

**AN ANALYSIS OF TOOLS AND STRATEGIES USED TO PROMOTE LOCAL
ECONOMIC DEVELOPMENT IN MNQUMA LOCAL MUNICIPALITY**

BY

NOBULALI TSIPA

STUDENT NUMBER: 200804303

**A RESEARCH PROJECT SUBMITTED IN FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF ADMINISTRATION
(PUBLIC ADMINISTRATION BY RESEARCH)**



**IN THE FACULTY OF MANAGEMENT AND COMMERCE
AT THE UNIVERSITY OF FORT HARE**

SUPERVISOR: PROF EOC IJEOMA

DATE SUBMITTED: 03 February 2014

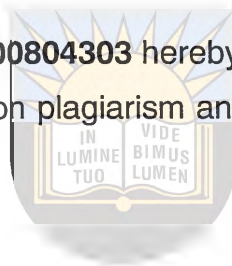
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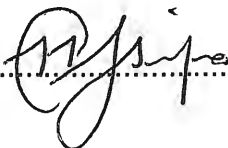


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ACKNOWLEDGEMENTS

I would like to express my gratitude to all the people who contributed in making this study possible. This includes my supervisor Prof EOC Ijeoma, the Department of Public Administration, the Faculty of Management and Commerce. I would also like to thank the participants of the Mngquma Local Municipality for allowing me to conduct my research in their Municipality.

I would like to thank my family, friends and colleagues for their support throughout the study and most of all I would like to thank God for making this research possible.



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LIST OF ACRONYMS

ADM	Amathole District Municipality
ANC	African National Congress
ASGISA	Accelerated Shared Growth Initiative for South Africa
CBO	Community – Based Organisations
CDI	City Development Index
DBSA	Development Bank of Southern Africa
DLG	Developmental Local Government
DLGTA	Department of Local Government and Traditional Affairs
EPWP	Expanded Public Works Programme
GDP	Gross Domestic Product
GDS	Growth and Development Strategy
GEAR	Growth, Employment and Redistribution
HDI	Human Development Index
HPI	Human Poverty Index
IDP	Integrated Development Planning
LDO	Land Development Objectives
LED	Local Economic Development
MDGS	Millennium Development Grant
MIG	Municipal Infrastructure Grant
NAMAC	National Manufacturing Advisory Centres
NEF	National Empowerment Fund

NGO	Non – Government Organisation
NSDP	National Spatial Development Perspective
PGDS	Provincial Growth and Development Strategies
PPP	Public/ Private Partnerships
RDP	Reconstruction Development Programme
SANPAD	South Africa – Netherlands Partnerships in Development
SEDA	Small Enterprise Development Agency
SMME	Small, Medium and Micro Enterprises
URP	Urban Renewal Programme



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Chapter 1

1.1. INTRODUCTION AND BACKGROUND OF THE STUDY

The South African government over the past decade has spent over a billion in development initiatives to alleviate poverty, develop its people and the infrastructure as well as skills development. All these initiatives are done to promote development in our citizens for a well-developed country for if the people of the country are development oriented then the country's economy can gain stability as income will be generated within the country and the active flow of money will be enhanced. The South African government therefore has tools and strategies in place to promote development and skills training for the people, especially those who live below the economy line.

South Africa is one of the African countries that were ruled by colonialists and has only gained its independence in the early 1990's. The country's first democratic elections were in the year 1994 where the African National Congress (ANC) was the first black political party to win the national elections and gained power. For the first time in many years of battleship and struggle the country was free from the hand of the oppressor. When the country gained its independence and a dispensation under the new Constitution came into place where the country changed the homeland system into provinces and then came up with the three spheres of government which refer to the National, Provincial and Local spheres of government.

Section 40(1) of the South African Constitution, 1996, states that in the Republic, government is constituted as national, provincial and local spheres of government, which are distinctive, interdependent and interrelated. Section 40(2) further states that all spheres of government must observe and adhere to the principles in this chapter and must conduct their activities within the parameters that the chapter provides. This refers to chapter three of the Constitution of South Africa 1996, the chapter focuses on co-operative government and puts emphasis on the relations of the spheres of government and how these spheres may operate to their level best. The principles enshrined in this chapter promote good relations between these spheres and the citizens.

Section C of the White Paper on Developmental Local Government, 1998, looks at local government within the South African governmental system and outlines the roles and responsibilities of national and provincial government with respect to local government. All spheres of government need to adhere to the principles of co-operative governance that are outlined in the 1996 Constitution of the Republic. Co-operative draws the link and independence between these spheres of government. For this research emphasis will be made up the local sphere of government. The local government is the sphere of government that is made up of municipalities and these municipalities work close with the people in trying to redress issues and to overcome the loss of the communities through the apartheid regime.

During this time of presidency, the former South African president Dr Nelson Mandela introduced the Reconstruction Development Programme (RDP), which was aimed at developing and restructuring communities. The RDP was vested in municipalities as they work closely with the communities and their people. The municipalities are mainly governed by community people to address their community needs. Councilors in municipalities are community representatives as they are there to service their people. Act No 117 of 1998 Sec 22 (1) of the municipal structures act states that the council of a metropolitan or local municipality consists of councilors elected in accordance with schedule 1(a) by voters registered on that municipality's segment of the national common voters roll, to proportionally represent the parties contested the election in the municipality.

These municipal councilors are elected to present the community at large in that area and to be the eyes and the ears of the citizens. Councilors and municipal officials are responsible for the implementation of policies and to ensure service delivery to the people of the municipal community which development oriented. These refer to tools and strategies such as the Local Economic Development (LED), Developmental Local Government (DLG), Reconstruction Development Programme (RDP), Integrated Developmental Planning (IDP) and some other implemented tools and strategies that are used by the municipalities in South Africa for an effective and efficient delivery of services.

This study seeks to analyse the implementation of tools and strategies that are used to promote Local Economic Development in the Mnquma Local Municipality which

falls under the Amathole District Municipality in the Eastern Cape. The study will look at how development is achieved in Local government through the implementation of these tools. Chapter five (5) of the local government structures act 1998 looks at the functions and powers of municipalities, whereas section 83(3) states that a district municipality must seek to achieve the integrated, sustainable and equitable social and economic development planning for the district as a whole, it also states that by promoting the equitable distribution of resources between the local municipal area to ensure appropriate levels of municipal services within the area. These are duties vested in the municipal powers to perform for better delivery of services and for the development of citizens by infrastructure or by economic development.

A municipality can make this possible by creating employment opportunities for its people by inviting companies to open and run businesses in their area; this will therefore enhance the municipality's investment plans and strategies which will enhance growth in their economies. It can also develop its people by providing basic skills development training so as to improve their knowledge and skills to provide services to the investors. This will help these citizens to acquire skills that will increase their performance levels at work.

In some parts of South Africa especially in the Eastern Cape people lack the basic skills and the basic education to have the essential knowledge for development. Initiatives to try and address the development issues are needed as they will help to alleviate poverty as the people will be equipped with the basic knowledge of the opportunities at hand for them to access. Local Economic Development seeks to address these community needs which are based on the development of the people in municipalities as it is largely vested in the municipalities as they work together and closer to the people.

1.2. STATEMENT OF THE PROBLEM

The South African Department of Local Government and Traditional Affairs (DLGTA) has in the past years since independence struggled to develop its people and to maintain development initiatives. The policies and strategies are there but failure is in the implementation of these policies. In the year 2010 the department came up

with the turnaround strategy which seeks to address the failure in the local government department.

Local Economic Development strategies are not implemented effectively to react to the problems mentioned above. The above observations reveal that growth is concentrated in Buffalo City and in the Nelson Mandela Metropolitan municipalities. As a result of this spatially distorted and uneven development, investment patterns are observed to be directed towards East London and Port Elizabeth. This pattern is often an illustration of people's reaction to what is commonly referred to as push factors. This trend brings to the fore a question of: **WHAT ARE THE TOOLS AND STRATEGIES USED TO PROMOTE LOCAL ECONOMIC DEVELOPMENT IN THE MNQUMA MUNICIPALITY AND HOW EFFECTIVE ARE THEY?**

1.3. RESEARCH QUESTIONS



- What are the challenges faced by the municipality in meeting its development mandate?
- What are the problems or challenges facing the ADM in terms of its service delivery to the people?
- How is public participation encouraged by the municipality to enforce a collective effort towards the realisation of a Developmental Local Government?
- Does the municipality follow the basic guidelines on “developing a LED strategy”?

1.4. OBJECTIVES OF THE STUDY

- Find out the Local Economic Development strategies used by Mngquma Local Municipality and how sustainable these strategies are.
- The study seeks to analyze initiatives taken by the municipality to meeting its development mandate.
- The study seeks to bring out the challenges faced by the municipality to meet its development goals.
- The study seeks to evaluate the level of people's participation in the development initiatives of the municipality.

- Recommend how Mngquma Local Municipality can address the challenges of uneven development through Local Economic Development and progress as a Developmental Local Government.

1.5. THE SIGNIFICANCE OF THE STUDY

Local government plays an important role in promoting job creation and boosting the local economy. In providing good quality cost- effective services and by making the local area a pleasant place to live and work in, the municipality will have made a good start to sustainable local economic development. Municipalities could play the leading role and should ensure economic advancement in their areas of jurisdiction. In essence a municipal entity is responsible for improving local economies by the creation of employment; hence poverty alleviation strategies are employed.

The study stands to contribute to the search for effective implementation of development initiatives in the local government sphere. Local government is the sphere of government that works close to the people and needs to include the people in its activities, so the study will contribute to finding possible ways of strengthening local government. The study seeks to unpack challenges facing the municipality in achieving its development mandates. The work will also attempt to proffer possible ways of improving service delivery and development in the local government.

Furthermore it is important in its attempt to establish how effective the LED strategy employed by Amathole District Municipality (ADM) is in reducing poverty in its area. It is anticipated that the findings of the research will assist ADM in promoting LED and the implementation of developmental policies which could be used as strategic frameworks designed to serve as a guide in all departments, thereby leading to sustainable development and effective service delivery. It is also anticipated that the results of the study will assist the management officials in ADM to identify and rectify weaknesses in promoting local economic development strategy.

1.6. ETHICAL CONSIDERATIONS

Ethical behaviour is an intergral part of research. This study will abide by the code of ethics prescribed by the University of Fort Hare. Every research work involving human subjects or animals should be carried out in accordance with high ethical standards. This is done with the aim of protecting the dignity and privacy of every individual who, in the course of the research work, will be requested to provide personal or commercially valuable information about him/herself or others.

Before an individual becomes a subject of research, he/she shall be notified of:

- the aims, methods, anticipated benefits and potential hazards of the research;
- his/her right to abstain from participation in the research and his/her right to terminate at any time his/her participation; and
- the confidential nature of his/her replies.

No pressure or inducement of any kind shall be applied to encourage an individual to become a subject of research. An individual will participate in a research at his/her own consent. The identity of individuals from whom information is obtained in the course of the research shall be kept strictly confidential. No information revealing the identity of any individual shall be included in the final report unless the individual concerned has, beforehand, consented in writing to its inclusion. The researcher must explain the experiment and the results to the subjects afterwards.

1.7. DEFINITION OF TERMS

As this study concerns some concepts and terms, which could have different interpretations, it is important that they are defined according to the context in which they should be understood through the course of this study.

1.7.1. Local Economic Development

LED is an outcome based on local initiative and driven by local stakeholders. Blakely (1994:16) further defines LED as a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each-other, to create new jobs and

stimulate economic activity in an economic area. In other words, it involves identifying and using primarily local resources, ideas and skills to stimulate economic growth and development. The aim of LED is to create employment opportunities for local residents, alleviate poverty and redistribute resources and opportunities to the benefit of all local residents.

1.7.2. Local Government

Local government is that sphere of government, which is closest to the people and is in a better position to satisfy the needs, desires and aspirations of local communities. According to Ismail et al. (1997:2), "...local government is that level of government which is commonly defined as a decentralized representative institution with general and specific powers devolved to it by a higher tier of government (central or provincial) within a geographically defined area". Du Toit and Van der Waldt (1997:240) state that local government in South Africa is: -

- established according to law by the central government for the residents of a particular area;
- an institution having the jurisdiction to exercise authority in an area legally demarcated by a competent authority;
- an autonomous body which has powers and authority, within the limits of legislation by the central and relevant provincial governments within its area of jurisdiction and to promote its well-being; and
- A government which occupies the lowest level of the government hierarchy.

1.7.3. Developmental Local Government

White Paper on Local Government, 1998 defines Developmental Local Government as "...local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives". For it to be meaningful, it should especially target those members and groups within communities that are most often marginalized or excluded, such as women, disabled people and very poor people.

1.7.4. Municipal Service Partnerships

Municipal Services Partnerships are arrangements between local government and private sector entities aimed at providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners, Van Niekerk (1998:32).

1.7.5. Poverty Alleviation

Poverty alleviation is any process, which seeks to reduce the level of poverty in a community, or amongst a group of people or countries (UNDP, 2002).

1.7.6. Integrated Development Planning (IDP)

Integrated Development Planning is defined as an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development. It is a super plan for the area that gives the overall framework for development. It aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in an area.

It should take into account the existing conditions and problems and resources available for development. The plan should look at economic and social development of the area as a whole (<http://www.etu.org.za>).

1.7.7. Sustainable Development

The Human Development Report of South Africa (2003:2) defines sustainable development as development that meets the needs of the present without jeopardizing the ability of the future generations to meet their own. Choucri (2007:12) extends this definition by further explaining that, it is “the process of meeting the needs of the current and future generations without undermining the resilience of the life-supporting properties of nature and the integrity and security of social systems”.

1.7.8. Rural Development

Rural Development refers to the development that benefits rural populations, where development is understood as the *sustained* improvement of the population's standards of living or welfare (Anríquez & Stamoulis, 2007).

1.7.9. Poverty

Poverty is multi-dimensional and must be seen as more than a lack of income; it is primarily characterized by a lack of access to opportunities for a sustainable livelihood (income, assets, skills, knowledge, self-confidence and access to decision-making).

1.8. OUTLINE OF THE STUDY



This research project is made up of 5 chapters and is conducted for a period of two years which commences from the 2012 academic year and will be concluded by November 2013, the chapters are presented as follows:

Chapter 1 is the general introduction, motivation and orientation to the study. It provides background information on the study, explains the problem which the study seeks to address. Furthermore, it covers the objectives, rationale and significance of pursuing the study. Lastly, it indicates the delimitations and ethical considerations central to this study.

Chapter 2 reviews literature. It provides the theoretical basis that informs the study. This chapter reviews literature on the concept of Local Economic Development, the legislative framework from which it emerges and strategies used to promote sustainable Local Economic Development. The history of small towns will also be a focus point as well as their relation with rural development and development issues. A deep insight on Developmental Local Government will be made. Furthermore, the chapter discusses and locates LED within the domain of Public Administration.

Chapter 3 focuses on research methodology and design. It provides an exposition of the methodological approaches used to acquire data for analysis. In addition, it justifies why the chosen research design, techniques, target population and samples

are appropriate for the study. The ethical considerations are expounded and data analysis techniques discussed and justified.

Chapter 4 presents the findings of the study. It mainly focuses on the presentation, the analysis of and the interpretation of the collected data.

In **Chapter 5**, an overview of the findings is provided against the background of the research problem and objectives of the study. Finally, it concludes and makes recommendations from the outcomes obtained in the process of conducting the study.



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Chapter 2

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

The first chapter introduced the study, its background and context, the research problem, the research questions, research objectives and the significance of investigating, training and development in Mngquma Municipality. Chapter one concluded by delimiting the study and clarifying concepts by defining them within the context of this study.

This chapter provides literature review on training and development. Aitchson (1998: 58) defines literature review as a systematic search of published work to find out what is already known about the intended research topic and its purpose is to establish the need for the research. It also serves the purpose of familiarizing the researcher with the latest developments in the area of study. De Vos, Strydom, Founche and Delport (2005:123) argue that a review of literature is aimed at contributing towards a clearer understanding of the nature and meaning of the problem that has been identified.

For this reason, the purpose of this chapter is to provide an analysis of the relationship between the concepts, provide an explanation of local economic development and public administration. Further to this, the chapter explains the nature and place of development in public administration, the need and importance of development. Furthermore, it provides an overview legislative framework in South Africa and concludes by providing an overview of the role of learning theories as applied to local economic development.

2.2. PUBLIC ADMINISTRATION IN CONTEXT.

Public Administration as a discipline follows the six generic functions by Cloete. These functions include the following policy-making, organizing, financing, staffing,

determining of work procedures, and control. These functions are as well applied and applicable in public administration as an activity. The assignment focuses on the assessment of tools and strategies to promote Local Economic Development (LED) in Mngquma local municipality. If this municipality can apply these functions the levels of service delivery will be increased and development standards will be set high.

Public administration seeks to bring out public servants that are equitable and that are willing to work together with the citizens for a better delivery of public services. This enables unity and development among citizens. De Visser (2005:11) states that development brings freedom, provided it is development of the people. But people cannot be developed they can only develop themselves. The developmental local government is there to foresee that people are developed and if they develop and to look at the level of their participation in the development initiatives in the local municipality. De Visser (2005:10) states that the most straightforward and recognizable element of development is the satisfaction on material needs; the improvement of a standard of living and the reduction of absolute poverty. The development initiative in public administration is also assembled by Local Economic Development (LED).

This initiative seeks to find development ways at the local level that will develop citizens economically. Local government can play an important role in promoting job creation and boosting the local economy. Investing in the basics by providing good quality cost effective services and by making the local area a pleasant place to live and work is the key starting point. However, two other types of initiatives that are important which are:-Reviewing existing policies and procedures to promote local economic development and Provision of special economic services (White Paper 1998).

Developmental local government means a local government committed to work with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives. It should target especially those members and groups within communities that are most often marginalized or excluded, such as women, disabled people and very poor people (White Paper, 1998). Developmental local government has certain characteristics within it that seek to address the main goals and objectives of the development

initiatives such as Maximizing social development and economic growth, Integrating and coordinating, Democratizing development, and Leading and learning. All these characteristics maintain the development strategies in the local municipalities.

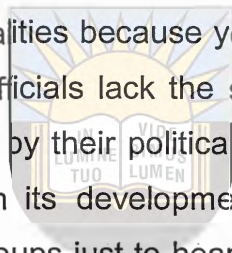
The White Paper states that local government must play a "developmental role". The Constitution states that government must take reasonable steps, within available resources, to ensure that all South Africans have access to adequate housing, health care, education, food, water and social security (www.etu.org.za). There are founding principles of development that comply with the development initiatives in local government. These principles are provided in the local government white paper and they are the Eight Batho Pele principles. These principles are to ensure that local authorities put people first and work together with them for their development. They are access, redress, openness and transparency, courtesy, accountability, value for money, service standards and information. To achieve developmental outcomes will require significant changes in the way local government works. This section of the paper puts forward three interrelated approaches which can assist municipalities to become more developmental they are Integrated development planning and budgeting, Performance management, Working together with local citizens and partners. The Local Government Transition Act (Second Amendment Act) requires municipalities to produce integrated development plans. Municipalities should see the development of land development objectives as part of their integrated development plans, and not as a separate planning process (www.etu.org.za).

