms that expedite human development and capacitate local people with the necessary skills to attract investment, leading to job creation, economic growth and development (Turok, 2010).

In the midst of the developmental challenges that the entire globe is facing, the close proximity of local governments to the masses of people who are facing numerous social problems has been cited as the foremost reason behind the need for local governments all over the world (Grindle, 2007; Smoke, 2000). However, the lack of effective and efficient local government capacity to deliver basic services, the inability to plan for development and the lack of an integrated approach that works with different social partners remain the key barrier to local development (United Cities and Local Government, 2013). In the South African context, municipalities are closest to the triple challenges that the country is facing, and they are often inundated with many responsibilities. One of those responsibilities is the championing of LED, yet the subnational sphere has been largely unable to fully take charge of this development because of insufficient skilled officials and an inability to understand local economies (Hofisi and Mbeba, 2013; Nel and Rogerson, 2005). In the midst of the failure of local government to fully implement LED, the idea of Local Economic Development Agencies (LEDAs) emerged as potential subnational institutions to advance LED and improve economic prosperity in the local government-led development landscape (Cooperative Governance and Traditional Affairs, 2013, 2014; Industrial Development Corporation, 2008a). However, since their inception, there has never been an evaluation of the effectiveness of the roles and functions of LEDAs in addressing the key failings of LED in South Africa. Previous studies (Lawrence, 2013, 2016; McKibben et al., 2012) have only explained the roles and functions of LEDAs.

The aim of the study was to assess the roles and functions of LEDAs in addressing the key failings of LED in the South African local government-led development landscape, through empirical evidence of three LEDAs in KwaZulu-Natal, South Africa. This article is based on the premise that LEDAs were introduced to address the key LED failings by giving impetus to LED. Therefore, the roles and functions of LEDAs were judged against their ability to address the LED challenges in the South African local government-led development landscape. The interviews were conducted with the Chief Executive Officers, Chief Financial Officers and Economic Development Managers of all three LEDAs. Additional interviews were conducted with two officials from COGTA who worked closely with the LEDAs. The article contributes to the debate about the roles and functions of LEDAs in economic development, as well as to why LEDAs have not been successful in addressing the failures of LED in South Africa.

Failures of local economic development in South Africa

South African local government has been plagued by massive failures in delivering basic services due to capacity challenges, poor financial management and maladministration, amongst others (Monkam, 2014). From an economic development perspective, there are five main failings that face LED in South Africa, namely the incapacity of local government to implement LED, incapacity of local government to plan for LED, governance issues that arise from a lack of understanding of LED, a lack of funding for LED initiatives and ongoing mistrust between government and the private sector (Meyer-Stamer, 2003; Nel, 2007; Patterson, 2008; Rogerson, 2009). These key LED challenges are in addition to the lack of efficient local government capacity to provide basic services. Local government's failure to provide adequate service delivery efficiently and timeously, in conjunction with their failure to implement LED, adds further burdens to the majority of citizens confronted with poverty, unemployment and inequality. If these problems are not solved, it could potentially lead to more citizens sliding into poverty and incessant vulnerabilities, with the latest statistics showing a 27% unemployment rate and more than half of the South African population living in poverty (Statistics SA, 2017).

South African local government has come under heavy criticism for its failure to implement LED in its totality. The concern is that local government has not been able to champion this initiative for two reasons – the lack of capacity within local government and the lack of understanding of LED, which has resulted in the conflation of LED with poverty alleviation projects (Nel and Goldman, 2006; Patterson, 2008). The lack of capacity within local government to implement LED arises from the fact that LED is not a key priority for municipalities. This lack of prioritising LED has led to insufficient capacity within LED units, coupled with the inability of officials to understand the local economy (Nel and Rogerson, 2005). This can also be attributed to the fact that too much emphasis has been placed on institutionalising democracy and service delivery, to the exclusion of LED. The second criticism is that local government tends to conflate LED with poverty alleviation or make LED project based (Patterson, 2008). The key failing is therefore the reductionist approach to LED, because local government has reduced LED to project implementation (Van Der Heijden, 2008).

The third key failing of LED has to do with the issue of inefficient development planning structures. This is an issue that the United Cities and Local Government (2013) identified as a key barrier to bringing development to the local government sphere. This problem is raised here because of the lack of organised institutions at the local sphere that can plan for development. Integrated Development Plans (IDPs) are regarded as the vehicle for development planning within municipalities, with LED strategies being the economic development strategies that are developed by LED units with the involvement of key stakeholders such as businesses, Chambers of Commerce and communities (Gunter, 2005). However, planning structures are often not inclusive of stakeholders such as businesses (Meyer-Stamer, 2003). In addition, the Development Bank of Southern Africa (2008) has noted the existence of unreliable data for planning at the local sphere, while Lambshead (2009) argued that the lack of capacity of LED officials and their limited experience in economic development planning is a key barrier in the planning phase.

The fourth key failing, the lack of funding for LED, is one of the gravest challenges that has a direct bearing on the success or failure of local development. Patterson (2008) revealed that LED is the least funded mandate within local governments because municipalities prioritise their primary functions, i.e. the provision of electricity, housing, refuse removal, water and sanitation. In addition, as we shall see in this article, funding for LED is very important for the continuity of development initiatives, thus there seems to be a need to find alternative means of sourcing funding for LED initiatives within the local government-led development landscape. This denotes the need for greater social capital for LED. Thus, the idea of a developmental local government also emphasises the need to build social capital at the local level as a means of effecting local development (DPLG, 1998).

The fifth and last key failing that has undermined LED in South Africa is the growing gap and mistrust between government and the private sector, as local governments have developed a culture of sidelining social partners that are outside government (Rogerson, 2010; Turok, 2010). This is a clear case of a lack of understanding of LED in South African local government, because the World Bank's definition of LED clearly recognises the participatory roles and functions that other stakeholders, such as communities, non-governmental sectors and business, have to play in LED. The mistrust between the various sectors is also exacerbated by increasingly corrupt activities within government (Madumo, 2015). The mistrust also transcends civil society and government, as South African Local Government Research Centre (2014) indicated that less than 33% of the South African population trusts local government.

The role of LEDAs in local government-led development

Given the above failures, there was a need to shift the development trajectory towards the creation of subnational entities of economic development to aid the reform of public services. These subnational state entities were to be devised as mechanisms that would respond to the needs of the public and private sectors in order to advance inclusive and effective economic development. The idea of LEDAs as institutions that had the legitimate mandate of representing the interests of civil society, while bridging the gap between public and private interests, emerged as the solution (International Labour Organization, 2003; Rogerson, 2010). The ILO (2003: 2) defined LEDAs as 'independent organizations, shared by public and private institutions with the aim of implementing strategies of shared territorial development with particular emphasis on favouring access for the most marginal portions of a population to opportunities of income and decent employment'. The introduction of LEDAs, as noted by COGTA (2014), was in line with public sector reforms globally, with the intention being to strengthen service delivery and promote a culture of efficiency and effectiveness in socio-economic development issues.

LEDAs are important in the local government-led development landscape because they are strategically designed to help address some of the more complex challenges facing local economies. Some of these challenges have an immediate impact on the socio-economic livelihoods of citizens, especially in the case of emerging and developing economies. Suarez et al. (2015) highlighted that LEDAs fix problems such as unemployment, poverty and economic relations, as well as challenges faced by local economies as a result of the current global instabilities. Other emerging challenges that are solved by LEDAs include, but are not limited to:

- The design of local responses to the needs of local citizens and the promotion of sustainable development through LEDAs understood as a local development governance structure.
- The promotion of local ownership through a participatory approach that allows the public and private sectors to make decisions for their local economies.
- Ensuring the existence of capacity to execute complex projects (Suarez et al., 2015).

Additional roles such as territorial promotion, business development, revitalising the local economy and mobilising local resources for LED are some of the roles that are also played by LEDAs (Canzanelli, 2011). LED strategies differ based on the needs of the local territory (Rogerson, 2009; Suarez et al., 2015). Similarly, in the case of LEDAs, different environments in different territories require unique approaches to the roles and functions that will be played by development agencies.

The LEDA of Ixcán in Guatemala is one of the most successful case studies regarding the importance of LEDAs addressing complex challenges that face local economies. The main problem that the LEDA had to solve was overcoming the barriers and red tape facing local businesses in the region (Suarez et al., 2015). The main function of this LEDA was thus the promotion of local enterprises through creating an enabling environment for businesses and attracting local investment. The case of Ixcán is important because the LEDA showed commitment towards local enterprises by creating a credit fund that is distributed to women in the development space. The fact that the LEDA has its own credit fund shows that it is backed by a development-oriented political leadership, because the council provides the necessary financial opportunities that enterprises need. The involvement of the University of San Carlos and the National Secretary for Planning (SEGEPLAN) further demonstrates the institutional arrangements that the LEDA set up, because it resulted in the establishment of a small business development centre. The merits of the LEDA can be seen as it has created more than 400 small businesses and over 9000 jobs (Suarez et al., 2015). This case study is important because it highlights a case of a LEDA that prioritised the development and promotion of enterprises as a means of improving the local economy and creating employment.