Integrated development planning as stated in the local government whitepaper that it is part of the development strategies that have been set by government to address its development initiatives in the local government sphere.

Section 3.2 of the local government white paper states that integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. It will enable them to focus on priorities within an increasingly complex and diverse set of demands. It will enable them to direct resource allocations and institutional systems to a new set of development objectives (www.info.gov.za).

Municipalities should develop mechanisms to ensure citizen participation in policy initiation and formulation, and the monitoring and evaluation of decision-making and implementation. Participation of the citizens is thus vital in the development initiatives as they are the main focus in the development area and service delivery. The main focus of the local government is working together with the citizens to address their community based needs. There are things that cripple the service delivery such as political interference for example during elections service delivery is delayed or services are not even rendered as municipal officials are busy manifesting for the coming elections.

The human resource challenges within the municipality also play a major role in crippling service delivery in municipalities because you find that some municipalities are under staffed or if not so the officials lack the skills to perform their duties as some of the are politically deployed by their political parties. These challenges can be dealt with if the municipality in its development initiatives involves the civil organizations and the community groups just to hear their input on the development matters and involving them in decision making.



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The municipal planning initiatives to enhancing developmental local government can therefore be addressed by looking at the participation of relevant stakeholders in local government development initiatives and also connecting or making a link between Developmental local government, Integrated development planning and Local economic development. All these policies are aimed at developing the local sphere of government as it is the only sphere of government that works together with the people and providing them with basic services such as roads, housing, water, electricity, education, sanitation and other necessities.

2.3. LOCAL ECONOMIC DEVELOPMENT AND POVERTY.

As in many other countries, South Africa is also struggling with the concept of LED. There is no consensus what LED is and what it is not. LED is often the new buzz word used in place of community development, poverty reduction, SMME promotion, regional planning or local development in general (including social development, health, education etc.). This leaves the actors at local and district municipality level

confused and unable to develop and implement an effective and efficient LED strategy.

Frequently, the discussions around LED are also characterized by the real or perceived conflict between a focus on poverty alleviation within poor communities and a focus on the competitive advantage of the local economy as a whole. Moreover, the relationship between LED and the very elaborate integrated development planning (IDP) process is unclear.

Through the Accelerated Shared Growth Initiative for South Africa (ASGISA), launched by the Presidency in 2006, government is committed to reducing unemployment and poverty by half in the second decade of democracy. This requires an economic growth rate of around 4.5 per cent between 2005 and 2009 and an average rate of about 6 per cent between 2010 and 2014. ASGISA was initiated to promote economic sector development strategies while still focusing on efforts to include the marginalised poor in the broad economy, and to improve services in all three spheres of government in order to halve unemployment by 2014. Much has been set in place at the macroeconomic level to achieve this and although there is still work to be done at the national level, far greater challenges need to be addressed at the local level. However, it is important to note, that LED is part of the five national priority goals set down by the South African government's 5 Year Local Government Strategic Agenda (2006/2011), which are:

- effective and functional local government
- financially sustainable municipalities
- improved infrastructure and services
- improved resilience and vibrancy of local economies and
- Strengthened local democracy.

LED Policy and guidelines are therefore well documented at national level yet the issue of funding for LED remains a matter to be addressed. LED is not yet well embedded in municipal practice, which is shown in many cases by the limited funds allocated to LED by municipalities, and the lack of impact of interventions. Although financial support for LED can be derived from a wide range of sources, a key

difficulty is that the municipality or local development agency often lacks adequate, locally available funds and competencies to drive the LED process independently.

The compartmentalization of economic development and lack of coherence is a significant problem. There are pro-poor statements in the policies of many municipalities, but this is often not translated into significant LED budgets, nor the actions of other municipal departments. This impedes the overall scale and impact of council LED policies. In addition, there is an apparent failure to link line function interventions or national government-funded projects explicitly into LED e.g. housing construction and infrastructure. The varying size of LED units, the presence or absence of professional staff and resource differences creates a very diverse profile in terms of what exists and also in terms of actual impact.



2.3.1. POVERTY

There have been wide divergence in the interpretation of poverty and quite distinct schools of thought have emerged, hence, defining it becomes very difficult, because even though it is a widely used concept, its definition is highly contested. In this regard, the word poverty can be considered to have a cluster of different overlapping meanings, depending on which subject area or discourse is being examined.

According to Donnison (1982:125) poverty means a standard of living so low that it excludes people from the community in which they live. This definition emphasizes the material aspects of poverty, which is a characteristic of one school of thought regarding poverty. In line with this view, the World Bank (1990:26) defines poverty as the inability to attain a minimal material standard of living. Other scholars emerged with the view that the foundation of the definition of poverty is divided into two approaches, namely, the relative approach and the absolute approach. This shows that their argument are based on the notion that people are poor in relation to the community or society in which they live and others look at it from the viewpoint of deprivation or the lack of sufficient income to satisfy basic needs.

Other scholars tend to argue that its meaning tends to be culture bound as well as ideologically contrasting. To Mokate (1999:187) it is a multi-faceted concept which

embraces not only insufficient levels of income but a lack of access to essential services such as education, water and Sanitation, health care, housing insufficient resources and vulnerability to social, political, environmental and economic shocks. Individuals and households become vulnerable because they lack the assets or combination of assets that can enable them to cope or manage the negative aspects of external shocks. In this regard poverty can be seen as a certain level of material deprivation below which an individual suffers physically, emotionally and socially.

2.4. DEVELOPMENT

Erasmus and Van Dyk (1999:3) contextualize development in a broader perspective in which emphasis is placed on employee development rather than the development of a particular individual. Development occurs when ongoing learning opportunities are created so that employees can improve and maintain high levels of performance. Van Dyk *et al* (2001:148) write that, development is aimed at employees serving in a managerial capacity or preparing for managerial posts within the organization. It is essentially directed towards preparing supervisory and managerial personnel for subsequent levels of management.

Hence, it can be seen as a process by which managers obtain the necessary experience, skills, and attitudes to become or to remain successful leaders in their organization. DeCenzo and Robbins (1994:255) suggest that development should focus on future jobs in the organization. As the individual career progresses new skills and abilities are required to keep abreast with the new developments in technological, economic, political, legislative and social fields as well as personnel management practices.

2.5. DEVELOPMENT IN SOUTH AFRICAN CONTEXT

Until 1994 South Africa was ruled by the white minority governments imposed during more than three and a half centuries of first colonial, then apartheid rule. This form of rule disadvantaged many South African communities as it divided the communities into ethnic groups and cut off any ties these groups had. Many people were oppressed by this rule as people were divided according to race, ethnicity nor

religion. There was no unity among people as they were pointing each other out. South Africa got independent in 1990 and after the 1994 democratic elections the African National Congress (ANC) won the majority votes and was the first black political party to win elections and Nelson Mandela became the first black president.

The government that came to power in South Africa in 1994 inherited the economic and social legacies of apartheid. It was faced with a large pool of unskilled and unemployed labor acute and widespread of poverty and poor access to education, health and other basic public amenities for a large majority of the population (Nowak & Ricci, 2005:1).

South Africa then had a mandate to develop or come up with strategies that will be used to alleviate poverty and improve the lives of the people for better and to improve their living conditions so as to access all basic resources they are entitled to as the constitution states. Section 27 (1) of the Constitution of South Africa 1996 states that everyone has the right to have access to health care services, including reproductive health care; sufficient food and water; and social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.

The government has to engage in initiatives to provide these resources to the communities at large. South Africa has made major strides in raising economic growth and the living standards of its population. Between 1995 and 2003 the Gross Domestic Product (GDP) grew at an average of nearly 3 percent, which was about double the growth rate recorded between 1980 and 1994 (Nowak et.al.,2005:2).

Development is a notion that “development is purely an economic phenomenon in which rapid gains from the overall growth of Gross National Product (GNP) and income per capita would automatically bring benefits to the masses in the form of jobs and other economic opportunities” (Smith and Todaro, 2003: 812).

2.6. THE NATURE AND EXTENT OF LOCAL ECONOMIC DEVELOPMENT (LED) FROM SOUTH AFRICAN PERSPECTIVE

Local government in South Africa is the most critical institution that can be a leading force in terms of facilitation, coordination and monitoring. Hence it must play a

developmental role. The White Paper on Local Government (1998) defines "developmental local government" as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives. Therefore local government must put local economic development at the centre of development and make a favourable environment for local economies to grow if it is to succeed in achieving what is described in the White Paper.

In the African context Helmsing and Egziabher (2005:1) consider LED to be a process in which partnerships between local governments, NGOs, community-based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory. Moreover, LED initiatives mobilize actors, organizations and resources; develop new institutions and local systems through dialogue and strategic actions (Helmsing and Egziabher, 2005: 1). South African LED has also evolved like in many other countries in terms of realizing its LED's aims and objectives. Bond (2003:1019) writes that the LED approach in South Africa was instigated as a response to apartheid legacy. Hence, it is viewed as a mandatory task of local government .This shows that Since 1994 LED has emerged as a central facet of policy and planning for both urban and rural development (Nel, 2001:1015).

According to Pieterse (2006:1) the concept of LED has been part of the local government debate for at least a decade, and formally part of local government's responsibility since the Local Government Transition Act of 1994.This shows that the precise scope of LED has been the subject of much contested debate. Most analysts view it as a process in which partnerships are forged between local governments, the private sector and the community based groups to create jobs, manage existing resources and stimulate the economy of a well defined territory (Helmsing, 2001:280). In support of this, the World Bank (2003:1) ascertains that the focal point of LED in the community is on possible and appropriate strategies that local stakeholders can employ to ensure that the community attains its objectives. It is in this regard that Van der Waldt (2007:134) points out that LED's purpose is to build and strengthen the economic capacity of a local area in order to improve its economic future and the quality of life for all its citizens.

According to the report by Rhodes University, The Human Science Research Council and the University of the Free State (RU, HSRC& UFS, and 2003:12) in South Africa, LED tends to have a more distinctive pro-poor orientation and the degree of national state endorsement of local-level action is particularly noteworthy. Tomlinson (2003:119) reveals that there are differences of opinion between government departments as to what local development should focus on. For instance, the Department of Trade and Industry agrees with this view and supports business and job creation while the Department of Provincial and Local Government however stresses the need to focus on the idea of pro-poor development (Tomlinson, 2003:118). In this regard some local stakeholders consider local development to be a process whereby the local business environment would be strengthened through improved access to credit and tax incentives, while others claimed that it should focus on sustainable livelihood and poverty alleviation.

2.6.1. Reasons for the Emergence of LED in South Africa

As the post-apartheid government found itself trapped in the oppressions of the apartheid government, the new developmental expectation placed on the local government came as a result of series of interrelated contextual and policy considerations that where to redress the racial imbalances caused by the apartheid policies. Hence, there was need to develop some ways to advance social, economic and political development in the country. These considerations according to ANC (1994:8) included:

Firstly, the country's unemployment crisis became a matter of serious concern. This situation necessitated a quest for innovative employment generation initiatives to alleviate poverty especially at local government level. In addition, Blakely (1994:49) writes that the emergence of LED is important because it is regarded as a mechanism for achieving the development of human resources, improving municipal services and facilities, building new institutions for sustainable development and linking the developed and undeveloped areas.

Secondly, local government got mandated in terms of the national constitution to promote social and economic development marking a departure from the traditional service-oriented local government. The White Paper on Local Government, 1998,

then introduced the concept of developmental local government, which is committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and to improve quality of their lives (ANC, 1994:8)

Thirdly, the principle of devolution of power to local government and communities implied or reinforced popular participation in local affairs and development. In terms of the Redistribution and Development programme, development was not about the delivery of goods and services to a passive citizenry. It is about active involvement and empowerment of the citizens in matters that affect their lives in economical, social or political terms, (ANC, 1994:8). In terms of the Growth, Employment and Redistribution, government needed to pro-actively lay the basis for market-driven economic expansion and growth. This strategy detailed the role of government as to facilitate market expansion emphasizing that local government has a key role in stimulating local economic development.

Finally, the fact that local government's status developed through a commitment to the principle that is not merely the lowest tier of government but rather a distinctive sphere occupying a unique and important position. Such principles are spelt out in the Constitution of the Republic of South Africa, 1996 and reinforced in the White Paper on Local Government, 1998 that government in South Africa is constituted as national, provincial and local spheres, which are distinctive, interdependent and interrelated. This meant that local government is a sphere of government on its own right and not some function of national or provincial government, hence, it plays an integral role in economic development especially at local level (ANC, 1994:8).

2.7. LOCAL ECONOMIC DEVELOPMENT (LED) IN PRACTICE

The policy shifts detailed in the previous section and democratisation that took place in South Africa has led to the emergence of a number of initiatives which are evidenced in the activities of government, Community-based Organisations (CBOs), Non-government Organisations (NGOs), and foreign donor agencies that support LED in South Africa. While there are a number of successful community-based and public-sector driven examples of LED initiatives on the ground which have a

significant impact on the relevant local economies, the following section provides a brief outline to some examples of strategic support to LED provided by national and international NGO's and through various departments of the South African government. While there are many more than these examples of strategic support to local economic development in South Africa, the following have been chosen due to their strategic relevance.

2.7.1. THE PURPOSE OF LOCAL ECONOMIC DEVELOPMENT

Malefane (2009:160) states that the purpose of LED is to build up the economic capacity of a local area to improve its economic future. Malefane (2009:156-157) further argue that Local Economic Development seeks to address "inherited inadequacies and the failure of apartheid policies, and to effectively facilitate equitable economic growth and social development". For Local Economic Development to be attained in a meaningful manner, a number of steps need to be taken. These will be discussed below.

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2.7.2. STEPS OF LOCAL ECONOMIC DEVELOPMENT

Meiring (2008:19) describe a process as a "course of action which consists of various consecutive related steps (a series of events), which form a recognisable pattern and which appear so often that the same pattern repeats itself". According to (www.devplan.kzntl.gov.za), Local Economic Development consists of seven (7) interrelated steps, these include:

- Allocating responsibility: - there are five ways of doing this depending on what role the municipality wishes to play. Municipalities have different roles in Local Economic Development. These include the roles of:
 - Facilitator- municipalities create a conducive environment for Local Economic Development, for example through town planning, land use planning and management, provision of roads and infrastructure, signage, enhancing safety and security, attracting development

funding, streamlining the regulatory environment, collating and interpreting economic information, policy and strategy formulation.

- Coordinator- municipality devise the IDP in consultation with their communities.
- Enabler- municipalities facilitate arrangements for local people to get expert assistance and support, information and advice, training (or access or referral to training) and assistance with business planning.
- Stimulator- municipality stimulate businesses to grow and expand by, for example, giving incentives like small business grants or tax concessions (tax holidays). Another way of doing this is by providing premises at low rent.
- Developer- municipalities provide basic infrastructure to stimulate private sector development, e.g. energy supplies, water, roads, sewers, etc.
- Engaging stakeholders- stakeholders constitute all the key people who are knowledgeable about the locality, or who can contribute useful information about its needs and opportunities to encourage economic development.
- Gathering information and data- it is critical to gather as much data about the local economy as possible from as many relevant groups in the community as possible.
- Involving the public- the process should be as inclusive as possible. It is therefore, imperative to encourage the broader community to get involved in LED planning, and to become aware of the issues and possibilities, and what the municipality is aiming to achieve. This may take the form of community forums.
- Analyse the information- after consulting and getting information from the stakeholders, the information can be analysed to come up with ways to achieve short-term, medium-term and long term economic goals.
- Develop the action plan- this is important as it informs the process of deciding which ideas will yield the greatest benefits quickly.

- Monitor the progress- stakeholder partners in the LED process will lose interest if they see no sign of improvement, so it is important to put in place a process to regularly check on progress.

Local Economic Development employs various strategies that are geared towards achieving sustainable local economic development. The Local Economic Development Policy paper (June 2001) identifies LED strategies that municipalities can adopt in order to achieve the developmental outcomes of poverty reduction, job creation, broadening local economies, and the redistribution of incomes (Councillor Book for LED, 2003: 17). These will be discussed in section 2.15.

Maximising Social Development and Economic Growth Social development is concerned with the provision of basic services such as water and electricity to ensure that the members of the local communities maintain at a minimum standard of living. Municipalities can also promote social development through arts and culture, the provision of recreational and community facilities, and the delivery of social services. To achieve economic growth, municipalities should play an active role in guiding local economic development by mobilising the available resources and directing them toward the realisation of the local government development goals. This could be achieved through local economic development (LED) strategies to support small-, medium-, and micro-enterprise development and business retention, expansion and attraction (International Republican Institute and National Business Initiative, 1998, p. 7). Local economic development fosters economic growth, encourages economic empowerment and brings economic transformation. It is about equity, distribution of wealth, the harnessing of resources and the capacity to produce commodities and services (Ekurhuleni Metropolitan Municipality, 2003).

It should also be noted that it is not the direct responsibility of local government to ensure job creation. Job creation falls within the ambit of mainly the national sphere of government. However, municipalities are responsible for ensuring local economic and social conditions that are conducive to the creation of employment opportunities. In this regard it is generally accepted that the provision of basic household infrastructure forms the central basis for ensuring social and economic development (White Paper on Local Government, 1998, p. 39).

2.8. THEORETICAL FRAMEWORK FOR LOCAL ECONOMIC DEVELOPMENT

The issue of poverty eradication within the communities has brought the need for the various theories and strategies of development and any theory if it ignores this basic fact then it is not an intended theory of poverty eradication or development in reality (Gedam,1989:26). They are various theories underpinning LED as a mechanism for poverty alleviation. However, the study focuses development theory specifically, the neo-development theory. Bond (2003:1005) writes that theories of development are used since LED offers no comprehensive model to follow comfortably. Hence, this study is underpinned by the neo-development theory in relation to LED as a mechanism for poverty alleviation.

2.8.1. The Neo-Development Theory

Development is a highly contested concept; it assumes various definitions depending on what concept of development is emphasized (Willis, 2005:56). This ranges from economic, human, basic needs to sustainability approaches. Other scholars such as Sen (1999:125) argue that the purpose of development is to reduce poverty, inequality, and unemployment. For Sen (1999:130), development involves reducing deprivation or broadening choice. Hence, it has been viewed as a multi-dimensional process involving major changes in social structures, economic structures, popular attitudes and a national condition of life from unsatisfactory to satisfactory (Todaro 2000:210). In essence development is improving or the betterment of a particular entity through reorganization and reorientation.

The neo-development theory according to Gedam, (1989:41) indicates the development of the poor; it emphasizes the centrality of local socio-economic and institutional landscapes in driving development outcomes. The essence of neo-development theory is that of involving the poorest of the poors in the whole process of development and growth by making available at the government expense the expertise needed to improve development at the grass-root level. Hence, it means activating the dead economy of the each and every village by suitable mechanism (Gedam, 1989:54). The neo-development takes into account the criterion of link between manufacturing in the villages with that of the medium scale and large scale industry in its vicinity, providing the technically educated people in the villages at government expense. Stiglitz (1998) emphasized that neo-development theory

should be shown as the improvement of people's status, and development goals should include education, health, and environment protection.

2.9. INTERNATIONAL OVERVIEW OF LOCAL ECONOMIC DEVELOPMENT (LED)

Local economic development (LED) has been actively pursued due to its virtues. These virtues include promotion of sustainability, participation, poverty alleviation, competitiveness and decentralization (Canzanelli, 2001:90). According to Nel (2001:1006) the causes for the emergence of the LED in the North are not totally dissimilar to LED stimulants that have been experienced in the South. The major factor that constitutes any significant difference is that these trends took place at different rates. The impact of globalization and global economic crisis played a fundamental role in instituting local economic initiatives across the globe (Taylor and Mackenzie, 1992:133). Nevertheless LED has not always produced the desired outcomes, thus results have been mixed.

LED has been implemented in many countries, but with different approaches and focuses. Therefore, it is important to reflect on the history, stages or phases of LED. These phases were influenced by different socio-economic factors that prevailed at a particular time. According to the World Bank (2001:14), LED has undergone three phases since the 1960s. During the first phase, that is, 1960 – 1980, LED focused on mobile manufacturing investment, attracting outside investment. Hard infrastructure investment was used as an instrument to enhance LED. It involves investing on improving the physical environment for businesses such that it becomes attractive for business retention, expansion as well as recruitment.

Moreover, the focus was also on building or improving access to roads, airports, railways for passengers and goods and services, industrial sites and buildings. The strategies that were used to attract investors or to achieve LED objectives during this time include providing grants, subsidised loans and tax concessions and making use of expensive industrial recruitment techniques.

During the second phase, from the 1980s to the mid-1990s, the focus shifted towards the retention and expansion of existing local businesses, as well as inward investment. The attraction of inward investment was still emphasized as one of the important focuses in terms of LED. However, specific preferences were given to specific geographic areas. This was achieved through direct payments to individual businesses, business incubators, advisory and training services, technical and business start-up support, as well as the provision of hard and soft infrastructure (World Bank, 2001:15).

The third phase shows that since the mid-1990s, however, the emphasis has moved away from direct financial assistance towards a focus on making the entire business environment conducive to business by concentrating on soft infrastructure, public/private partnerships(PPPs), networking, as well as the leveraging of private-sector investments and highly-targeted inward investment through the development of a holistic strategy aimed at growing local firms, providing a competitive local investment climate, supporting and encouraging networking and the formation of business clusters, as well as the development and education of the workforce with a view to providing encouragement for entrepreneurship (World Bank, 2001:17).

These LED phases according to Kanyane (2008:700) shows that LED is now in the third phase wherein partnerships in service delivery are imperative for socio-economic development. This demands municipalities to develop LED strategies aimed at: providing a conducive, competitive and attractive local business environment; supporting and encouraging networking and collaboration; encouraging the development of business and investment clusters; encouraging and workforce development and education and supporting quality of life improvements.

LED has also emerged due to the failure of traditional development top-down approaches (Pose, 2001:279). Traditional development approaches were usually supply side policies that emphasized infrastructure investment and attracting of foreign direct investment through offering location incentives. This was based on the premise that this would improve the economic status of the lagging areas. Nevertheless this did not always bring desired results. It is because of the failure of traditional approaches which has led to a rethinking and emergence of bottom- up development polices termed LED (Stöhr,1981:56).These development polices are

the opposite of traditional development approaches and they are characterised by territorially based, they entail mobilisation of local resources and competitive advantages and are locally managed and owned (Pose, 2001:278).

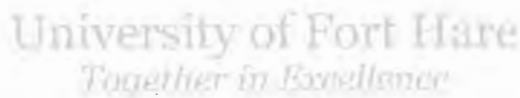
In countries such as Britain, the notion of community-based bottom-up LED became more prominent and widely acceptable in the early 1980's (Turok, 1989:594). According to Geddes (2004:26) LED in the United Kingdom and the European Union emerged in the 1980's as a response to the growing problems of unemployment caused by economic restructuring and industrial decline in old areas. This took the form of closer interaction and co-operation between local government, community-based groups, and trade unions. This interaction was premised on the notion that greater government and social interaction would promote sustainable job creation. As a result, co-operatives and community businesses were established. A number of enterprise zones, urban development corporations and enterprise councils were established. These initiatives were all underpinned by comprehensive training for community members in various disciplines of business and skills development. In the early 1990's these LED initiatives were further entrenched by the establishment of government funds such as the "Single Regeneration Budget and the City Challenge" (Geddes, 2004:27).

Geddes (2004:27) continues to argue that the European LED approach focused on three key principles. These principles include: Firstly, it emphasized the stimulation of community-based enterprises. Secondly, it envisaged government having a particular role of providing resources for these local initiatives. Lastly, extensive training underpinned most of these community-based initiatives. The experiences in North America were not very different from those of Europe. According to Dewar (1998:155), LED emerged and became fashionable in the USA in the early 1970's as a response to a decline in economic growth, and also as a tool to stimulate economic growth. These initiatives were especially directed at areas situated outside large cities. Intervention programs initiated by government took the form of loans, grants and tax breaks.

It is in this regard that LED is generally accepted to have the potential to stimulate growth and create the much needed job opportunities in poor communities. However, international experience indicates that there are relatively few instances

where it has led to poverty alleviation (Rogerson, 1999:522). This is further illustrated by the findings of Dewar (1998:158), in her evaluation of LED programs in the United States. In this evaluation of the Minnesota Economic Recovery Fund, Dewar argues that such programs do not achieve their explicit goals and have little influence on the level or distribution of economic growth (Dewar, 1998:158). However, Nel (2001:1020) shows that when LED initiatives develop as an endogenous response to market failures, it can ensure the economic survival of poor communities. Although LED does not have the ability to “propel” poor communities into the mainstream economy, Nel (1994:26) acknowledges that “in areas with limited economic prospects,” it can provide much needed employment opportunities, which can become sustainable if they are supported adequately.

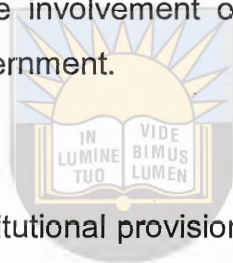
In recent years, LED has become a widely practised development strategy in the countries of the North at both the local government and community levels. LED is less widely implemented in the South where, in most instances, it appears to be still in an incipient phase.



2.10. INTEGRATING AND CO-ORDINATING DEVELOPMENT

The developmental local government imperative of integration is concerned with the importance of providing leadership in engaging different sectors with a critical role to play in the attainment of local development goals. Co-ordination is about aligning the activities of different sectoral organisations and gearing them toward achieving the local development activities (Maserumule, 2008). The importance of co-ordination and integration in government is underscored in Section 41(i) (h) of the Constitution of 1996, which provides all spheres of government and organs of state within which each sphere must co-operate with one another in mutual trust and good faith by fostering friendly relations, assisting and supporting one another, informing one another of, and consulting one another on, matters of common interest, co-ordinating their actions and legislation with one another. To give effect to this constitutional provisions, the Intergovernmental Relations

Framework Act of 2005 (Act 13 of 2005) was promulgated, which establishes a framework for co-operation. It promotes and facilitates intergovernmental relations. Poor co-ordination could severely undermine the new development effort. In this regard, it is important for all municipalities to actively develop mechanisms to ensure resources and investment initiatives from both public and private sectors in order to meet their development targets. An important method of ensuring better co-ordination and commitment is through the process of integrated development planning (Bekink, 2006, p. 71). Democratising development is concerned with the involvement of local communities in matters of local government. It is about community participation. Section 152 (i) (e) of the Constitution of 1996 requires that municipalities should encourage the involvement of communities and community organisations in matters of local government.



To give effect to the foregoing constitutional provisions, the Municipal Structures Act and the Municipal Systems Act were promulgated. The Municipal Structures Act of 1998 institutionalises citizen participation in local government. It makes provision for the establishment of ward committees to ensure active participation by communities in matters of local government. The Municipal Systems Act of 2000 states that a municipality must promote community participation. This involves receipt, processing and consideration of petitions and complaints lodged by members of the community; notification and public comment procedures; public meeting and hearing by the council; consultative sessions with community organisations and report-back sessions. The Municipal Systems Act of 2000 further prescribes that the local communities should be encouraged to participate in matters that pertain to the preparations of the municipality's performance, preparation, implementation and review of integrated development plans.

2.11. ROLE OF THE DIFFERENT SPHERES OF GOVERNMENT IN PROMOTING LED

All spheres of government must participate in the process of LED in order to ensure that the mandate of the constitution on economic and social development is upheld.

For this reasons, it is important to consider the roles that can be played by different spheres of government in promoting LED.

2.11.1. National government

Hindson and Vincente (2005:32) stipulate that at the national level, the involvement of government in promoting LED is primarily done through the National LED Forum. The National government through the National LED Forum aims to initiate, co-ordinate and oversee the process, providing it with technical instruments and a multi-sourced funding mechanism, combining government and off-budgets sources. The central task of the National LED Forum according to Hindson and Vincente (2005:32) is to

- Improve integrated economic planning,
- Co-ordinate access to finance (including investment finance),
- Improve local government LED performance,
- Assist local government in identifying local competitive advantage for territorial and social development and
- Ensure participation of the previously disadvantaged communities

Through this forum, national government plays a strategic and driving role in LED, because it makes finance and technical assistance available to both provincial and local spheres of government.

2.11.2. Provincial government

The role of provincial government is essentially to co-ordinate national resources pass down to various provincial departments and to correlate these with the priorities and initiatives of the IDPs (Hindson and Vincente, 2005:33). Provincial governments are responsible for the setting up of provincial LED forums to carry out the work of the National LED forum at the provincial level. This co-ordination role, according to Hindson and Vincente (2005:33), takes place within the framework of the National

Spatial Development Perspective (NSDP), the Provincial Growth and Development Strategies (PGDSs) and municipal IDPs, as mutually adapted.

According to Van der Waldt (2007:137) provincial departments regard LED as a major delivery area that municipalities must provide for communities and citizens and they also play a role in the provision of loan or through the private finance institutions such as, banks, the Small Enterprise Development Agency (SEDA), Umsombovu, and the Department of Trade and Industry. It is in this view that provinces are given an important role in building the capacity of municipalities to undertake LED by supporting them in implementing LED programmes.

In addition, both the NSDP and ASGISA place a great responsibility on provincial governments to foster economic development (Western Cape Provincial Government 2006:6). A more robust provincial economic development role is therefore critical in strengthening and supporting co-operative governance and co-ordinating action that promotes growth and development across all spheres of and among all social partners.

In the local sphere of government, the NSDP is meant to provide a context for district or metros to take leadership and play a pivotal role in co-ordinating and aligning the actions of a wide spectrum of actors to bring about social and economic development. The NSDP plays a crucial role as an instrument that informs the respective development plans of the two other spheres of government, that is, the various provinces 'PGDS and municipalities' IDPs (Van der Waldt, 2007:138).

2.11.3. Local Government

In an endeavour to carry out its developmental mandate as stated in the White Paper on Local Government, 1998 and find sustainable ways to meet the social, economic and material needs, hence, alleviating poverty within the local communities, local government should play different roles. To Parnell (2004:36) municipalities need not only address the needs of the poor, but they also have to be fully prepared in terms of appropriate tools and instruments at their disposal and they have to ensure that LED strategies and programmes address their desired goals and objectives. In doing

so, they have to fulfil their responsibilities; hence, playing different roles in the chain of LED (Van der Waldt, 2007:135). Some of these roles are highlighted below:

- **Facilitator**

Van der Waldt (2007:136) postulates that municipalities are encouraged to create an environment that is able to facilitate the promotion of LED. The mandate to promote LED is covered in section 153 of the Constitution, 1996, where it is stipulated that a municipality must structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community and to promote the social and economic development of the community. The White Paper on Local Government (1998) further obligates local government to pursue this development through its core functions and IDP. Hence, the local government's role is to provide an enabling environment through facilitating processes and initiatives by other role-players. These other role-players include the private business, national government, provincial government, CBOs and NGOs, aimed at developing and enhancing LED. To Van der Waldt (2007:136) this role can be seen in municipalities facilitating the regional or district LED forums, LED stakeholders, the project identification process and the private-sector investment into the community. This shows that municipalities play a strategic facilitation role in LED, communities and other stakeholders are actual implements of LED initiatives.

While the local government takes the leading or facilitator role in building anchors for sustainable development there are some actions that are not within its competences which are crucial for building the social capital (UNDP, 2003:6). Since LED seeks to deal with site-specific needs through locally suitable solutions the formation of partnerships between the local government, local businesses, community leaders and NGOs is paramount. This however, does not mean that external players like the higher tiers of government and other organizations are to be excluded from the whole agenda but should come in as participants not to suppress the local initiatives and capabilities.

- **Co-ordinator**

Municipalities have been highly and positively recognized with the crucial role that they are playing in co-ordinating various interventions and initiatives aimed at promoting LED. Van der Waldt (2007:136) writes that they are actually well-positioned not only to carry out their core functions, but also to play a co-ordinating role in terms of co-ordinating LED programmes as envisaged by the national and provincial governments through the Growth and Development Strategy (GDS). This shows that co-ordination in municipalities is key in ensuring that local government as the sphere closest to communities, is in touch with the latter's economic needs.

- **Developer**

The Constitution of 1996, defines clearly the functions of local government and its relationship to other spheres of government which include the, provincial and national spheres. Qomfo (2005:1) writes that the Constitution caters for a dynamic relationship and entrenches the 'Principle of subsidiary' which implies the allocation of a function to the sphere closest to the people. Schedule 4 and 5 of the Constitution, 1996, relate to the specific functions and how they are allocated to a sphere or shared among spheres. Hence, local government is responsible for all the functions listed in Part B of these schedules. In addition, the Constitution, 1996, promotes the improvement of living environments and livelihoods for all citizens by means of a developmental approach to local governance (Qomfo, 2005:1). The developmental role of local government can be understood through the consideration of the four basic drivers, namely, planning for development (LED and the IDP), governance and administration, regulations and service delivery (Qomfo, 2005:2). These four basic drivers are basically aimed at achieving the three key outcomes listed by the White Paper on Local Government, 1998, namely, the provision of basic household infrastructure and services, the creation of liveable, integrated cities, towns and rural areas and the promotion of LED.

- **Stimulator**

According to Van der Waldt (2007:136) municipalities are autonomous institutions, for this reason, it is therefore imperative, that while recognizing that no municipality

can be an 'island' on its own, but a part of the broader government structure, they need to work hard on stimulating activities aimed at achieving community development, LED, sustainable service delivery and infrastructure and land development. This shows that this role involves the identification of those activities and target groups requiring guidelines, monitoring and intervention in order to enhance and promote the sustainability of LED initiatives.

- **Enabler**

In order for municipalities to really respond to the call for making local councils institutions of development, they need to be seen to be aiding in all possible ways the creation of an enabling environment where communities can learn how to utilize the sphere of government 'closest' to them to achieve their societal needs (Van der Waldt , 2007:137). Qomfo (2005:4) writes that 'governance' and 'administration' refer to how local councils organize themselves internally and externally in relation to their constituencies and service providers. This alludes to the powers that municipalities use to manage their functions, which include decision making and legislation through by-laws (Qomfo, 2005:4). In this regard Van der Waldt (2007:137) argues that good governance and democracy are built upon an effective interface between municipalities and communities, as well as an appropriate role structure.

2.12. APPROACHES TO LOCAL ECONOMIC DEVELOPMENT

LED can take various approaches. Nel & Rogerson (2005:66) argue that current debates revolve around two prominent foci, that is, pro-growth which emphasize the promotion of economic growth strategies and pro-poor which look at poverty alleviation strategies.

The literature reveals that it is especially within the context of Western Europe and North America that pro-growth approaches are the focus, whereas in the developing world there is an undeniable need to focus more prominently on poverty alleviation, thus pro-poor LED approach (Rogerson, 2003:53). For instance, in the past in South

Africa, the dominant approach to LED was traditional and based on the attraction of industry through subsidies, tax holidays and free infrastructure, hence, there was a shift to the new approach which focuses on the mobilization of internal resources, capacities and skills to generate economic growth and address poverty (Reddy, Sing and Moodley, 2003:180). Mvulatrust (2006:1) postulates that there is no single approach to LED that will work in every local area. Each local area has a unique set of opportunities and challenges and must develop a LED strategy that is specific to local context. According to Mvulatrust (2006:1) some of the approaches used in LED include the following:

- Traditional approaches focus on attracting investment through incentives into the local area (Mvulatrust, 2006:1).
- Entrepreneurial competitive approaches that emphasize opportunities for local business through research, loans, grants, premises and technical infrastructure. This shows that the approach focuses on the notion of local comparative advantage and small business in job creation (Van der Waladt, 2007:138).
- Urban Efficiency approaches emphasize on local authorities to raise urban productivity by lowering the cost of living and running businesses in the locality, although others are arguing that urban efficiency will be realizable if there is a minimization of state intervention, especially by cutting taxes and service charges and also privatizing some of the services (Van der Waladt, 2007:138).
- Human Resource Development that aims to develop the local skills for local authorities responsible for LED as well as provision of skills to local communities concerning issues of LED (Van der Waladt, 2007:138). This shows that local business growth and new enterprise are encouraged by providing local businesses with skills and other forms of technical assistance. Policy guidelines for implementing local economic development also advocate on human resource development.
- Community-based approach highlights the importance of working directly with local communities' and their organizations (Van der Waladt, 2007:138).
- Progressive approaches that explicitly aim to link profitable growth to redistributive development (Mvulatrust, 2006:1).

Mvulatrust (2006:1) writes that these approaches are affected by the local context, economy and employment structures, the local population and labour market and possibilities for social partnerships. In many municipalities a combination of the above approaches is regarded as effective. Van der Waldt (2007:138) writes that not all LED initiatives are the same and not all will be beneficial to the broader community in a local area. It is often assumed that LED is necessarily positive and that it will have a positive impact on the locality.

However, unless one is able to disaggregate what a particular LED initiative is for, what it seeks to achieve and who will benefit, it is possible that its impact will also be negative (Van der Waldt, 2007:138). Moreover, these various approaches to LED process help to understand how to approach a LED process as an integral part of municipal government striving to achieve developmental local government in a dynamic manner, in which municipalities co-operate and work together with local communities to find suitable and sustainable ways to meet community needs and improve the quality of their lives. South Africa LED experience under particular LED approaches; seven common LED strategies have been identified. Municipalities do not necessarily focus on a single strategy, but adopt a combination of these.

2.13. LOCAL ECONOMIC DEVELOPMENT STRATEGIES

LED strategies in South Africa form part of a relatively new approach to development. Municipalities decide on LED strategies and the process of arriving at a LED strategy must be part of the IDP process. The LED Policy Paper identifies different strategic interventions that municipalities can adopt in order to achieve the developmental outcomes of poverty reduction, job creation and distribution of incomes (DPLG, 2002:6). The following are some of the LED strategies that can be found in municipalities.

2.13.1. Development and Maintenance of Infrastructure and Services

A powerful strategy in supporting economic development is the traditional role of municipalities as infrastructure and service providers, operators and maintainers. According to Reddy *et al* (2003:180) efficient and effective infrastructure and service provision are important factors in boosting business confidence within a municipality. Municipalities are responsible for providing both household and economic infrastructure and the provision of such infrastructure can stimulate economic investment and growth.