Various other reasons can be put forward for the establishment or existence of LEDAs in South Africa, such as the need for stronger and more accountable LED institutions. The following reasons provided by the IDC (2008a) are, however, the most compelling arguments for the existence of LEDAs and are compared with key failings of LED (see Table 1).

It is evident from Table 1 that LEDAs are strategically aimed at addressing the failures of local government-led development in South Africa. For example, the public and private divide is intended to be tackled through LEDAs because they are

Table 1. Comparison of failures of LED and premises for establishing LEDAs.

Failures of LED in South Africa	Premises for establishing agencies in South Africa
• Governance problems that are caused by a lack of understanding of LED • Public and private divide that is brought about by a mistrust between the public and the private sectors	• LEDAs are mechanisms that provide an efficient and effective partnership between different stakeholders in order to improve stakeholder relations and limit the duplication of tasks
• Incapacity of LED staff • Inefficient planning structures that are caused by the incapacity of LED staff	• LEDAs are vehicles that bring better expertise and resources to existing LED units within municipalities • LEDAs are specific goal-driven economic development mechanisms with the aim of bettering the LED resources and services
• Lack of funding for LED as municipal LED units are generally the least funded departments	• LEDAs have the financial power to support businesses within their geographical space or jurisdiction

Source: Author's own.

an instrument of providing effective and efficient partnerships, the incapacity of municipal LED staff is to be addressed through development agencies because LEDAs have better expertise, and the lack of funding that is associated with LED is to be resolved by agencies because of the financial power that LEDAs supposedly have.

Different waves of LEDAs in South Africa

South Africa saw its first wave of LEDAs come about in the late 1990s through joint collaboration between the Italian government, the United Nations Development Programme (UNDP), the United Nations Office for Project Services, the Department of Trade and Industry and the Department of Economic Affairs (Pretorius and Blaauw, 2008). The sets of LEDAs that were established through this UNDP programme were based on a local-level participatory model, which centred on stimulating economic activities and generating employment opportunities in various rural and small town municipalities throughout the country (Pretorius and Blaauw, 2008; Rogerson, 2010). The first LEDAs were established in some of the more underdeveloped provinces, specifically the Eastern Cape, the Northern Cape and Limpopo, in order to stimulate economic activities in these regions. Lawrence (2013) established that the initial phase of the first wave of LEDAs was more focused on improving the institutional and capacity arrangements of municipalities. This was because, as noted in the literature on the key failings of LED, capacity issues and a lack of institutional arrangements for LED in municipalities were some of the challenges facing local government-led development. The first wave therefore focused on key projects that had the potential to generate investment and create economic opportunities and spillovers. However, the majority of the projects that were undertaken were dependent on the funding that was promised by the UNDP and the Italian government. Rogerson (2010) blamed the failure of these LEDAs on the ending of donor funding, whereas Pretorius and Blaauw (2008) argued that it was inevitable because project funds were not readily available.

The failure of the first wave of LEDAs subsequently led to the establishment of the second wave of LEDAs in South Africa, without the help of international organisations. The second wave was established with the assistance of the Industrial Development Corporation (IDC) through the dedicated Agency Development and Support (ADS) unit, to support LEDAs institutionally and operationally. The ADS unit was created to accelerate local development and the creation of job opportunities in various localities that were less developed, following on the first wave of LEDAs (IDC, 2006). The aims of the LEDAs set up by the IDC were as follows:

- to promote and develop economic potential on a local and/or regional basis;
- to leverage public and private resources for development around opportunities which offer investment, employment, economic and development potential/opportunities;
- to foster/develop the innovation and entrepreneurial potential and activity which supports and drives economic growth;
- to manage the spatial organization of the area, in a socially efficient manner, through the use of inter alia public land and targeted private projects; and
- to strengthen the respective areas' real and perceived environment so that it can compete effectively for capital investment necessary to develop its full economic potential. (IDC, 2006: 7)

As LEDAs were located within local territories, they had to be strongly focused on the developmental objectives of the municipalities as stipulated in the IDPs, district plans, provincial plans and the overall national development plans (IDC, 2006). The projects that were undertaken by these LEDAs were more oriented towards identifying viable development projects, sustainable development and making an impact in addressing the triple challenges. Bartlett (2012) and Lawrence (2013) asserted that the funding for LEDAs was grant based. For Lawrence (2013), the balance between municipal LED units and the implementation role of LEDAs was the most important aspect of the effectiveness of LED. Meanwhile, as the emphasis was on service delivery for municipalities, the IDC embraced an approach that put more emphasis on economic development and increasing the capacity of local government's response to service delivery and infrastructure backlogs (Bartlett, 2012; Lawrence, 2013). Lawrence (2013) and McKibben et al. (2012) found that Aspire, a LEDA in the Eastern Cape, was the most successful LEDA in South Africa, which was attributed to its 'relative autonomy', its ability to distinguish its roles and functions from those of municipal LED units, and its strong leadership. Malefane (2011) was of the view that the effectiveness of LEDAs can only be realised if the potential of the roles and functions that development agencies play can be fully acknowledged by local institutions.

The third wave of LEDAs in South Africa has not been thoroughly investigated. Most of the documented research focused on the early stages of LEDAs and LEDAs under the support of the IDC. While previous studies (Lawrence, 2013, 2016; McKibben et al., 2012; Malefane, 2011) focused on explaining the roles and functions of LEDAs, this study seeks to assess the effectiveness of the roles and functions of LEDAs in addressing key LED failings.

There were two distinct stages of establishing LEDAs in KwaZulu-Natal, as per Table 2. The first stage was the introduction of LEDAs by the IDC (which was identified and thoroughly discussed as the second wave of LEDAs in the literature review of this study). This stage happened at a

Table 2. LEDAs established by IDC versus LEDAs established by COGTA.

Premises behind LEDAs (IDC)	Current roles of LEDAs
1. To provide better partnerships for LED and limit the duplication of tasks	Special Purpose Vehicle
2. To improve LED expertise and resources	Implementation of Sustainable Economic Development Project
3. To be economic development platforms aimed at bettering LED services	Investment promotion
4. To have the impetus to support businesses in the locality	Build private–public partnerships
Premises by COGTA	Roles and functions of LEDAs by COGTA
5. Municipal inabilities to implement the high-impact, large-scale economic development projects and programmes necessary to stimulate economic development at a regional level	Implement large-scale economic development projects
6. Provide effective business and investor facilitation and support to reduce regulatory burden	Investment promotion

Source: Author's own.

national sphere as the IDC introduced LEDAs throughout the country. Lawrence (2013) found that by 2013, the IDC had founded 23 development agencies throughout the country. This phase led to the introduction of three LEDAs in KwaZulu-Natal, with two of those three LEDAs taking part in this study. The second stage of establishing LEDAs is referred to in the literature review as the third wave of LEDAs in South Africa. In KwaZulu-Natal, these LEDAs were introduced by COGTA (2013, 2014) in conjunction with district municipalities after the 2012 Lekgotla Resolution that all district municipalities must establish LEDAs. COGTA also inherited oversight of three other LEDAs that were previously established by the IDC. Of the LEDAs introduced jointly by COGTA and the parent municipalities, only one is currently operational, while the rest are mired in pre-establishment challenges.

The key reasons for the continuation of these LEDAs within KwaZulu-Natal are based on two principles. The first principle was to encourage LED by utilising LEDAs as implementing vehicles because the municipalities were failing to address LED issues themselves. COGTA (2013: 3) had found that the failure of municipalities to effectively drive LED resulted in 'inabilities to implement the high-impact, large-scale economic development projects and programmes necessary to stimulate economic development at a regional level'. The second principle was the need to bring about mechanisms that would provide business and investment attraction, and at the same time address the regulatory burden facing businesses. Rogerson (2010) also found that red tape was one of the major constraints of doing business. Red tape arises because municipalities are focused on service delivery and do not have the capacity to create business development within their areas (Nel and Goldman, 2006; Nene, 2015a). This understanding is in line with the IDC's need for LEDAs to have an innovative entrepreneurial culture approach to LED (IDC, 2006), thus LEDAs were regarded as being appropriate vehicles to address the business regulatory burdens and develop an alternative approach to LED.

The roles and functions of LEDAs in KwaZulu-Natal

On the basis of the evidence from this study, the consensus from officials was that the roles and functions of LEDAs involved acting as the main driver of economic development in their districts and geographical locations. Two important roles and functions were indicated as being key to driving economic development, as expressed by some officials:

> The mandate of the agency is to drive economic development and to promote trade and investment in the region. The other mandate is also to implement catalytic projects in the region with an intention of attracting further investment and whilst creating employment in the area. (LED Manager, LEDA 1: 6 March 2017)

> The agency serves as an implementing agency for the district in facilitating high impact catalytic projects through collaborations with stakeholders particularly the private sector for inward investment. (CEO, LEDA 3: 3 April 2017)

These roles and functions are similar to the roles and functions presented in Table 2 based on COGTA's 2012 resolutions. The documents guiding the establishment of LEDAs also show that these are the basic roles and functions of development agencies in South Africa (IDC, 2008a, 2008b, 2008c). In short, LEDAs are established to give impetus to LED.