To Reddy *et al* (2003:180) the impact of infrastructure and service provision can be both short-term and long-term. In the short-term, infrastructure and service delivery can create job and business opportunities for the poor and affirmable business enterprises while in the long-term, infrastructure and its effective maintenance can stimulate economic activity that results in more permanent jobs. This shows that the responsibility of municipalities as major role-players has made them responsible in facilitating LED through the provision of bulk services and a promotion of LED projects that have a broad regional impact (Van der Waldt, 2007:143).

2.13.2. Retention and Expansion of Existing Business

Business retention and expansion strategies refer to the measures that municipalities take to ensure firms within their area do not relocate, but rather stay and expand. In this regard, municipalities should give attention to maintaining and developing existing business of a municipality to primary assist local business improve their productivity and increase market share. Business retention and expansion is similar to industrial recruitment, in that the same measures that ensure existing firms do not need to locate elsewhere also help to attract new firms to a locality (Reddy *et al*, 2003:180).

2.13.3. Plugging the Leaks in the Local Economy

Reddy *et al*, (2003:181) writes that in all local economies, leaks are inevitable. This is because there is failure to make money circulate for as long as possible within a local economy and this may be because industries within small towns dependent on large towns for their suppliers and markets. Rural communities may be dependent on external market agents. The strategy is to “plug the leaks” at least by locating the leaks and then developing a means to address this. For instance some of the ways that could be used to address the problem include attracting local suppliers, expanding local market and encouraging local production.



2.13.4. Small, Medium and Micro- Enterprise Development

To Reddy *et al*, (2003:181) the promotion of Small, Medium and Micro-Enterprises (SMME) within South Africa is regarded as a key strategy to promote economic development in a manner that both generates jobs and empowers previously disadvantaged individuals. It is anticipated that growth in job opportunities within this sector will partially compensate for the losses of jobs in sectors dominated by large firms that are experiencing large scale job losses. SMME development strategy must, however, address the needs of environmental groups and broader entrepreneurial development challenges. These challenges include the start-up capital, appropriate infrastructure, exploitative middleman, the overtrading and lack of markets (Reddy *et al*, 2003:181).

2.13.5. Human Capital Development

Reddy *et al* (2003:182) writes that the strategy focuses on human capital as a resource, rather than a liability within a community. The strategy could focus on skilling the poor within the community to improve their access and participation, in the local economy. It could also focus on re-training groups and individuals within the

community ,for example the unemployed or the retrenched, to facilitate their re-entry into the local economy. Reddy *et al*, (2003:182) also point out that the strategy could focus on increasing skill levels within the community so as to attract higher value industries into the municipality. In this regard, the multi-skilling of local people is of great significance with the challenges of globalization changing rapidly with changing economic and technological scenarios.

2.13.6. Community-Based Economic Development

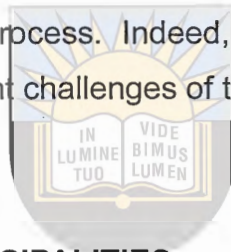
Reddy *et al*, (2003:182) postulate that community economic development is based on the concept of developing community self-reliance, through human resource development and skills enhancement. The central objective of this strategy is to alleviate poverty, by improving the capabilities of particularly the disadvantaged communities to create sustainable livelihoods for themselves. To Reddy *et al*, (2003:182) community economic development focuses on combining employment training and mentoring and human services and enterprise development, to enhance access to and creation of jobs, ultimately resulting in self-sufficiency for disadvantaged communities. In this regard communities take control over such economic opportunities and challenges, and provide local and appropriate responses.

2.13.7. Industrial Recruitment and Place Marketing

Place marketing means promoting and advertising a local area, so that people, business and industries see the municipality as a desirable place to visit, live in, and work in while industrial recruitment means attracting new industries to the municipality (Reddy *et al*, 2003:182-183). Various local factors come into play when a municipality engages in industrial recruitment. Often municipalities assume that cost is the most important location factor, and that all industries locate where production costs are lower. Although cost is significant, the cost of production is not the only deciding factor for a firm. To Reddy *et al* (2003:182-183) firms will also

consider factors such as whether there is a local market for their products, where suppliers are located, access to research and development institution, access to transport networks such as ports, and whether the municipality offers good infrastructure and services increasingly, firms are also considering social and environmental factors when making investment decisions. For instance the availability of recreation facilities, the quality of schools and Edu-care centres, and the social risks like violence and crime can also influence such decisions.

The particular LED strategy adopted by a municipality need to be based on the overall vision outlined in the IDP and should take into account the result of the analysis done to identify problems and prioritize development projects. LED does not necessitate a separate planning process. Indeed, a co-ordinated and coherent approach to meeting the development challenges of the municipality is essential.



2.14. LED CHALLENGES IN MUNICIPALITIES

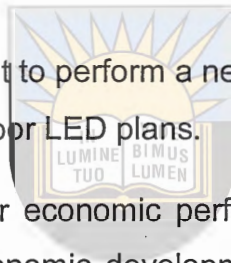
University of Fort Hare
Together in Excellence

Along with the increased responsibility and opportunities that have been ushered in by the new dispensation, in applying the approaches to facilitate LED, municipalities are also confronted with the various challenges of establishing viable and sustainable LED programmes. Balancing economic strategies to achieve both competitiveness and poverty eradication prove to be the greatest challenge. The success of a particular LED strategy depends on how much of the society's broader objectives are being realized, highlighting the fact that socio-environmental concerns should be consistent with the municipality's commitment to sustainable development. In addition, according to Van der Waldt (2007:139) the other LED challenges that generally sprung from local economic crises of apartheid era include:

- High levels of poverty and unemployment ,
- lack of clear understanding and or agreement at local level of what LED actually means,
- limited public-sector participation in sustainable development projects,
- lack of business support services and inadequate entrepreneurial skills,

lack of articulation between the formal business sector and the emerging business sector,

- limited private investment in the job-rich sectors, despite significant business opportunities,
- financially , most municipalities lack access to available and sufficient funding, especially rural municipalities,
- lack of resources and inadequate qualified personnel hampers LED particularly in poor resourced municipalities,
- a non-conducive business environment to promote LED , for example, poor urban planning, lack of access to information and administrative barriers to business ,
- weak capacities in government to perform a new developmental role and
- failure to implement the pro-poor LED plans.



In seeking to critically evaluate their economic performance and develop targeted strategies for stimulating further economic development, the Agricultural Research Council Handbook (ARC, 2006:2) identifies five situations or challenges that local authorities need to deal with in addressing LED within their respective areas. These situations or challenges are outlined as follows:

- **High unemployment and low wages**

ARC (2006:2) writes that high unemployment and low wages are economic problems that affect local quality of life and opportunities for residents. Such problems may be the result of low skill levels and mature or declining economic base, a narrow economic base that is highly dependent on one or few sectors, poor access to jobs and competition from regions. Van der Waldt (2007:139) is of view that targeted economic development efforts in areas with chronically high unemployment may focus on expanding the breadth of the economic base through employment and training programmes in order to increase labour force skills or improve facilities and services so as to increase the business viability of the area.

- **Seasonal fluctuations in employment**

Van der Walddt (2007:139) argues that seasonal fluctuations in employment also negatively affect income levels and job opportunities. Such fluctuations generally result when an area's economy is overly dependent on seasonal products or produce sectors that experience high demand during some parts of the year and then a significant drop in demand in the 'off season'. During the off season, unemployment increases, income levels decline and ripple effects such as declining retail sales are felt throughout the local economy. ARC (2006:2) points out that targeted economic redevelopment efforts may focus on broadening the business base.



- **Isolation and lack of local opportunities**

Isolation and lack of local opportunities dictate economic growth in areas with a small population base and limited access to markets. As limited local options lead residents to travel elsewhere for shopping and services, customer markets can also limit the area's ability to retain and grow businesses and attract new activities. The use of technology and global trade further reduce local employment and access to goods and services. Over time, targeted economic development efforts for such areas should focus on industries that are not sensitive to existing access constraints (ARC, 2006:2).

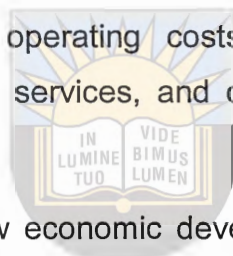
- **Over-dependence on a particular industry or few large employers**

ARC (2006:2) point out that over-dependence on a particular industry or a few large employers can put economically strong areas at risk of future economic stagnation and decline. In these industries, a down turn can be caused by external factors such as changes in the cost of production input, changes in technology, and changes in consumer tastes or increased foreign competition. The internal factors such as poor management or company restructuring can have devastating impacts on a community in areas that are highly dependent on a single or few large employers.

Targeted economic development efforts may focus on diversifying the base of business activity.

- **Competition for business locations**

Competition for business locations can be a continued cause of concern, even for areas with a strong economy. Frequently, the risk of competing is not identified until after an area begins to lose business to a competing area. A targeted economic development strategy aimed at sustaining a competitive business climate can offset this threat. Depending on the specific industries to be targeted, such a strategy could seek to improve local business operating costs, local labour force training infrastructure and business support services, and or transportation access (ARC, 2006:3).



The above challenges illustrate how economic development efforts and strategies must be targeted to support specific types of business growth that address particular problems within the community, hence, alleviating poverty. It is therefore important that local authorities play a central role in economic development in order to help increase opportunities and income levels for residents, by supporting economic growth, including the revitalization and expansion of existing business, developing and attracting new businesses and targeting their efforts towards those types of business that represent the best prospects for local economic growth.

2.15. THE RELATIONSHIP BETWEEN INTEGRATED DEVELOPMENTAL PLANNING (IDP) AND LOCAL ECONOMIC DEVELOPMENT (LED)

The introduction of the IDP in South Africa has stemmed from the imbalances created by the apartheid legacy. Therefore, the post-apartheid state introduced Municipal Systems Act (32 of 2000), which emphasized and obliged municipalities to develop IDPs. In recent years, IDP process has been the main vehicle for the developmental task of local government. It is a municipal strategic plan that gives a general framework for development, a five-year-plan, with a focus mainly on

infrastructure development but also incorporating LED activities (Meyer- Stamer, 2003:49). To maintain this, Van der Waldt (2007:140) writes that planning for LED within the municipality's IDP requires municipal council to put economic development at the centre of their development agenda in order to leverage the benefits of these two developmental tools. The planning can be done by identifying the role of the local municipality in coordinating and facilitating the role of other stakeholders in promoting LED. This shows that LED cannot be separated from IDP and is therefore, a vital part of IDP in the economic development environment.

In support of the link between the IDP and LED, government has recently undertaken a process of fundamental restructuring of the municipal sphere of government. All this can be done through the guidance of the Constitution, 1996 and the White Paper on Local Government. The DPLG has embarked on the process of revising the draft national LED Policy in order to provide a strategy and implementing guidelines to create a better understanding of LED and clarify the role of provincial, district and municipal government in supporting LED through the IDP (Van der Waldt, 2007:141). Under this new approach, there is a shift away from project interventionism to municipal LED, which is informed by the IDP and therefore requires municipalities to assume a proactive and facilitating role in supporting LED and creating a conducive business environment (Van der Waldt, 2007:141). In this regard there is an urgent need to provide local government stakeholders with the capacity to allow them to perform their new roles as facilitators of LED in their respective municipalities and through representatives' forum.

LED is most urgently needed at the local government, because it is at that level municipal councils, NGOs, CBOs, and planners are frequently confronted with socio-economic challenges. At the national level, government policies and policies such as The Growth, Employment and Redistribution (GEAR) program have been successful in promoting entrance into the global market, but the expected trickle-down effects has as yet not reached the grassroots level, where it is mostly needed (Van der Waldt, 2007:141). It is therefore a significant challenge for local and district municipalities and newly elected councillors to promote, guide and facilitate the implementation of LED through their IDP programmes.

LED and IDP are seen as being inextricably linked, it is critical to ensure that the planning and implementation of a municipality's LED activities are carefully co-ordinated and initiated within the context of the municipal IDP (Municipal systems Act, 2000: 29). This is because the IDP is a mechanism used to co-ordinate LED with other development strategies adopted by the municipality, so it is essential that LED planning should be closely linked to the IDP to avoid duplication of services (Oranje, Harrison, Meyer and Huyssteen, 2000: 17). It is suggested in this research, that IDPs assist in the promotion of socio-economic development. Hence, the development strategy of LED has been a key strategy for local governments, as part of the integrated planning process.

2.16. THE PROCESS OF LED WITHIN THE MUNICIPAL ENVIRONMENT

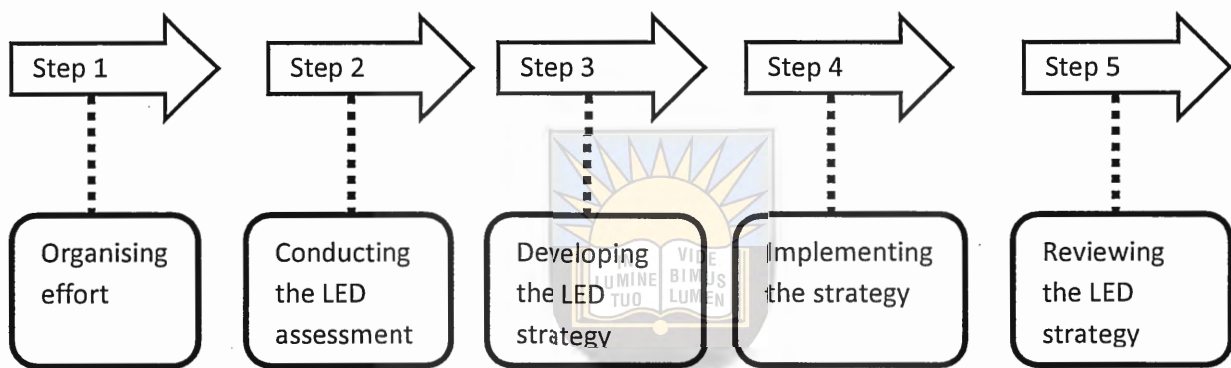


The process of LED is usually initiated by key stakeholders and institutions, which form some type of a stakeholder forum to initiate, lead and guide the process, and some types of sub-communities or working groups that deliberate on and implement key actions (LEDSA, 2006:2). According to Van der Waldt (2007:141) developing an LED strategy can be quite challenging, since sometimes developing or empowering local communities can actually be the very problem that actually destroys community development. It is important to design the strategy in a way that will encourage community development irrespective of the material conditions on the ground.

LED, therefore, seeks local commitment and consensus on the priority areas for interventions, that is, to identify opportunities and how they can be exploited to the benefit of the community. Hence, its main purpose is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. According to the World Bank (2006:1) ideally, the development of an LED strategy should be an integral part of a broader strategic planning process of a district or local municipal council's IDP. Effective strategic planning ensures that priority issues are addressed and limited resources are well-targeted. The five step planning process identified by World Bank (2006:1) provides a good platform on which an LED strategy can be developed and they should be adapted to meet the needs of

individual communities. These steps incorporate: organizing effort, conducting the Local Economy Assessment, Developing the LED Strategy, Implementing the LED Strategy and Reviewing the LED Strategy. The five steps can be diagrammatically represented as shown on Fig 2.1

Figure 2.1: LED Strategic Planning Process



Source: World Bank (2006:3)

From the above diagram one can point out that the LED process is a cyclical and iterative process. The LED process is not rigid but should be flexible such that it adapts to a certain locality (World Bank 2006:3). The various steps of the planning process are discussed as follows:

2.16.1. Step 1: Organizing Effort

The first step in developing an LED strategy is called organizing the effort. During this step, a community begins the LED strategy planning process by identifying the people, public institutions, local businesses, community organizations and other groups with interests in the local economy (World Bank, 2006:1). This is usually led by the mayor or the municipal manager. Van der Waladt (2007:142) writes that the skills and resources that these stakeholders bring to the strategy process provide a critical foundation for success. The identification of these individuals and organizations assumes some basic knowledge of the whole area's economy (World

Bank, 2006:1). A resource audit is a necessary input to the strategy, and should include the identification of financial, human and other capital resources that can contribute to the LED. To this end, strategy working groups and steering committees can be established to ensure that both formal and informal structures are in place to support strategy development and implementation.

2.16.2. Step 2: Conducting the Local Economy Assessment

LED strategic planning is based on an assessment of the economic characteristics of a local area and its position in the national, region and even global economy. Conducting the Local Economy Assessment is the second step in the planning process. During this phase, each community has a unique set of local attributes that can advance or hinder local economic development (World Bank, 2006:2). These include its economic structure, its human resource capacity to carry out economic development, and how conducive the local government investment climate is to economic and business activity. Van der Waldt (2007:142) postulates that the aim of the local economy assessment is to identify the community's strengths and weaknesses, including its human resource capacity, local government's friendliness to all types of business activities, from corporate to informal, and the opportunities and threats facing the local economy. The goal of the assessment is to create an economic profile of the community that highlights or forms the basis of its comparative and competitive advantage in relation to neighbouring local communities and regional, national or international competitors (Breitenbach, 2006:10).

2.16.3. Step 3: Developing the LED Strategy

Mullen (1995:59) is of the view that formulating an appropriate strategy for poverty alleviation and the design of an effective delivery mechanism for reaching out to the poor is being actively debated and sought after by among others concerned agencies and by individual governments. Hence, strategy making involves coming up with a holistic approach to LED whilst taking into cognizance the competitive assessment of the local economy.

The World Bank (2006: 2) stipulates that as part of the LED strategy, a shared economic vision for the community and LED goals, objectives, programs projects and action plans will be developed. This process ensures that all major stakeholder groups are given the opportunity to define what is to be achieved, how it is to be achieved, who will be responsible for achieving it and timeframes associated with the implementation of the LED strategy. In terms of Breitenbach (2006:10) most importantly, the LED strategy and action plans must be finely assessed against the staff resource capacity to carry them out, as well as the budgetary constraints .Ultimately, the strategy's actions should be incorporated into the work and budgetary programme of the municipality, and appropriate elements taken on by other stakeholders such as business associations, utilities and educational institutions. The aim is to leverage strengths, overcome weaknesses, exploit opportunities and deal with threats. As in comprehensive strategic planning, the intent is to achieve an integrated approach to LED strategic planning. In devising a strategy, practitioners in municipal governments and principal stakeholder groups are encouraged to balance economic with environmental and social needs (Van der Waldt, 2007:142).

2.16.4. Step 4: Implementing the LED Strategy

Strategy implementation is driven by the LED action plans. The Implementation of an LED strategy in terms of the World Bank (2006:3) is usually through Private Public Partnerships (PPP's) that are strongly driven by the local authority. The private sector is often keen to manage initiatives aimed at improving the vitality and viability of town centres or to be involved with business development.

It is in this regard that the ongoing monitoring is provided through the formal structures identified and created during the first step, and evaluation of specific project outcomes ensures that the strategy continues to lead to the achievement of the LED vision, goals and objectives. In undertaking strategy implementation, it is important to identify and establish the appropriate institutions to carry out the plans (Breitenbach, 2006:10).

2.16.5. Step 5: Reviewing the LED Strategy

Reviewing the LED strategy is the final step in the planning process of LED within the municipal environment. This step is critical in identifying whether the LED has met its objectives or whether it is achieving the desired outcomes. It is in this regard that Van der Waldt (2007:143) writes that good monitoring and evaluation techniques help to assess outcomes, justify expenditures, make budget adjustments and develop good practices. This information also feeds into the review of the complete LED strategy. The LED strategy should be reviewed at least annually to ensure that it remains relevant. It may be that conditions have changed or that the initial assessment was not properly based on local conditions. This shows that the LED strategy should evolve continuously to respond to the ever-changing competitive environment.