If we accept that LEDAs were established to give impetus to LED, as already indicated in the literature and founding documents, this means that they have to address many of the LED problems in South Africa. The assessment undertaken by the study thus centred on the success of LEDAs in addressing the fundamental LED challenges facing South Africa.

The first role that development agencies play in stimulating economic development is the implementation of catalytic economic development projects in their territories. The excerpts below encapsulate these sentiments:

> Our role is to also to stimulate local economic development in the district. (CEO, LEDA 1: 14 March 2017)

> The role of the agency is to be a purpose vehicle to drive economic development within the Harry Gwala region. The focus is on catalytic projects, high impact ones that will have make a difference in terms of job creation. That is the main role that the agency was established for as far as I am concerned. (LED Manager, LEDA 2: 27 March 2017)

> The role is to serve as local economic growth and development drivers or engines. Now ours, we focus on what you can call catalytic projects, which is your large scale projects. (CEO, LEDA 2: 27 March 2017)

There is a consensus that development agencies are drivers of economic development through the implementation of catalytic projects that will have an economic impact on their respective districts (IDC, 2008a, 2008b, 2008c; Lawrence, 2013, 2016), with COGTA (2014) going as far as identifying development agencies as implementation agencies. The reason behind the strong emphasis on development agencies as implementing agencies follows the reasoning that municipalities have hitherto failed to implement LED projects

(COGTA, 2014; Meyer-Stamer, 2003; Van Der Heijden, 2008). Although LEDAs implement various projects, agricultural projects seemed to be the primary focus of all the development agencies in KwaZulu-Natal, with the National Schools Nutrition Programme being the leading catalytic project for agencies. This was further attested to by the recent discussion regarding the introduction of the Radical Agrarian Socio-Economic Transformation (RASET) programme, which is planned to be spearheaded by development agencies.[1]

Officials expressed hope that the RASET programme will yield necessary results because agriculture is one of the main industries in the KwaZulu-Natal, as revealed in the following excerpts:

> Recently there is a move to use development agencies to accelerate radical transformation through a project called RASET (Radical Agrarian Socio-Economic Transformation Programme). Cooperatives through RASET have an opportunity to address the triple challenges. (CEO, LEDA 3: 3 April 2017)

> The programme will go a long way in assisting small-scale farmers to generate revenue and also to become large scale farmers. The programme targets small-scale black farmers in the province to benefit by being added on the value chain to supply food in the province. (COGTA, Official 1: 17 March 2017)

> The RASET programme is going to be big and maybe it will make impact because it focuses on agriculture which is one of our strongest point. (LED Manager, LEDA 2: 27 March 2017)

Yet there were some reservations as there is currently not enough staff capacity within the development agencies to lead the RASET programme; staff capacity is one of the determining factors for successful LEDAs (Canzanelli, 2011; Mountford, 2009). One official said:

> The provincial government says it wants to implement a large-scale project through RASET. They also say they want to ensure that there is no intermediary person and that municipal officials must do the implementing. But how is this going to work if there is no human capacity? It is a big challenge to implement such projects. (CEO, LEDA 2: 27 March 2017)

Despite the good intentions of these two planned large-scale projects, there should be concerns about the over-reliance on agricultural activities, which hinders development agencies from diversifying their projects.

The catalytic projects undertaken by development agencies are designed by the parent municipalities and given to the development agencies for implementation. This is also expressed in the IDC's guiding principles regarding establishing development agencies, which stipulate that development agencies implement policies – they do not make them (IDC, 2008a, 2008b, 2008c). For this reason, LEDAs have been able to implement large-scale economic development projects, whereas LED units have dealt with small-scale projects. However, one issue that kept emerging from the interviews was the distinction of roles and functions between LEDAs and municipal LED units:

> Since the inception, we have been playing a dual role. Focusing on large-scale projects and as well as dealing with poverty alleviation initiatives. Otherwise, in a normal situation, we are supposed to be focusing only on large-scale projects. The poverty alleviation projects are the responsibility of the district municipality. (LED Manager, LEDA 2: 27 March 2017)

> Another thing I see as a challenge is when LEDAs and LED units do not see eye to eye. I think it is an issue of roles and responsibility. LED units need to understand they are not in competition with LEDAs, but in actual fact they are supposed to be complementing each other. We need to come up with a strategic way to make the locals feel that development agencies are the vehicle they also have to utilise and ensure that they deliver on their mandate. (LED Manager, LEDA 3: 22 March 2017)

LEDAs seem to be playing a dual role because they implement large-scale projects and are at the same time expected to implement poverty alleviation projects, which is supposed to be a municipal task. The main reason behind LED agencies being established was to move away from the municipal cultural approach and to unearth a private sector-driven LED process (COGTA, 2014); however, the officials' views suggest an inability to transition from a misguided municipal approach to LED. Nene (2015a) noted that municipalities tend to force a municipal culture on development agencies, whereas Nel and Goldman (2006) cautioned against the conflation of LED with poverty alleviation. The ability to distinguish between the roles and functions of LEDAs and municipalities is key for the success of development agencies (McKibben et al., 2012). Thus, the current failure to distinguish between the roles of LEDAs and LED units might lead to inefficiencies within the local government-led development landscape. ASPIRE has been successful because it was able to balance LEDAs and LED units (Lawrence, 2013, 2016).

The above finding highlights a lack of understanding about LED, as development agencies are being forced to assume a municipal service delivery approach to LED instead of a development-oriented approach. It is clear that LEDAs have been limited to the implementation of development projects, because this is what municipalities have narrowed LED down to (Van Der Heijden, 2008). This comes at the expense of a development-oriented approach that would also encompass the support of local enterprises. Suarez et al. (2015) asserted that it is crucial for LEDAs to have the capacity to adequately assist local government-led development in two ways – the creation of local enterprises and the planning of development matters. However, in this case, because of the failure of municipalities to understand LED beyond projects, development agencies are also forced to adopt the same municipal approach to LED. The limited understanding of LED in the local government-led development landscape was seen in the fact that little was mentioned regarding enterprise development, with the exception of one development agency sponsoring an entrepreneurship competition. In addition to this, none of the LEDAs that took part in the study had a dedicated office for business development. To some extent, this means that LEDAs are constrained in addressing the red tape and regulatory burdens facing enterprise development in their localities, as entrepreneurial and business development seem not to be regarded as the main priorities within the LEDAs.

One of the founding principles behind the establishment of LEDAs was that since there is a lack of funding for LED in South Africa, LEDAs would be able to address this issue because of their financial capacity (IDC, 2008a). Lawrence (2013, 2016) confirmed that LEDAs have played a great role in leveraging funding for development; however, all the LEDAs that took part in this study cited financial problems, because their parent municipalities give them limited operational grants:

> The agency gets its budget from the district municipality. That is the budget for LED and Tourism from the local municipality. We ended up having little money because we had to fund projects and also hire staff with the same budget. (LED Manager, LEDA 2: 27 March 2017)

> LED is not a priority for municipalities. LED units always get residual funding. I mean, they get what is remaining from the budget. (CFO, LEDA 3: 22 March 2017)

This means that the funding problem was not necessarily solved because LEDAs depend on parent municipalities for operational grants. This is in addition to the inabilities of LEDAs to source funds for development. One official had this to say:

> For a long time LED has been neglected as a priority of local municipalities. The tendency has been to focus on the provision of basic services such as electricity, sanitation and water. But then government wanted to change all of this. If you go back to the constitution, local municipalities are required to play a role in promoting local economic development. (CEO, LEDA 2: 27 March 2017)

This resonates with Patterson's (2008) finding that most municipalities have failed to prioritise LED because they see service delivery as their main function, while Murray (2007) also found that local governments throughout the country do not take LED seriously. Hadingham (2008) further found that LED lacks political support and therefore ends up with limited resources. The funding uncertainties facing local government-led development can therefore be extended to LEDAs because their financial sustainability is questionable. This shows that the premise that LEDAs have the financial capacity to support LED initiatives is not entirely true in the context of South African LEDAs. It is not only South African LEDAs that face an uncertain future but Bateman (2014) found that LEDAs in Latin America are also in the same predicament. Lessons can thus be learned from the case study of Ixcán in Guatemala, where there was a dedicated credit fund for LED initiatives.