2.17. SETTING UP LED INSTITUTIONS

According to Reddy *et al* (2003:184) once a municipality has decided on its LED strategies, it is imperative to set up the appropriate institutional arrangements to facilitate delivery. Institutional arrangements for LED refer to the range of organizations, structures and networks through which LED strategies and projects can be co-ordinated, managed, implemented and monitored. At a municipal level, two types of LED institutions are necessary, namely, programme and project level institutions.

2.17.1. Programme-level Institution

Reddy *et al* (2003:185) writes that programme-level institutions have co-ordinating responsibilities and are necessary both within the municipality itself and within the broader community. A municipal programme level institution functions to co-ordinate the various departments of the municipality around the implementation of LED strategies. The main objective is to strategically influence other policies and programmes of the municipality so as to maximize their economic benefits and to co-ordinate new and innovative economic projects within the council. Given the strategic nature of the institution, a strategic positioning such as close to the CEO's office is

also required. The co-ordination of municipal activities cannot be delegated to an external institution or agency. To Reddy *et al* (2003:185) a programme-level institution within the community has as its prime purpose the co-ordination and mobilization of the resources and skills of all role-players within the local economy. The most common form of such an institution is a local LED Forum. This Forum will act as an advisory body that is required to interact with a full range of stakeholders represented in the community, with regards to LED.

2.17.2. Project-level institutions

According to Reddy *et al* (2003:185) Project-level institutions have specific tasks, budgets and time frames. They are accountable to the municipality in so far as they are mandated to perform specific tasks. This shows that once the programme-level institution have been established, they will be responsible for selecting the appropriate institutional arrangement for the implementation of specific LED project. However, because of the wide range of possible projects, it is impossible to provide details of specific institutional arrangements for each project. For this reason, the institutions chosen to manage and implement LED projects should match LED objectives and strategies of the project, be capable of producing results, have sufficient resources and capacity to implement the project efficiently and effectively, be able to mobilize sufficient finance, be able to minimize potential of liability of the LED programme institution, the municipality and other stakeholders if the project experiences problems and to monitor the progress of the project. South African municipalities have opted for various forms of project-level institutions. These include: section 21 companies, community trusts, partnerships and close corporations (Reddy *et al*, 2003:185).

2.18. FINANCING LOCAL ECONOMIC DEVELOPMENT

They are numerous government programmes that could be accessed to support LED. To Kanyane (2008:703) these can be grouped into internal and external institutional funding support. Some of these institutional funding supports can be described as follows:

2.18.1. Small Enterprise Development Agency (SEDA)

Small Enterprise Development Agency is an agency in the Department of Trade and Industry that aims to drive the development of the SMME sector, a sector that has potential to form the cornerstone of LED. According to Kanyane (2008:703) SEDA is a culmination of the merger of Ntsika Enterprise Development Agency and the National Manufacturing Advisory Centres (NAMAC). SEDA has been tasked to deliver integrated services to small enterprises by providing co-ordinated government services, promoting a service delivery network that will facilitate access to opportunities and information (Kanyane, 2008:704). This shows that the Agency is mandated to provide information on how to start a business, how and where to access markets, how to access finance and how to run a successful small business.

2.18.2. Expanded Public Works Programme (EPWP)

Kanyane (2008:704) points out that the EPWP involves creating temporary work opportunities for the unemployed using public sector expenditure. One way in which job opportunities will be created, is through increasing the labour intensity of government-funded infrastructure projects. It is envisaged that there will be a large-scale programme for using labour-intensive methods to upgrade rural and municipal roads, municipal water infrastructure and storm-water drainage. Local people will be employed by contractors to carry out the work. It is of fundamental importance for any municipality to be proactive and vigorously campaign for an extensive infrastructure development through this programme. Hence, it is through adequate infrastructure development that a community can attract economic investment. In this regard municipalities should clearly articulate its position on the need to benefit more from the EPWP.

2.18.3. Corporate SMME Development Forum

The corporate SMME Development Forum is a non-profit company that brought together state-owned and corporate companies with a turnover of more than R250 million. The aim of this Forum is to find ways to support SMMEs through preferential procurement practices. Linkages formed between SMMEs and large corporations offer the benefit of improved efficiency of SMMEs. Municipalities are encouraged to

link SMMEs in the region with large corporations participating in the Forum (Kanyane, 2008:704).

2.18.4. Municipal Infrastructure Grant (MIG)

Kanyane (2008:704) writes that the MIG is aimed at assisting municipalities to cover capital cost of providing basic infrastructure to their communities.

2.18.5. National Empowerment Fund (NEF)

The NEF aims to promote and facilitate economic equality and transformation through providing historically disadvantaged people with opportunities to acquire shares in both restructured state-owned assets and private business operations. Other areas where the community could be empowered through buying of shares should be vigorously pursued (Kanyane, 2008:704).



2.18.6. Tax Compliance by SMMEs

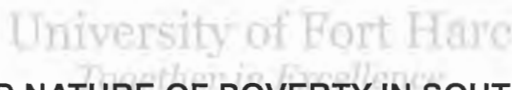
According to Kanyane (2008:705) municipalities should take an active role in encouraging SMMEs to register with the South African Revenue Service (SARS) and be issued with a tax registration number. This is important because those SMMEs that do not have a tax registration number are not in a position to access bank loans and other forms of finance that can enable them to develop further. In addition, these enterprises may not take advantage of government initiatives such as preferential procurement opportunities.

2.18.7. External Sources of Institutional Funding Support

Apart from government agencies, many other agencies and institutions that offer assistance in areas of rural and economic development exist. These agencies include the Development Bank of Southern Africa (DBSA), Kellogg Foundation, South Africa-Netherlands Partnerships in Development (SANPAD) and the European Union. Other nations have developmental agencies that a municipality can directly

contact to explore possibilities of securing resources and establishing partnerships that could be beneficial to LED (Kanyane, 2008:705).

However, according to Reddy *et al* (2003:187) a problem facing municipalities in accessing these programmes and institutional funding is the lack of co-ordination among government departments. Some of the programmes are delivered through the municipality, where as others target NGOs or business directly. Programmes are also delivered in a fragmented manner and therefore do not support the integration of development at the local level. In this regard, a number of processes are underway to try and resolve these problems. To Reddy *et al* (2003:187) the IDP process is regarded as key in attempting to align the various sectoral programmes and strategies. Striving towards LED provides municipalities with a practical opportunity to integrate the activities of a number of different departments around a common vision. Hence, it is imperative that the municipalities should be proactive in enlightening and assisting the community to take full advantage of the schemes presented above.



2.19. THE CONCEPT AND NATURE OF POVERTY IN SOUTH AFRICA

The ANC-led government inherited a country that was characterized by vast inequalities in the quality of education, healthcare and basic infrastructure, such as access to safe drinking water, sanitation and housing. This shows that the country was disfigured by widespread of poverty, with almost half of the South African population being categorized as poor in terms of the national poverty line (Klasen, 1997:92). Even though such problems may have been common in many societies throughout the world, the uniqueness of the South African situation was that these problems were primarily engendered by the four decades of apartheid legislation built on the earlier policies of colonialism (May, 1998:77). It is in this regard that poverty is generally acknowledged as one of the most serious problems facing post-apartheid government (Budlender, 1999:128).

The biggest challenge facing South African localities today is their ability to cope with the alarmingly high levels of unemployment and lack of public infrastructure that are severely retarding both economic growth and poverty alleviation programmes (Loots,

1998:344). In certain areas, such as within the former homelands, for example, the Eastern Cape Province and in some of the informal settlements, statistics has shown a level of unemployment rising as high as 65% and even in some cases growing into the 80 percentile bracket (Nel & Hill, 1996:259).

The ADM is situated within the Eastern Cape Province, a province that is rated as one of the poorest provinces in South Africa. The District includes the large parts of the former Ciskei and Transkei homeland areas, which means the district has large disparities within its borders. These few former homelands which ADM is made up of, had limited or no development taking place over a number of years. This has translated in Amathole experiencing high levels of poverty across the District (IDP review, 2009-2010). According to the Census report (2001) ADM is having a population which is predominantly rural and living in low socio-economic conditions with high poverty, illiteracy and unemployment rates. Amongst those that are employed the income earning is very low and a very large proportion of the jobs are in the low pay and low-semi-skilled sectors (www.cogta.gov.za). These high levels of poverty have led to high percentage rate of household living on handouts. Low affordability levels in the ADM and the increased levels of poverty within ADM have resulted in a further rise in inadequate basic services to households. This shows that most people do not have access to adequate public infrastructure and as such are vulnerable to poverty. To Moser (1996:52) such people are housed in substandard houses, they are under-educated and underemployed and the growth of their poverty increases the spread of poverty in their communities in which the cycle of their poverty can be passed to the next generation if not well addressed.

Poverty is not always a static condition among individuals, households or communities (Moser, 1996:45). Instead it is recognized that while some individuals or households are permanently poor, others become impoverished as a result of general life-cycle changes. It is against this nature of poverty that the local government has to bring about transformation by taking a developmental drive as per the constitutional obligation to promote the social and economic development of the community.

In addition, ADM has in its IDP identified a need to establish a District Economic Development Forum, which will be an overall coordinating structure for institutions

that are involved in LED within ADM area of jurisdiction (<http://www.amathole.gov.za/>). It has also established an agency called ASPIRE "Amathole beyond limits" as a special purposive vehicle to grow the economy of the region. Aspire has emerged as a mechanism that assists the ADM, to be able to truly intervene in the economic arena. It links the previously neglected small towns through economic corridors. This shows that Aspire is a pioneer in the stimulation of spatial economic development and facilitate interaction and coordination between public-sector stakeholders and private businesses towards the goal of developing the economy. They also assist in coming up with the solutions to challenges facing the district municipality, the district municipality will then serve as a feeder to the local municipalities and in this case we shall refer to Mnquma local municipality.

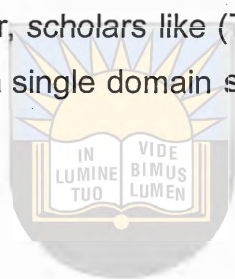
Hence, it is through the agency that an emphasis is placed on using minimal resources to facilitate maximum growth within the public sector (<http://www.aspire.org.za/>). Some critical areas have been identified also which will benefit the poor in the LED setting. These areas relate to; improving regulatory frameworks, municipal service delivery and the creation of employment through the stimulation of LED activities (Rogerson, 2000:399). Thus the LED initiatives can be of importance in alleviating different types of poverty that prevails within the localities.

2.20. DIFFERENT TYPES OF POVERTY

Poverty manifests itself in various forms in communities. However, what is very common to all poor communities is the fact that they have limited opportunities for economic development and have thus become trapped in a poverty circle (Tickamyar, 1990:25). Hence, it is seen as a multi faceted phenomenon and everyone's view and experience of poverty is a little different, based on the type of poverty that prevails in that locality. These different types of poverty that can be identified among households can be described as follows:

2.20.1. Absolute Poverty

Absolute poverty is viewed as an objective and scientific definition that is based on the notion of subsistence. This shows that it is a state in which one cannot secure the long-term physical survival (Kircher, 2002:155). It quantifies the number of people below a poverty threshold, and this poverty threshold is independent of time and place (World Bank, 2002). In a broader sense, the definition of absolute poverty includes various needs besides pure physical survival, that is, a state in which one does not have enough to live on, based on socially acceptable living conditions, which include other essential goods besides nutritional requirements, for instance, clothing and shelter in hostile climates. This broader definition, however, includes a certain amount of relativity. However, scholars like (Townsend, 1979:35) argue that poverty cannot be aggregated into a single domain such as income or consumption but is relative.

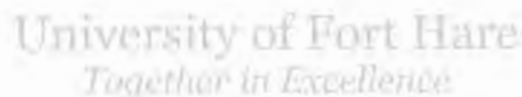


2.20.2. Relative Poverty

Relative definitions of poverty are based upon comparison, often with some notion of prevailing living standards in the community being researched (Ravallion, 1998:26). The World Bank (1990) argues that relative poverty acknowledges that income and consumption are necessary but not adequate measures in defining poverty. Hence, relative poverty to Kircher (2002:156) is the falling behind by a certain degree from the average income and lifestyle enjoyed by the rest of society where one lives. Relative poverty unlike absolute poverty, acknowledges that people's needs are not merely physical but social. People are not merely individual organisms requiring sources of physical replenishment but also social beings, they are not consumers but are producers as well (Kircher, 2002:156). To this end, relative poverty is defined as the minimum, economic, social, political and cultural goods needed to maintain an acceptable way of life in a particular society. However, what is relative differs from one society to the other. Others scholars have also gone past relative and come up with human poverty, which has attracted attention of development organizations.

2.20.3. Human Poverty

Human poverty is defined as lack of basic human capabilities. Human poverty also entails other indirect measures such as lack of access to services and goods, infrastructure, energy, sanitation, education, communication and drinking water necessary to sustain basic human capabilities (Chambers, 1995:30). In essence human poverty entails deprivation in non income terms but in human terms. Sen (1999:134) defines human poverty as being unable to choose a life that one values. This is also in line with the United Nations Millennium Development Goals (MDG's) wherein the major goal is to alleviate poverty in as far as expanding human capabilities are concerned. The MDG's goals acknowledge that poverty is not merely deprivation of income but lack of human capabilities which is defined here as, denial of opportunities and choices most basic to human development that lead to good standard of living, freedom, dignity and self esteem (UNDP, 2003:78). Poverty is thus multidimensional and pervasive. To improve standard of living of the community, poverty reduction should therefore be the centre of development efforts (UNDP 2006:29).



2.20.4. Transient Poverty

According to Uccelli (1997:124), the transiently poverty is characterized by a deep-rooted, impoverished condition, which is the consequence of multiple deprivations over time, such as poor health, substandard nutrition and inadequate access to productive assets, and is often associated with persistent, intergenerational poverty. Transient poverty normally results from a one-time decline in living standards, from which a household gradually emerges. Alternatively, it may show itself in fluctuations in well-being that result in frequent declines in living standards. For instance, seasonal variations in food security may result in some households periodically falling in and out of poverty, sometimes quite regularly, over time (Woolard & Leibbrandt, 2001:63).

2.20.5. Chronic Poverty

The chronic poverty is usually the more difficult one to address. Hulme and Shepherd (2003:419) argue that a particular problem in contemporary poverty

analysis, seeking to rapidly reduce poverty headcounts in an era of globalization, is to see the poor as those who are not effectively integrated into the global market economy. Thus, as a result, the chronically poor are likely to be neglected in such an era, given the multiple factors that constrain their prospects, and the likelihood that market-based factors may contribute to their continued deprivation. The transiently poor are a short-term poverty while the chronically poor are a long-term and these are overlapping but distinct groups.

The above types of poverty prevails within the ADM communities, as a result LED need to be implemented effective for the district to alleviate such poverty.



2.21. INDICATORS OF POVERTY

To Smith (2004:136) poverty is measured in various ways using various poverty indicators .It can be measured using poverty lines, if one ascribes to relative poverty and more recently given the multidimensional approach to poverty. The UNDP has developed indices such as Human Development Indices (HDI), Human Poverty Index (HPI) and the City Development Index (CDI). Measuring poverty is essential since it reflects the results of dynamic social, economic and political processes which disadvantage or advantages the community. Measuring poverty also assists in targeting areas for poverty alleviation. The various poverty measures can be outlined as follows:

2.21.1. Poverty Line

The poverty line is based on household income and expenditure surveys Hence, it is a threshold or critical cut-off in consumption below which a person or household is considered poor (World Bank, 2002:25).The poverty lines may be relative or absolute and they are based on income which is defined as the command over resources over time or as the level of consumption that can be afforded while retaining capital intact. According to ADB, (2004:33) relative poverty lines arbitrarily set the line in relation to the average expenditure that is, bundle of goods or income

in a country while absolute poverty lines are anchored in the standard of what households should be able to consume so that they are not deprived. In this regard absolute poverty lines are fixed in time and space, while relative poverty lines can vary (ADB, 2004:34).

World Bank (2002:26) writes that the weaknesses of poverty lines include that surveys to gather information on household income vary according to space and time, and at times comparisons are difficult since converting information from surveys is based on certain assumptions. Poverty lines also do not reveal inequality within a household based on gender and age. The poverty line also fails to account for the vast differences among the poor which might lead to LED policies addressing poverty directed toward the least poor (World Bank 2002:27). Thus poverty lines should be used in conjunction with other measures to inform LED policies so as to enhance the impact of LED on poverty alleviation.



2.21.2. Human Development Index (HDI)

The Human Development Index (HDI) is a more holistic measurement of poverty and can be used to monitor change in a particular area (UNDP, 2006:30). The HDI measures the average achievement of a country in basic human capabilities using three basic dimension of human development such as a long and healthy life, knowledge and a decent standard of living (UNDP 2006:30). It determines whether a country or area is developing with emphasis on improving human capabilities. Hence, HDI is a useful measure in that it captures the attention of policy makers, LED practitioners and governments interested in assessing the impact of economic development on poverty alleviation.

2.21.3. City Development Index (CDI)

The City Development Index (CDI) was developed in an attempt to measure urban development and urban poverty. It is defined at the city level and could also be taken as a measure of average well-being and access to urban facilities by individuals (HABITAT 2000). It is argued that the CDI is, to date, the best single measure of the level of development in cities. The CDI has been cited as a good index of urban

poverty and urban governance, while health, education and infrastructure components are particularly good variables for measuring poverty outcomes in cities.

The above indices are interrelated and interdependent on each other and they help in assessing poverty from various dimensions which is essential in determining the extent to which LED is pro-poor.

2.22. LINKING LED TO POVERTY ALLEVIATION

Despite the growing amount of literature available on LED, there seems to be only a limited focus on the contribution of LED to poverty alleviation. This might be because it is inherently assumed as an outcome, as has been the case with most development approaches and strategies implemented throughout history. Yet, development history has proven that a single focus on economic improvement, that is, implying social improvement is insufficient in addressing the real, grassroots causes of underdevelopment and poverty which so many developing countries find themselves facing. Parnell (2004:34) points out that for municipalities to achieve their economic objectives, they require political commitment to poverty reduction, job creation, and support to small businesses, and the transformation of the institutional arrangements inherited from the apartheid regime. Parnell (2004:36) further states that municipalities need not only address the needs of the poor, but they also have to be fully prepared in terms of appropriate tools and instruments at their disposal.

In a related context to that of addressing poverty, Midgley (1994:26) defines social development, as a social change designed to promote people's welfare in conjunction with a comprehensive process of economic development. The ultimate objective of social development, according to Midgley (1994:27) is to bring about sustained improvement in the well being of the individual, family, community and society at large. Poverty alleviation through social development should be an explicit focus within any development approach to yield real tangible results. LED undoubtedly provides a mechanism to improve the economic activities of localities, but without the inclusion of social development goals, it would seem to be unsustainable. The current focus of pro-poor LED signifies the needed shift toward

poverty. The policy entitled “Refocusing Development on the Poor” clearly proves this commitment in terms of making poverty alleviation a vital point, but often these intentions are not realized during implementation. According to Nel and Binns (2002:357), the legal and policy imperative in South Africa is matched to the social responsibility of promoting socially appropriate development, but whether the commitment and resources are always in place at municipal level is questionable and this is often the impediment to achieving these social goals.

Current approaches in terms of LED clearly show a bias toward pro-growth strategies, especially in urban centres. Mainstream LED planning in South Africa is continuing to be dominated by market-led activities, which are geared toward achieving sustainable high economic growth rates (Nel & Rogerson, 2005:65). LED activities are focused on supporting the building of local competitiveness by launching city improvement programmes supporting the growth potential of SMMEs. Place entrepreneurialism is still promoted by viewing localities as competitive spaces for production, consumption and information-processing activities and despite a highly competitive global environment, the retention and promotion of manufacturing continues to be seen as significant (Nel & Rogerson, 2005:66). Tourism-led LED activities have also evolved as a vital economic driver and is seen as an approach in almost every IDP document of localities.

In order for LED to have an appropriate impact, Nel & Rogerson (2005:66) highlight three critical policy areas. These include improving regulatory frameworks, the importance of urban agriculture, which is seen as a vital element in the survival strategy of many poor households and addressing issues of employment creation through the stimulation of local economic activities. By allowing household to have access to municipal services leads to improved economic activity and to Nel & Binns (2002:358) Job creation and infrastructure provision through public works programmes are very major LED strategies and according to Nel & Rogerson (2005:68), municipal actions targeted at creating employment represent important options for poverty alleviation, but one should realize that without access to basic services and infrastructure, poor people will always remain at a disadvantage to take up those opportunities.

2.23. LEGAL FRAMEWORK FOR LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

In South Africa, LED became prominent as the policy of government towards the end of the apartheid era. With democratization in 1994 however, came a new vision of development, and the concept of LED attracted more and more attention in government circles and amongst policy makers, to the point of being an explicit government priority today. Recognizing that LED is mostly aimed at improving the lives of the poor, it is not surprising that the Reconstruction and Development Program (RDP) was the first policy document on how to develop post-apartheid South Africa through social, economic and political reconstruction (ANC 1994:5). Van der Waldt (2007: 135) also writes that, it is in this policy that the basis of LED was laid and the South African law and policy provide a clear sanction for local governments to engage in LED. LED in South Africa is promoted through a number of overarching policies and laws. These policies and laws identify a key developmental role for municipalities and emphasize the need to address the needs of the poor in planning. Other initiatives such as Integrated Development Planning (IDP) provide support for implementing LED by including an economic component and promoting a participatory approach. Thus LED in South Africa is governed by the Constitution of 1996, some laws and policy papers (Nel 1999:56). These policies, laws and policy papers have, either directly or indirectly, contributed to the LED debate in South Africa and are implemented to, towards poverty alleviation. These can be described as follows:

2.23.1. The Constitution of the Republic of South Africa (1996)

The Constitution of the Republic of South Africa (1996) is the foundation of all legislative frameworks that exist in the country. It is the supreme law that informs all policies and legislations within the country. The basis for the current policy framework for LED was originally set down in the South African Constitution. In terms of section 153 (a) of the constitution of the Republic of South Africa, 1996 a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to

promote the social and economic development of the community. Furthermore, the constitution obliges municipalities to promote community participation as well as administrative justice that will manifest equity, fairness, justice and accountability. Hence, the constitution authorizes all municipalities to promote social and economic development and to ensure the delivery of municipal services to the people (Section 152 of the Constitution of the Republic of South Africa, 1996).

2.23.2. The Reconstruction and Development Programme (1994)

The Reconstruction and Development Programme (RDP) was the first key post-apartheid policy document which was launched as the main African National Congress (ANC) policy document before the elections and later it was formalized as the new government's White Paper on Reconstruction and Development. Van der Waldt (2007: 135) writes that the RDP was designed as a basis for development in South Africa and was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilizing people and resources to work towards the upliftment of the material and social conditions of local communities in order to build sustainable livelihoods for these communities.

According to Tomlinson (2003:115), RDP states that in order to foster the growth of local economies, broadly representatives' institutions must be established to address local economic development needs. Their purpose would be to formulate strategies to address job creation and community development. This process was envisaged as wide-ranging, consultative and participatory, and great prominence was given to community economic development and programmes to support and sustain the emerging black, informal and small enterprises, which along with public works programmes would foster job creation (Tomlinson, 2003:116). This shows that the RDP was designed to tackle the inequality and poverty through the need for an integrated and sustainable programme. In achieving this, Davids, Theron and Maphunye (2005:133), writes that local government should be seen as a key agent in transforming and democratizing development in South Africa. The RDP also placed considerable emphasis on grassroots empowerment, suggesting that development is not about the delivery of goods to a passive citizenry, but rather it is about active involvement and growing empowerment' which integrates all levels of

the state together with non-governmental organizations and community-based organization (Lyons and Smuts, 1999:2155). The RDP as such emphasized the fundamental links between participation and pro-poor economic development. Hence, it made implicit references to the notion of LED through the apparent support for community-based development and locality-based initiatives.

2.23.3. The White Paper on Local Government (1998)

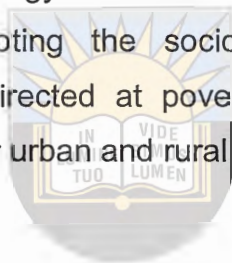
After the publication of the RDP document, the new developmental role of local government was further articulated in the White Paper on Local Government (1998), which stressed that, the central responsibility of municipalities is to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives (1998:17). The White Paper on Local Government (1998) states that the role of local government should be based on the promotion of job creation and economic growth by investing in effective public services as well as making a local area conducive to healthy living and work. This indicates that local government is responsible for the implementation of LED. The White Paper on Local Government (1998) also states that local government should be developmental, in such a way that it exercises its powers and functions in a way which maximizes the social development and economic growth of communities. Hence, in terms of the White Paper on Local Government (1998) vital characteristics of a developmental local government includes: maximizing social development and economic growth, integrating and coordinating, democratizing development and leading and learning.

Local municipalities thus have a crucial role to play as policy-makers, and as institutions of local democracy and they are urged to become more strategic, visionary and ultimately influential in the way they operate .Building upon the strategies of the RDP, developmental local government is charged with promoting empowerment and redistribution, and delivering four significant and essentially pro-poor outcomes. These are laid out in the white Paper on Local Government, (1998:23) as:

- The provision of household infrastructure and services(such as electricity, water and sewerage), with priority given to the delivery and subsidization of at least a basic level of services to those who currently have little or no access,

- The creation of liveable, integrated cities , towns and rural areas, in which the spatial legacy of apartheid separation is addressed,
- the achievement of local economic development, in which local governmental play an important role in job creation and in boosting the procurement, investment promotion, support for small businesses and growth sectors and
- Community empowerment and redistribution.

Thus, the White Paper on Local Government also directly states that LED should be a developmental outcome of municipalities. Along with this, the Urban Development Framework, 1997 and the Integrated Sustainable Rural Development Strategy, 2000 specifically look at LED as a strategy which has the potential to address the economic problems, hence promoting the socio-economic development and community empowerment mainly directed at poverty eradication within different localities in South Africa for particular urban and rural contexts.




2.23.4. The LED Policy (2002)

Nel & Rogerson (2005:66) write that the LED policy document, entitled Refocusing Development on the poor, had a clear pro-poor focus of LED explicitly targeting low income communities and the marginalized. Hence, it focuses on the development of the poor. It is in this regard that the policy emphasizes on a more community-orientated approach to LED, stressing that LED should be pro-poor orientated and target previously disadvantaged people and marginalized towns and regions. Ideally, municipalities should support local initiatives, which encourage local job creation while still responding to changes in the national and global economy (DPLG, 2002:9). This shows that LED is therefore about creating a platform and environment to engage stakeholders in implementing strategies and programmes. The challenge identified in the document is the need to develop pro-poor LED methods that can address both poverty and entrenched inequality. In pursuit of the challenge identified, the policy paper brings out the government's main focus in as far as development is concerned and these include:

- embarking on sustainable rural development and urban renewal,
- establishing a job-creating economic growth path,

- bringing the poor and the disadvantaged to the centre of development,
- community development linked to municipal infrastructure development and
- retention and expansion of local enterprises.

In order to achieve this, the document suggests that LED needs to be holistic, innovative, creative and redistributive (DPLG, 2002:9). The document argues for developmental LED. Hence, it states that pro-poor options should lead to a greater measure of redistribution, carefully designed to maximize local social and economic development objectives and new investment should be directed so as to maximize integrated development to generate high quality jobs, and assure clean production processes (DPLG, 2002:9). In order to promote Developmental LED, the following broad interventions are identified:

- 
- Promote links wealthy and poor redistribution areas;
 - Human capital investment;
 - Foster Community-Based Development;
 - Plug leaks in the local economy, that is, buy local and try and prevent money leaving the area
 - Delivery of infrastructure and services to those most in need;
 - Retain and expand local economic activity and
 - Identify a 'lead LED strategy for an area (DPLG, 2002:10).

The document states that there are defined roles that a local government can play in terms of LED and it also emphasizes that municipalities should establish an LED Unit. The main functions of an LED Unit are to co-ordinate all stakeholders to manage the LED budget, to create an LED database, co-ordinate all municipal activities, to manage the LED strategy and to monitor projects (DPLG, 2002:10). From the above, it can be shown that this document introduced a new wave of LED, mandating the state to be at the forefront in terms of pushing back the frontiers of poverty and unemployed, this framework can be described as interventionist in nature and the strategy requires a lot of energy from municipalities, both in terms of formulating and implementing successful LED strategies.

2.23.5. The Local Government: Municipal Systems Act (Act 32 of 2000)

The Municipal Systems Act provides a legislative framework on which mechanism can be created for municipal systems in order to achieve the economic advantage needed to create sustainable local authorities. Throughout the development process, as defined in development laws and policies, people empowerment remains one of the pillars on which sustainable outcomes are constructed (Scheepers & Monchusi 2002, 83). Empowerment, in the form of preparing people to participate fully in the development process, is one of the cornerstones of the new municipal system that came into operation in 2000.

In terms of this Act, municipalities are mandated to perform as coordinators, facilitators, and promoters of the local economic development projects or program, with the aim of achieving speediest, smoothest sustainable economy that will eventually create jobs and alleviate poverty in disadvantaged communities. Hence, section 16 of the Municipal Systems Act, 32 of 2000, states that municipalities are specifically required to involve communities in the affairs of the municipality, to provide services in a financially and sustainable manner and to promote development in the municipality. In every law forming part of the legal framework for LED, the idea of empowerment through involvement is always present (Scheepers & Monchusi 2002, 83).

The Act accentuates the IDP as a municipal developmental tool, of which LED is placed as one of its elements. Furthermore, the Act spells out the same powers and duties as detailed in Municipal Structures Act (117 of 1998) and obligates municipalities to undertake developmentally orientated planning; requiring municipalities to develop Integrated Development Plans. Moreover, the Act has defined implications for LED in terms of the operational procedures, powers and management systems, which are mechanism to promote pro-poor development.

2.23.6. The Development Facilitation Act (Act 67 of 1995)

Van der Waldt (2007: 135) writes that the Development Facilitation Act, 1995 is one of the South African laws and policies that provide a clear sanction for local government to engage in LED. Hence, the Development Facilitation Act is a key local government planning and development instrument which integrates market

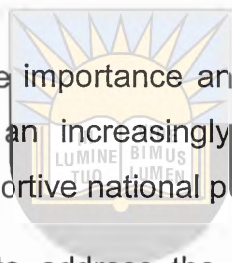
principles into land development paradigms (Scheepers & Monchusi, 2002:83). In terms of this Act, local governments were empowered to develop what were known as Land Development Objectives (LDO). These are for the sub-division and development of land in the urban and rural area to promote the accelerated provision and development of land for residential and to improve the security of tenure. This Act was deemed necessary in order to redress the development imbalances of the apartheid era and accelerate through the efficient utilization of land.

2.23.7. Other legislations and policies which promote LED

Other legislation and policies which promote LED include the Urban Renewal Programme (URP, 2001), Accelerated and Shared Growth Initiative in South Africa (ASGISA, 2005), the Urban Development Framework and the Integrated Sustainable Rural Development Strategy. These policies underpin an emerging city agenda on LED and the Spatial Development Strategy which encourages regional economic development (Nel, 2001:1023). The URP (2001) is a presidential program introduced by then, the State President Thabo Mbeki in year 2001 to address underdevelopment in the most severely impoverished rural and urban areas in South Africa. Patterson (2008:8) writes that through ASGISA, government is committed to reducing unemployment and poverty. It was initiated to promote economic sector development strategies while still focusing on efforts to include the marginalized poor in the broad economy, and to improve services in all three spheres of government in order to halve unemployment by 2014. Instruments such as the IDP process, which requires an economic and spatial development component, promotion of participation and appropriate institutional and funding mechanism also, have an impact on LED. In terms of the DPLG (2006-2011:7) a formal policy on LED called National Framework for LED in South Africa: Stimulating and Developing Sustainable Local Economies was issued out. According to the DPLG (2006-2011:7) the main objectives of this framework include:

- To shift towards a more strategic approach to the development of local economies and overcome challenges and failures in respect of instances where municipalities themselves try to manage a litany of non viable projects or start ups.

- To support local economies in realizing their optimal potential and making local communities active participants in the economy of the country.
- To elevate the importance and centrality of effectively functioning local economies in growing the national economy,
- To wage the national fight against poverty more effectively through local level debates, strategies and actions.
- To improve community access to economic initiatives ,support programmes and information
- To improve the coordination of economic development planning and implementation across government and between government and non-governmental sectors.
- To build awareness about the importance and role of localities and regions which globally, are playing an increasingly significant role as points of investment, facilitated by supportive national policies.



These policies have the potential to address the economic problems within the various localities in South Africa for particular urban and rural contexts. The policy framework as shown in the above discussion has as its focus the centrality of a people driven development that brings together all stakeholders to support and anchor the people's agenda. Moreover, it remains the duty of the municipality to establish mechanisms that are sustainable in order to realize its developmental mandate. In doing this municipalities should follow the national legislation and various policy guidelines that are established to guide them in their endeavour to ensure local economic development.

2.24. CONCLUSION

This chapter provided a detailed discussion on literature review and outlined a conceptual, theoretical and legal framework for LED as a sustainable mechanism for poverty alleviation. It provided an overview of LED and poverty concepts, the nature of LED internationally and the case studies showing the experience of LED as a poverty alleviation tool was also highlighted, an explanation on the roles played by

local government and different stakeholders in promoting LED, the various strategies and approaches to LED were also outlined. The relationship between IDP and LED, the setting up of LED institutions and the funding of LED, the process of LED within the municipal environment, the nature of poverty was also provided. The neo-liberal and the neo-development theories were also highlighted in this study. Further to this, the chapter provided an overview of the relevant and most important LED legislative framework in South Africa that can be implemented to towards poverty alleviation. In this chapter it is clear that LED is actively pursued by the South African Government given a variety of legislation which promotes and facilitate LED. Hence, it is seen as a means to promote economic growth and as a panacea to poverty alleviation. The next chapter will provide an account of the research design and methodology used in the study.



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CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. INTRODUCTION

Chapter two of the study focused on the literature review that critically analysed the scholarly readings from authors of different spectrums. Chapter three of the study focuses on the research methods used to analyse how the research will be conducted and also looks at the research designs. A research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research questions or problems (Kumar, 2005:84). The research design is therefore a tool that can be used to structure the research for it to be meaningful and for it to be able to undergo the route that it has been structured for.

A case study is a systematic inquiry into an event or set of related events which aims to describe and explain the phenomenon of interest (Maree, 2007:75). It is thus used by those researchers who are interested in addressing a particular issue that does not need experiments or prospective or retrospective research methods. It can be used as a tool to give reports on an investigation that has taken place and to give feedback of enquiry to those who are entitled to it. This research will therefore be classified as a case study research as it will be based on investigations made in the community to check their level of satisfaction on Local Economic Development (LED).

To achieve the objectives of this study, various methods were employed as instruments for in-depth understanding of the area of study. This chapter therefore, describes how the research design and methods were employed in this study. The research design presents the methodology and methods used in the study. The methodology and method, outlines the research approach and instruments used to collect data respectively. The research design enables the researcher to use data collection techniques that suit the research problem. The purpose of this chapter is therefore to outline and clarify the research design, the research paradigm adopted,

the target population, the sample, data collection techniques used in the collection of data in this study and the rationale for choosing them. The chapter concludes by outlining how the collected data was analysed and by pointing out what will be covered in the following chapter.

3.2. PERMISSION TO CONDUCT RESEARCH

When conducting a research that involves people and organizations such as companies, government department and other institutions one has to seek permission to conduct research from the relevant department. Bak (2004:28) explains that any research that involves people must show an awareness of the ethical considerations and an agreement to conduct the research in accordance with ethical procedures. The requisition letter was sent to Mquma Local Municipality asking for permission to conduct the research. The letter is shown on annexure A. In response to the requisition letter, the written consent of relevant authorities from Mquma Local Municipality in ADM was sought before any interaction with the respondents. The written consents from the municipality are shown on annexure B. The authorities and respondents involved were fully informed about the study and how the intended data would be collected. An explanation was provided on what the information was to be used for, and how it was to be handled. They were assured of confidentiality and anonymity in the treatment of information gathered from them.

3.3. SCOPE OF THE STUDY

The scope of the study is the area in which the research was conducted and includes the following:

3.3.1. The survey area and the study unit

The study will be conducted at Mquma Local Municipality which falls under the Amathole District Municipality in the Eastern Cape. Mquma Local Municipality is located in the south-eastern part of the Eastern Cape Province and it shares borders with three other local municipalities which are: Mbhashe, Intsika Yethu and Great Kei. This Category B municipality falls under the jurisdiction of the Amathole District

Municipality (ADM) and comprises of an amalgamation of the former Butterworth, Ngqamakhwe and Centane Transitional Regional Councils. It also includes a number of previously administered rural areas (<http://www.localgovernment.co.za/south-africa/local-municipality/7>)

Mnquma Local Municipality has a total population of approximately 297 663 people, 99% of which are Xhosa speaking African. The remaining 1% of the population includes English, Afrikaans, Zulu, Sesotho speaking people. The municipality comprises of 54% female and 46% male of the total population and consists of approximately 75 410 households (<http://mfma.treasury.gov.za/Documents/pdf>).

3.4. RESEARCH DESIGN AND METHODOLOGY

A research design is a plan, structure and strategy of investigations so conceived as to obtain answers to research of problems (Kumar 2011:94). Kumar (2011:94) further states that *a traditional research design is a blueprint or detailed plan for how a research study is to be completed – operationalizing variables so they can be measured, selecting a sample of interest to study, collecting data to be used as a basis for testing hypothesis and analyzing the results. Research design is a plan of how one intends to conduct the research.* Bless and Higson-Smith (1995:63) defines research design as the planning of any scientific research from the first to the last step. Kumar (2011:94) is also of the view that a research design is a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. This notion is also supported by Bless and Higson-Smith (1995:63) as they state that research design is a programme that guides the researcher in collecting, analysing, interpreting and observing facts. In order to ensure the reliability and validity of data, the research design for the study included both qualitative and quantitative designs.