There is an over-arching idea presented in most research that LEDAs act as a link between the public and private sectors (Canzanelli, 2011; IDC, 2008a; Rogerson, 2010). Internationally, LEDAs are identified as structures that can successfully enhance economic development cooperation by integrating all stakeholders at the local level (Van Empel and Werna, 2010). This is also evident in Table 1, as LEDAs were created based on the assumption of bringing the private sector closer to the public sector. Although LEDAs are trying their best to link with the private sector, they face many challenges, including corruption and mistrust between the public and private sectors (Madumo, 2015; Rogerson, 2010). This means that mitigating the gap between the public and private sectors is still a challenge, as was noted by the private sector's reluctance to fund development projects. In relation to the premise of LEDAs being mechanisms that drive partnerships between different stakeholders, this is not entirely executed by development agencies because they are not involved in the IDP process (while IDPs are the dominant planning mechanism). The setback is that LEDAs are only utilised as implementing structures rather than development planning structures, as noted in the documents guiding the establishment of LEDAs (IDC, 2008a, 2008b, 2008c).

Some development agencies are in charge of consolidating their district growth plans; however, this only means that they integrate plans that they were not formally part of planning. Thus, the ability of LEDAs to bridge the gap between the public and private sectors is limited because LEDAs are only implementing structures and do not interact with other stakeholders in the planning phase. In addition to this problem, the work of LEDAs is further undermined by local government's culture of alienating non-governmental actors (Rogerson, 2003; Turok, 2010). Local government's sidelining of local stakeholders in development planning, such as in LED strategies and the failure of the participatory approach through IDPs, is undermining the creation of local solutions to local development challenges. For this reason, LEDAs cannot effectively mitigate the growing divide between the private and public sectors if they do not participate in the structures (LED strategies and IDPs) that cause alienation in the first place. For this reason, the efficiency of LEDAs in addressing the public–private divide can only be addressed if LEDAs become the main economic development planning structures.

Certain projects were found to have failed throughout the different development agencies, as shown below:

> We have failed projects that we have to write reports on and also write those projects off. We also have bio-fuel equipment that we have to auction (from the failed projects). I do not know much about the feasibility project behind it. There was a loss of about R6 million from that project. One example that comes to mind with the projects we had, we had a winery, bio-diesel plant. We are stuck with the equipment until a decision is made on whether we auction them or not. For now, we have to pay rent. (CFO, LEDA 1: 06 March 2017)

The main reasons behind the failure of projects were the inadequate scoping of projects, the project not having economic merit and a lack of funding:

> The triple challenges are not easy to address because the capacity to do so is not available at the local level, the capacity is at the national level. The projects mostly fail because of bad project scoping and improper feasibility studies because of a lack of capacity. (COGTA, Official 1: 17 March 2017)

It was also established that unfeasible projects, bad scoping and a lack of economic prospects undermine the chances of projects getting funding. Patterson (2008) observed that municipalities lack the needed capacity to drive the efficiency of LED, and that LED remains an unfunded mandate. Previously, the DBSA (2008) established an LED fund that was aimed at localities that lacked the capacity and funds to access grants that would see them capitalise on their local territory, as well as localities that lacked the institutional capacity to make a meaningful impact on their local economy. This funding ended, however, and we now see a continual failure to deal with the planning and funding of development projects. This means that the South African local government-led development landscape, particularly in rural and small town municipalities, is still facing major capacity challenges when it comes to planning for development. These challenges are only undermining the government's response to the triple challenges that plague South Africa.

It is evident that the roles and functions of development agencies are failing to address the reasons that led to the establishment of LEDAs in South Africa. In addition to this, the roles and functions are also failing to address the key failings of LED in South Africa. This is to say that the roles and functions given to development agencies do not allow them to address the key failings of LED in South Africa. This was seen in the assessment undertaken in this article, which has revealed that essential functions such as entrepreneurial development, SMME development and the development of strategies belongs to LED units instead of LEDAs. This is problematic because development agencies were established with the intention of carrying out some of these mandates, but the actual practice of LEDAs reveals that they are not equipped with the necessary roles to execute these mandates. As expressed by one official:

> To be honest, at the moment we are not there as the driver of economic development focusing on catalytic projects. We are taking the role of the district in LED. Your small projects, your poverty alleviation. Not the projects the entity has gone out to get funding to facilitate. But slowly we are getting there. We are still handling the issue of taking poverty alleviation projects back to the district municipality. (CEO, LEDA 2: 27 March 2017)

The continual failure to address LED challenges is therefore exacerbated by the lack of understanding of LED by municipalities and the control that municipalities have over LEDAs.