Methodology is part of a research that deals with collection of information and analyzing as well as giving results of the analyzed data. Research methodology is described as a scientific process that seeks to provide answers to questions through a systematic approach with the support of credible data; hence, it is a way to systematically value the research problem (Strauss and Corbin, 2000:1). The study

adopted a mixed methods approach in order to assess LED as a mechanism for poverty alleviation. Mixed methods research defined as the class of research where the researcher combines both quantitative and qualitative research techniques, methods, approaches, concepts and language into a single study (Johnson and Onwuegbuzie 2004:20). Integrating qualitative and quantitative approaches to development research can help yield insights that neither approach would produce on its own.

3.4.1. Quantitative Research Method

Bless and Higson (1995:86) writes that quantitative research method uses quantifying data to record aspects of society. It makes collected data to be reduced to some numerical representation of what is being measured. In this approach the raw data was reorganized into a form which is suitable for computers and was presented using tables and pie charts interpreted to give meaning or results. Babbie and Mouton (2001:49) points out that the best way to measure the properties of phenomena is through quantitative measurement, which is by assigning numbers to the perceived qualities of things. In this regard, the researcher's role is that of an objective observer whose involvement with the phenomena being studied is limited to what is required to obtain necessary data. In this quantitative approach the researcher utilized questionnaire surveys, in which closed-ended questions were computed and pie-chart analyzed.

3.4.2. Qualitative Research Method

The study also used the qualitative approach since there are some kinds of information or data that cannot be quantified, but expressed only by words to describe social phenomenon. Lewis, Taylor, and Gibbs (2005) write that qualitative data is information gathered in a nonnumeric form. Mouton and Marais (1990:175) are of view that qualitative research is characterized by the fact that the researcher is trying to get to multiple meanings and interpretations rather than impose one dominant interpretation. Hence, it is a way of collecting information on the knowledge, values, feelings, attitudes, beliefs and behaviours of the target

population. This shows that in qualitative research, patterns of similarities and differences in all cases or relationships are examined and general ideas and concepts are also used as tools for making generalizations. The collection of information was based on the analysis of tools and strategies that promote LED as a tool to alleviate poverty in Mquma Local Municipality. The data was solicited through open-ended question items on the self-administered questionnaires. Structured interviews were also utilized by the researcher as a technique of the qualitative approach to gather relevant information.

3.5. TARGET POPULATION

The target population refers to the population where the study will be conducted and in this instance it is the Mquma local municipality which is situated in the Eastern Cape in Butterworth. The target population is where the sample will be drawn from as it will represent the target population because a study cannot be conducted in the full population group as that will be time consuming. A sample of 50 people will be drawn from different age groups such as the youth, young adults and the elders. The sample will be drawn considering the employed and the unemployed as well as the retired citizens.

When a sample is drawn it should have a frame that will enable the proceedings of the study. A sampling frame is a complete list in which each unit of analysis is mentioned only once. The sample should be representative of the sampling frame, which ideally is the same as the population, but which often differs due to practical problems relating to the availability of information (Welman, 2005:57). A sample will be selected from the people of the residential areas in this municipality.

3.6. SAMPLING METHODS

Kumar (2005:144) asserts that sampling is the process of selecting a few cases from a bigger group to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group, in other words a subgroup of the population in which a researcher is interested in.

Laws *et. al* (2003:459) describes a sample as a selection of units chosen to represent the target population. The sample is a microcosm of the overall population and serves to provide the researcher with a better understanding of the greater application of the findings. It is not feasible to cover the entire population. A sample is used to acquire the relevant information from the portion of the population that is familiar with the area of study that the researcher is pursuing. Panneerselvam (2005:191) also states that sampling is a process of selecting a subset of randomized number of members of the population of the study and collecting data about their attributes. The sample for the study was composed of the management officials, top LED officials, employees within the LED unit of Mngquma Local Municipality and other community members.

Careful sampling was done in this study for the following reasons: Sampling enables the researcher to study a relatively small section of the population and still be able to gather data representative of the whole population. It is feasible to use a sample because a complete coverage of the total population is seldom possible and all members of the population cannot be reached. To Kumar (2005:144) sampling procedures must be designed so that samples of the actual population are collected accurately and consistently and reflect the concentrations of the population at the place and time of research.

To select the sample a non-probability sampling procedure was employed. According to De Vos *et al* (2005:201) non-probability sampling is a sampling procedure whereby one does not know population size of the members. The objective of choosing a sampling procedure is to select a sample that is representative of the population from which they are drawn. In this research, the non-probability sampling techniques were used, specifically, purposive/judgemental sampling and snowball sampling.

3.6.1. Snowball sampling

Baker (1988:159) writes that Snowball involves approaching a single case that is involved in the phenomenon to be investigated in order to gain information on other similar cases. In this study the top LED officers within the LED unit in Mngquma Local

Municipality were targeted by the researcher as a single case and it was through these top LED officers that further people who could make up the sample were identified.

3.6.2. Purposive/Judgmental Sampling

Warwick and Linenger (1975:74) writes that in purposive sampling, sample elements are chosen by the researchers using their own discretion about which informants are typical or representative. This shows that purposive sampling technique allows the researcher to identify a sample composed of only those found to be more relevant to the study. In this regard, based on the researcher's judgment to select those that participated, thus the most informative samples in selected municipalities were established. The study focused on the municipal management officials, top LED officials, the employees within the LED units and the community members from Mngquma Local Municipality. These respondents provided the researcher with the required and relevant information that would seek to solve the problem identified.

This is in line with, Polit and Hungler (1991:40) who suggest that the logic and power behind purposive selection should be the richness of the information. The selected population provided required information on LED as a mechanism for poverty alleviation in the selected municipality; hence, the researcher employed purposive sampling.

3.7. DATA COLLECTION METHOD AND PROCEDURES

Data collection is a form of collecting information from various sources. This can be done through a number of instruments. Layder (1993:54) identifies a number of instruments that can be used to gather data, among these are interviews, documentary analysis, intake forms, questionnaires and surveys and attendance records. In this study, questionnaires, interviews, observation and documentary analysis from the selected municipalities were used to gather and triangulate data from the respondents.

3.7.1. Questionnaire survey

Kumar (2005:126) postulates that a questionnaire is a method used for collecting data by means of written questions which calls for responses on the part of the respondent. The questionnaires for the study consisted of both open-ended and closed-ended questions. Open-ended questions enabled the respondents to fully express their views freely and to give detailed and precise information. To De Vos *et al* (2005:175) ,closed-ended questions enable the respondents to understand the meaning of the questions better, questions are answered within the same framework and responses can consequently be compared with one another .Open-ended and closed-ended questions gave accurate and adequate information about the situation on the ground in terms of LED as a mechanism for poverty alleviation.

Questionnaires were deemed appropriate because according to Brynard and Hanekom (1997:38-39) although they have their own disadvantages, their advantages will make them most appropriate for this study.

Hence, the choice of the questionnaire as instruments for data collection is informed by the following advantages: they are less expensive and require much less skill to administer, they can be used to reach a large number of people simultaneously and they give respondents greater confidence in their anonymity so they can give out information freely especially on the views they fear might be disapproved or might get them into trouble. Thus generally, questionnaires give respondents ample time for filling them out hence each answer may be considered carefully, which reduces mistakes and respondents' inconveniences. However, the researcher was aware of the following disadvantages of questionnaires: the respondents might have provided responses they thought would please the researcher and this might not reflect their true perceptions and attitudes, thus distorting the facts. Some respondents might have chosen not to answer all questions and no reasons might be given for the omission and valuable information might have been lost as the answers would be usually brief especially in close-ended questions (Kumar, 2005:130).

In this study structured self-administered questionnaires were designed by the researcher and completed by the targeted respondents which include the representatives of the stakeholders, employees within the LED units and the randomly selected households within the communities of Mngquma Local

Municipality. The questionnaires consisted of both open-ended and closed-ended questions. The total number of questionnaires that were distributed summed up to forty-four (44) and a total of seven (7) questionnaires were not returned by the respondents due to their busy schedules, hence, they did not have time to respond to them. Although some respondents did not return the filled questionnaires, this did not affect the results of the study since thirty-seven (37) respondents out of forty-four (44) respondents returned the filled questionnaires, giving a total response rate of eighty-four percent (84%), meaning a very good response rate result for interpretation was obtained. In line with this, Bailey (1982:165) writes that a response figure of at least fifty percent (50%) should be sufficient for analysis of the data, a figure of sixty percent (60%) can be seen as “good” and a figure of seventy percent (70%) can be seen as “very good”. It is clear from the above discussion that the research had a very good response rate to justify the validity of this study.

3.7.2. Documentary survey

Documentary survey refers to other means of data collection in research; this is sometimes referred to as the secondary data. This can be gathered through documents, books, computers, news papers and others. Williman (2011:78) states that all research studies require secondary data for the background to the study. He further states that whenever there exists a body of recorded information, there are subjects for the study. The use of the secondary data for this research is thus vital as the Mnquma Local Municipality has produced a number of documents that view the spectrum of LED in the municipality. This refers to documents that are produced by the engineers of LED in the municipality which therefore means they provide the researcher with the updated and on-point information on LED in the Municipality.

Williman (2011:78) also looks at the advantages of secondary data and alludes that the advantages of using secondary data is that it has been produced by teams of expert researchers, often with large budgets and expensive resources way beyond the means of a single student, so it cuts out the need for time consuming fieldwork. In this research secondary data will form part of the methods of collecting data for analysis. Documents and publications, journals as well as desktop information will be used as means of secondary data for the research where the analysis for the

research will be done and these documents are usually referred to as online recourses or database. An online Database search is simply bibliographic research which is performed by an individual scholar or librarian using a computer and the internet. By connecting with a database research service, millions of records in hundreds of databases can be searched for material on a topic (Taylor, 2005:37). For this research secondary data in a form of books, journals, online publications, policy documents on LED and other theories that are linked with LED of the Mnquma Local Municipality will be used and referenced to as the means of collecting data and documentary survey.

In order to assess and determine the effectiveness of LED as a mechanism that is geared at poverty alleviation and creation of employment in the selected municipalities within ADM, the study also consulted existing documents on LED. The researcher was given the existing documents by the LED officers, from Mnquma Local Municipality. These documents included the LED strategy documents, the draft IDP documents. Other various documents on LED were also consulted by the researcher; such documents include the LED policy paper, integrated sustainable rural development programme, White paper on Local Government, the RDP, and the Constitution. The researcher also made use of the annual reports documents that promote LED within the ADM. These documents were vital as they provided the required information based on the functioning of the LED office towards sustainable development in the municipality.

3.7.3. Non participant Observation

During the process of data collection, the observation method was used by the researcher where a note book was kept noting major observations which where key in analysis. The researcher made use of simple observation, also known as non-participant observation. To Bless *et al* (2006:114) simple observation is the recording of events as observed by the researcher. It allows the researcher to get first hand information in the area chosen for the study by merely recording facts without interacting with the observed. In support of this, Cresswell, (1994: 180) writes that engagement in the setting permits the researcher to hear, to see and begin to experience reality as the participants do. In the section of LED unit, the researcher

observed that they are charts mounted all over which talks about LED policies, LED initiatives, the LED strategies and its benefits.

3.8 DATA ANALYSIS

Mouton (1996:108) describes data analysis as involving 'breaking up' the data into manageable themes, patterns, trends and relationships. This shows that it is a process of interpreting and making sense of what respondents would have said about the topic under investigation and thorough analysis increases the yield of information, its reliability and relevance to the subject matter.

According to Laws *et.al* (2003:452) data is used to describe all types of information gathered by researchers. Alternatively, Public Administration Dictionary describes data as "facts, details, information, text, images, particulars and numbers in their undigested form which have been accumulated, usually in order to analyse and measure them and to make generalisations and draw conclusions" (Fox and Meyer, 1994:32). Laws *et.al* (2003: 452) further contend that 'raw data' refers to information which has been collected but not processed or analysed. Analysis on the other hand describes the process of breaking something down into component parts. As such Laws *et.al* (2003: 452) are of the view that, it is necessary to trace things back to their underlying sources, therefore analysis involves probing beneath the surface appearance of something to discover the component elements which have come together to produce it.

This study utilised both quantitative and qualitative techniques of data analysis to analyze data gathered from the respondents based on LED as a mechanism for poverty alleviation. To Babbie and Mouton (2001: 50) quantitative analysis is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect. On the other hand qualitative analysis is a non numerical representation of data.

The collected data was coded and categorized into themes in order to see their patterns and interrelatedness. This can be facilitated through thematic organization. In this regard thematic content analysis was used and it involves the manual or automated coding of documents and transcripts, to obtain counts of word-phrase

clusters for purposes of analysis. The researcher created themes which clustered words and phrases into conceptual categories for the purpose of counting and these themes then ground the arguments presented in the discussion. This means that the patterns, themes and categories of the analysis came from the data. Creswell (1994:198) is of the opinion that categorical aggregations are a collection of instances from the data and hold relevant meaning and direct interpretation. This involves drawing from single instances by pulling data apart and putting it back in a more meaningful ways. The data was arranged according to relevant categories for comparison. These categories were based on trends, patterns, similarities among respondents.

It was through this method that the researcher was able to display data in Chapter four using various data-display techniques. According to Kruger (2005:219) a data display is a systematic visual representation of information which enables the user to draw conclusions about qualitative material collected through different methods. In this study the data was displayed or presented and expressed in text, tabular, graphic and percentiles presentations. Kumar (2005:248) contends that the main purpose of using data-display techniques is to make the findings clear and easily understood. Pie-chart presentation was chosen since it made it easier to see the pertinent features of a set of data. Also the graphs could be constructed for every type of data, that is, qualitative or quantitative. As such, pie-chart analysis was employed in this study.

3.9. ETHICAL CONSIDERATIONS

According to Bak (2004:28) any research that involves people must show an awareness of the ethical considerations and an agreement to conduct the research in accordance with ethical procedures. Ethical guidelines serve as standards and as basis on which the researcher ought to evaluate her own conduct. In this study, ethical issues such as confidentiality, anonymity, informed consent and voluntary participation were strictly observed and adhered to, for the purpose of avoiding harm to the respondents. Permission was sought from the municipal authorities before the questionnaires were distributed. This is evident by the letter of requisition that was sent to the municipality and the acceptance letters received from Mnquma Local

Municipality. These letters are shown on annexure A and annexure B. All respondents were assured that whatever information collected from them through the questionnaire and surveys is used for academic purposes only.

These ethical issues were adhered to, in such a way that participants in this study were guaranteed of confidentiality as no identifying information was disclosed in any part of the study. Thus the respondent's rights to privacy were protected by means of confidentiality. De Vos *et al* (2005:59) write that nobody should be coerced into participating in a research project because participation should always be voluntary. In this study seven (7) respondents were not coerced into participating as they refused to fill in the questionnaires and two (2) respondents were unavailable to be interviewed by the researcher. This allowed the researcher to collect data from the respondents who were willing to contribute to the topic under investigation, LED as a mechanism for poverty alleviation.

According to De Vos *et al* (2005:56) subjects can be harmed in a physical or emotional manner. The responsibility for protecting the respondents against harm reaches further than mere efforts to repair or minimize such harm afterwards. In this study harm was minimized by avoiding the violation of the rights to which every respondent is entitled. Hence, respondents were thoroughly informed beforehand about the potential impact of the investigation as this offered the respondents an opportunity to withdraw from the investigation if they so wished. Kumar (2005:212) is of view that in every discipline it is considered unethical to collect information without the knowledge of participants and their expressed willingness and informed consent. Hence, in this study respondents were fully informed about the study, its aims and purpose. The respondents' were also informed that they were free not to participate and to withdraw from the study at any time. To this end, careful considerations of ethical issues were therefore guaranteed throughout the study.

3.10. LIMITATIONS OF THE STUDY

All research survey methods have some disadvantages and limitations. The research study was faced with some challenges during data collection. It is however, important to indicate that in this study the threatening and sensitive information was

excluded from the survey. The limitation of the study was that the results of this research showed difficulties to reach a generalized conclusion because it is a case study. The conclusion of the study was only limited to municipalities under ADM, with a strong focus on LED unit.

Nonetheless, the issue of generalization is not that problematic because the main objective was not to generalize, but to reflect on a number of the employed LED strategies, the challenges featuring in LED unit and also to suggest recommendations specific to the main context.

3.11. CONCLUSION

The chapter focused on the methodology and design employed to achieve the research objectives, through both quantitative and qualitative methods. Snow ball and purposive/ judgmental sampling techniques were used to select the relevant respondents of the study. To collect data from the respondents, the study used interviews, questionnaires, documentary analysis and observation methods. The collected data was analysed. During data collection, ethical issues were observed and adhered to. This made it possible to collect data from the respondents who were willingly to participate to the study. The researcher is of the opinion that the methodology used to collect data provides a true reflection of the information required. The next chapter will focus on the presentation, analysis and interpretation of the research data.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4. 1. INTRODUCTION

This chapter; presents, analyses and interprets the data collected using the methodology described in the previous chapter (chapter three). As alluded to in chapter one, the study sought to find out; what local economic development strategies were used by Mngquma Municipality to promote sustainable local economic development and how effective they were? The objectives of the study were to:

- Find out the Local Economic Development strategies used by Mngquma Local Municipality and how sustainable these strategies are.
- The study seeks to analyze initiatives taken by the municipality to meeting its development mandate.
- The study seeks to bring out the challenges faced by the municipality to meet its development goals.
- The study seeks to evaluate the level of people's participation on the development initiatives of the municipality.
- Recommend how Mngquma Local Municipality can address the challenges of uneven development through Local Economic Development and progress as a Developmental Local Government.

To assess Local Economic Development (LED) strategies used by Mngquma Local Municipality to promote sustainable development both quantitative and qualitative techniques were used to collect data. Interviews and components of desktop research in the form of primary and secondary sources as indicated in chapter three were used as main data collection instruments. The interviews were self-administered. The data obtained from the interviews is presented in the following sections.

4. 2. QUANTITATIVE DATA ANALYSIS

4. 2. 1. Interview process

The interviewed consisted of the municipal manager, local economic development officer, community facilitator, head of strategic planning and employees from the strategic planning office. The community was also approached, interviews were conducted to the community and feedback was obtained. The interviewed that were selected by the researcher were considered to be a microcosm of the larger population in Mquma Local Municipality.

From the information presented above it can be deduced that the response from the various respondents is well above average. Hundred percent (100%) response rate from the municipal manager's office, one hundred percent (100%) response rate from the Local Economic Development department, seventy percent (70%) response rate from the community. Overall, out of a total of Fifty (50) self-administered interviews, Forty Three (43) were completed successfully. The total response rate was thus eighty-six percent (86%), indicating a very favourable response rate.