LEDAs will continue to be inefficient in fixing economic development failures because parent municipalities have failed to distinguish between LED units and LEDAs. The premise of the study was that LEDAs were established to address the failures of local government-led development, i.e. the failure of LED units to plan for development is part of the failure that has to be addressed through LEDAs. LEDAs have not been able to fix planning inefficiencies because they are limited to being implementation structures, with minor involvement in planning. LED units still carry the bulk of planning LED strategies, despite the lack of capacity to plan for development. The inefficiencies in planning structures are therefore responsible for the failure of projects, with the leading reasons being the inadequate scoping and design of projects with little or no economic impacts. The failure of projects to make significant impacts can be related to the fact that municipalities have hitherto failed to make a distinction between poverty alleviation projects and economic development projects that are supposed to yield economic spin-offs. The DBSA (2008) has also alluded to the planning ineffectiveness of local governments, which was found to be a factor in the failure of projects. For this reason, LEDAs only fix the implementing problem, whereas there are underlying issues such as planning that impact negatively on the prospects of projects.

Despite the broad consensus that the roles and functions that LEDAs play are sufficient in bringing about development to their regions, this view clashes with the results that the development agencies are producing. The findings suggest that LEDAs have been limited to mere economic development implementation structures that operate like municipalities due to the control that municipalities have over them. Since these LEDAs are established as municipal entities, they end up adopting a municipal cultural approach that is not development oriented. Nowhere is this more evident than in LEDAs being tasked with poverty alleviation projects instead of economic development projects. This suggests that LEDAs are not necessarily addressing the failure of municipalities to understand LED outside the implementation of projects. The reductionist view (reducing LED to project implementation) is therefore extended to LEDAs, because municipalities delegate roles and functions to LEDAs (as municipal entities) despite the municipalities having limited knowledge when it comes to economic development matters. For the above reasons, LEDAs have remained inefficient in addressing the lack of understanding of LED and local economics, which continues to plague local government-led development. The inefficiency of LEDAs in this regard can be blamed on the fact that municipalities have failed to strategically understand the importance of LEDAs in addressing economic development failures, limiting them to only implementing projects.

Conclusion

The efficiency of LEDAs is somewhat undermined by the fact that LEDAs were not introduced as institutions that have the appropriate legitimate mandate to represent the interests of different stakeholders, and at the same time the ability to bridge the gap between the interests of businesses, government and civil society. This legitimacy is seen as lying within local government, which therefore allocates roles and functions to development agencies. In the case of this article, the development agencies do not necessarily address the challenges of LED. In fact, to some extent, development agencies seem to be caught up in the very same problems that they were established to address. There is no place where this is more evident than in the premise that LEDAs have the financial capacity to support development initiatives in their territories, whereas evidence shows that LEDAs are dependent on parent municipalities for operational funding and have failed to be self-sustaining or to raise funds for development initiatives. The premise of LEDAs being economic development mechanisms that offer better expertise to LED is attested to by the capacity of LEDAs to implement projects. However, the expertise is also constrained because it is not being put to good use, for example, their planning incapacities impact on the success of projects because planning is vested in municipalities and not LEDAs.

The assessment of roles and functions revealed that even though the IDC model of development agencies tried to focus on best international practices, the adopted model somewhat neglected the LED experience in South Africa. The major roles of development agencies were designed around the implementation of projects and the promotion of the local territory; however, what was missed in the process was the designing of development agencies that fit international practice while representing the experiences of the South African local government-led development landscape. This is to say that the roles and functions of development agencies were supposed to be extended to cover the most prominent failures of LED in South Africa, namely the inability to plan for economic development, the lack of understanding of LED and insufficient LED funding, and not just the implementation and investment attraction problems. The failure to look into what LEDAs could do instead of what they should do has resulted in the ongoing failure of LED in municipalities. The crucial role that is also left unattended by LEDAs in South Africa is the support of local enterprises, both financially and non-financially; LED can only be achieved if support for SMMEs and enterprises exists.

Development agencies are supposed to be the backbone of LED all over the world, and were, in the South African context, formed to solve the growing problems of unemployment, poverty and inequality. The ineffectiveness of development agencies in South Africa is therefore a problem that should be addressed if the country's aspirations of ridding itself of the triple challenges are to be met. The role of development agencies in stimulating economic development cannot be looked at in isolation of the environments they function in, i.e. the success of development agencies depends on the environments and frameworks that they find themselves in. Among the many challenges facing LEDAs, the funding challenge and the lack of coordination across roles and functions are some of the most crucial issues concerning the failure of LED, which must be attended to.

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Note

1. The KwaZulu-Natal Economic Development, Tourism and Environmental Affairs department is embarking on a radical economic transformation agenda targeting the agricultural sector through the Radical Agrarian Socio-Economic Transformation (RASET) programme. For more info on the programme, see www.kzndard.gov.za/images/Agrarian-Transformation_Brochure_2015_2.pdf.

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