4. 2. 2 GENDER REPRESENTATION

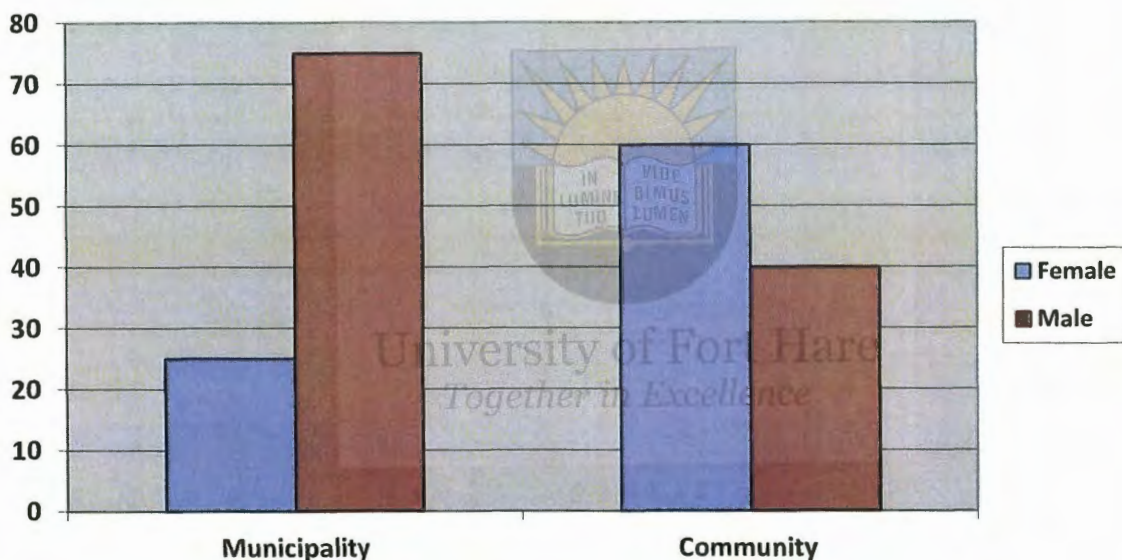
THE MUNICIPALITY

As shown in figure 4.1, of all the interviewed, only one out of a total of four male respondents was female, accounting for twenty-five (25%) female representation at the department of Local Economic Development. Seventy-five percent (75%) therefore constituted males, who were interestingly also found to occupy mostly middle management positions whilst only twenty-five (25%) constituted females at secretarial level. Even though the municipality bemoans that it has a dire shortage of human resources, it should notwithstanding, this be accordingly guided by the White Paper on Affirmative Action, and should be redressing this glaring gender disparity within the municipality.

COMMUNITY

Out of the Forty Five (45) interviews conducted from the community, Thirty one (6) of these were from females and Fourteen (14) were from males. Females accounted for sixty percent (68%) of the interviewed in this category, whilst males constituted the remaining forty percent (32%). This is graphically presented in figure 4.1 below.

Figure, 4.1: Gender Representation of All Respondents



4. 2. 3. AGE DISPARITY

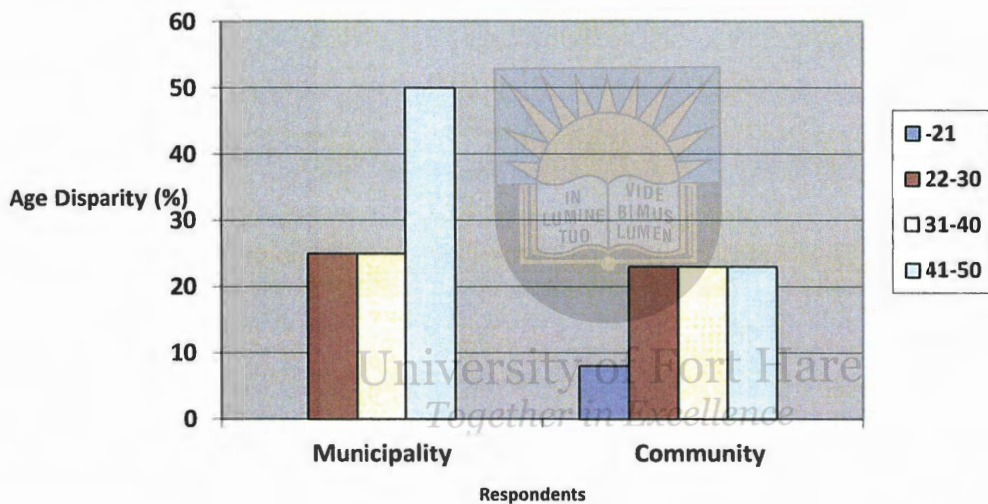
THE MUNICIPALITY

Of all the interviewed people were; one was between the ages of 22-30, another one was between the ages of 31-40, another was between the ages of 41-50 and the last two respondents were aged 50 and above. The people between the ages of 22-30, 31-40 and 41-50 constituted twenty-five (25%) of the people that were interviewed. People above the ages of 50 constituted fifty percent (50%) of the interviewed (see, *Figure 4.2 below*).

COMMUNITY

Respondents between the ages of: 22-30, 31-40, 41-50 and those above the age of fifty (50) were represented by three (3) people in each of these respective age groups. This translated to 23% in each age group. The only exception being one person below the age of 21, this comprised eight percent (8%) of the respondents (see, Figure, 4.2).

Figure, 4.2 Age Disparity between Respondents



4. 2. 4. HIGHEST QUALIFICATION OBTAINED

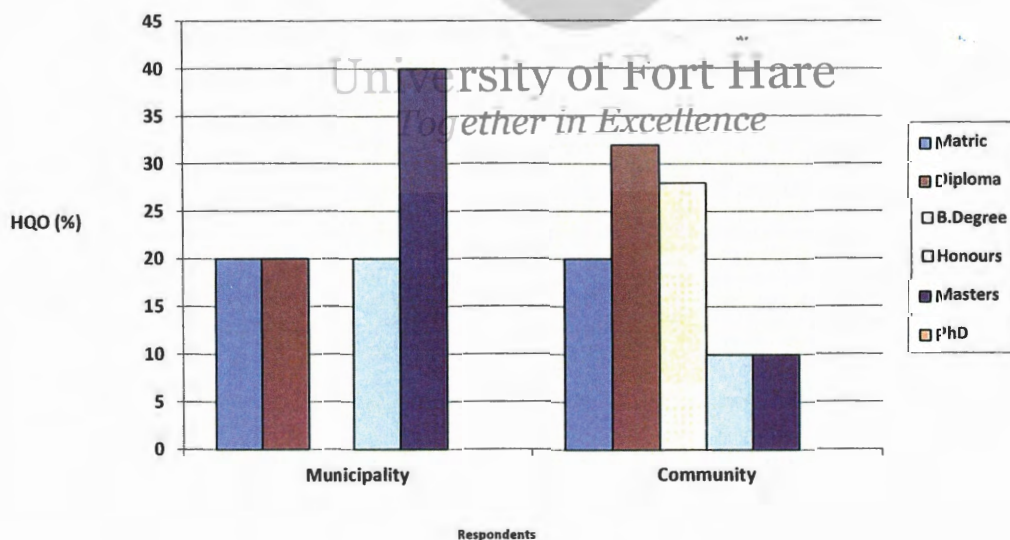
MUNICIPALITY

As shown in figure 4.3, the qualifications of respondents sampled in the municipality ranged from Matriculation Exemption (Matric) to Masters' Degree highest qualification level. One person had a Matriculation (Matric) qualification, one had a diploma, one had a Bachelor's Degree, and another had an Honours' Degree and finally, the other had a Masters Degree qualification. No one has a qualification that is higher than a Masters' Degree. Respondents with Matriculation, Diploma and Bachelor's degree constituted twenty percent (20%) of the respondents respectively. The remaining forty percent (40%) consisted of people with a Masters Degree qualification.

COMMUNITY

Among the community respondents of all persons who responded five (5) were Matriculants. Twenty (20) had a diploma, eighteen (18) had Bachelor's Degrees, one (1) had Honours' Degrees and only one (1) had a Master's Degree qualification. Thus, as shown in figure 4.3 below twenty percent (20%) of the community that responded to the interviews had a Matric qualification. Thirty-Two percent (32%) had a diploma, twenty-eight percent (28%) had a Bachelor's Degree, ten percent (10%) have honours' degrees and ten percent (10%) had a Master's qualification. The information presented here therefore indicates that the highest qualification obtained among the sampled community respondents was a Master's degree.

Figure, 4.3: Highest Qualification Obtained (HQO) among respondents



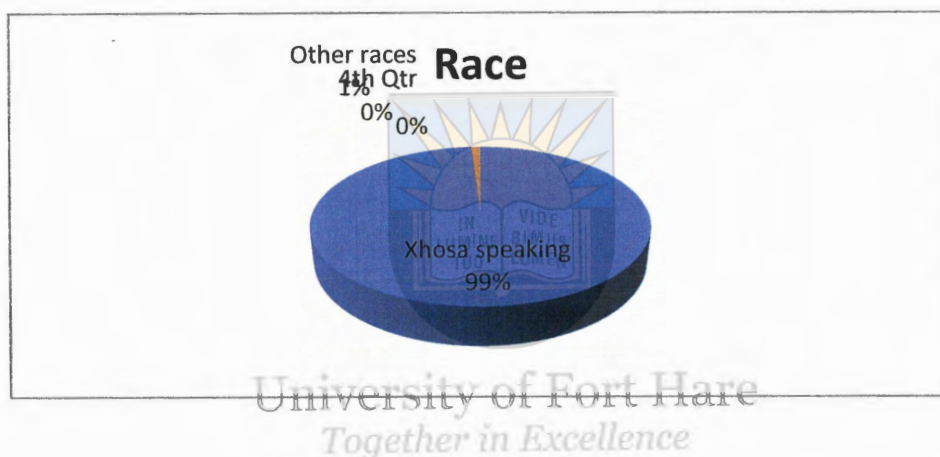
4.2.5. Interpretation of the collected data

The collected data from the desktop research will therefore be interpreted into tables for a more concise understanding of the formulated research. According to the research conducted by Stats SA from the community survey of 2007 it was depicted that the Mquma Local Municipality has a total population of approximately 297 663 people, 99% of which are Xhosa speaking African. The remaining 1% of the population

includes English, Afrikaans, Zulu, and Sesotho speaking people (Mnquma IDP, 2010:19).

This is then tabulated in the diagram below. The first quarter in the blue shade representing the majority population race and the second quarter illustrating the minority population.

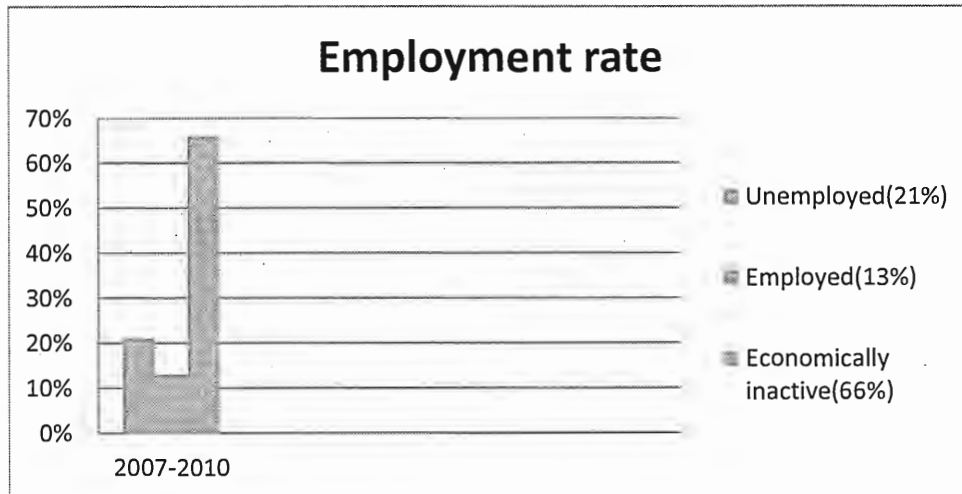
Figure 4.4: Population Distribution (Race)



4.2.6. Unemployment in the Locality.

Mnquma is found to be one of the Municipalities with the highest levels of poverty, illiteracy and unemployment in the Eastern Cape (IDP report 2010/2011:9). An estimated 21% is unemployed, only 13% is employed while 66% of the Municipal population is considered economically inactive. The Municipality has limited employment opportunities and this has huge implications on the increased need for welfare and indigent support in the Municipality (IDP report 2010/2011:9).

Figure 4.5: Employment rate



The Municipality therefore needs to put priority into service provision, skills and social development. As depicted by this graph in the y-axis there is the percentage of the rate of employment in the municipality. In the x-axis there is the period through which the study was conducted.

4. 3. QUALITATIVE DATA ANALYSIS

Data received from Municipality

4. 3.1. MUNICIPAL SUPPORT TO THE COMMUNITY

When asked whether the municipality supports communities within its locality to realize local economic development or not, one hundred percent (100%) of the respondents replied to the affirmative. A mix bag of responses emanated thereof. While some respondents asserted that the municipality was raising funds for cooperatives, others identified several institutional actors of Local Economic Development as the source of funding. According to the respondents these actors included: the Department of Economic Development and Environmental Affairs, the Department of Trade and Industry, the Department of Agriculture, the Department of Social Development and the Eastern Cape Development Cooperation (ECDC) among others. It was also pointed out that the municipality was also promoting training of Small Micro-Medium Enterprises (SMME) through a business skills development project funded by the Department of Labour and the Small Enterprise Development Agency (SEDA). Municipal support was also acknowledged by

respondents who pointed out that the municipality was also supporting the community by buying locally through its procurement process.

4. 3. 2. STRATEGIES USED TO PROMOTE SUSTAINABLE LOCAL ECONOMIC GROWTH

A sizable number of respondents, thirty-three percent (33%) were of the view that the municipality was still in the process of establishing a Local Economic Development Forum. According to the respondents the municipality needed to develop a comprehensive Local Economic Development strategy that would produce key priorities of Local Economic Development. When asked to give an exposition of the strategies used by the municipality to promote sustainable local economic growth, the respondents indicated that the municipality was currently using the Integrated Developmental Plan (IDP) as its strategy, owing to the non-existence of the Local Economic Development Forum. This is worrying because, it implies that, until the establishment of such a forum, the work is and will continue being done in an un-organised fashion, by muddling through.

The LED strategies include; developing and maintaining infrastructure and services, retaining and expanding existing businesses, preventing a drain of resources from the local economy, developing human capital and productivity and focusing on community-based economic development.

However, one respondent was of the opinion that these strategies were short-lived as they, according to him, were not informed by the local municipality, which is rooted in the community and better positioned to respond to community needs. This raised concerns that a top-down approach to local economic development would be detrimental to development in the locality. The respondents identified community involvement, and the assistance and promotion of SMMEs and co-operatives as local economic development strategies that could be harnessed to promote sustainable development. Another potent strategy that resonated among all the respondents was the use of public-private partnerships.

4. 3. 3. EFFECTIVENESS OF STRATEGIES

The respondents were asked to comment on the effectiveness of these strategies in assisting the municipality achieve its developmental outcomes. The majority of the respondents comprising seventy-five (75%) thought the strategies were effective whilst twenty-five (25%) thought they were not. Proponents asserted that the strategies employed by Mngquma municipality had created opportunities for employment and had made it possible for the municipality to assist communities to build block yards and small bakeries. However, contrary to this view, others were of the view that the effectiveness of the strategies was due to the fact that they were community driven, this implied that the municipality had very minimal influence on the effectiveness of LED strategies

Reasons for the ineffectiveness were varied, one respondent was of the opinion that the strategies had not been effective as a result of shortages in human capital and financial resources, which were essential for the effective implementation of the strategies. This response is consistent with the input and output ratios. Output ratios do not show any significant outcomes recorded by the municipality.

This was however, inconsistent with the respondents' views when asked to provide examples of projects implemented by the municipality. Responses included the revitalization of irrigation schemes in collaboration with the Department of Agriculture, development of capacity building for farmers and improving generic material. It was also pointed out that there was also a craft centre at the old tower building where people were producing traditional dresses. The municipality was seen to be working in close collaboration with the Department of Tourism on this particular project. These Local Economic Development initiatives in some respondents' perceptions had helped to increase household income and as a result, employment was created from such initiatives, thus significantly contributing to improved standards of living.

4. 3. 4. MONITORING SYSTEMS TO ENHANCE RESPONSIVENESS OF LED

STRATEGIES TO COMMUNITY NEEDS

Respondents were asked if there were currently any monitoring mechanisms that the municipality was using to enhance responsiveness of LED strategies to community needs. All respondents replied that there were, they however were of the opinion that the Integrated Development Plan Forum was a platform whereby the municipality can identify community needs and mobilize resources to respond to community needs. This, according to respondents, enabled the municipality to detect the responsiveness of LED strategies to community needs through the concerns, demands and expectations expressed by the community.



4. 3. 5. RETENTION AND EXPANSION

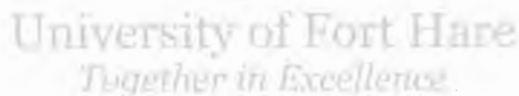
When asked if the municipality had been able to retain and expand existing business in its local economy, the respondents showed a hundred percent (100%) agreement. When asked to elaborate on how the municipality had been able to do this, responses indicated that this was through; the provision of basic services such as providing access roads, running water, availing space (land) for businesses to operate and developing the physical infrastructure. Thirty-three percent (33%) of the respondents were of the view that even though the municipality has been able to retain businesses in its locality, it has been unable to attract industries. Another thirty-three percent (33%) maintained that the municipality had been able to retain and expand existing businesses by assisting Small Micro-Medium Enterprises to source funds.

When asked the question, has the municipality been able to transfer skills from the informal sector to the formal sector? The respondents that were advocating that the municipality had been able to transfer these skills were of the opinion that this has been done through training and permanent employment into the formal sector. Some thought that the municipality was in the process of doing that, but had not achieved anything as yet.

4.3.6. PERSPECTIVES OF THE COMMUNITY ON LED STRATEGIES FOR PROMOTING SUSTAINABLE DEVELOPMENT

When asked if they knew the strategies that were being used to promote sustainable development in their municipality, ninety-two percent (92%) of the respondents said they did not. Only eight percent (8%) specified public-private partnerships. However, when the question was asked differently twenty-three percent (23%) of the initial ninety-two percent (92%) concurred that there were some strategies being used. Examples of seven general strategies were listed and the following were identified by the respondents: public- private partnerships, development of small micro-medium enterprises and the development and maintenance of infrastructure and services.

Another 8% from the initial 92% of the respondents could not think out of the box in terms of alternative LED strategies. They hailed the municipality for maintaining a registration record of small businesses and giving permission for people in the community to start flea markets.



4. 3. 7. EFFECTIVENESS OF LED STRATEGIES

Asked if they thought that the LED strategies being implemented in Mquma municipality promoted sustainable development. All respondents replied "NO", asserting that there was no visible testament of the municipality's commitment towards sustainable development. Eight percent (8%) thought that development in Mquma could not be sustainable because the relevant stakeholders (community) are not involved in the planning process. They suggested that any service to promote development is not carried out in full and is usually not timeous.

The respondents were asked if they are satisfied with services rendered by the municipality. All the respondents indicated that they were not. The reasons for the strong disapproval of the quality of service delivery as brought forward by respondents were that: streets were full of potholes as a result accidents occur and tyres are damaged, services are abandoned by employees of the municipality, infrastructure is poorly developed and not maintained, and people still have to travel to Umtata and other towns to buy groceries because there are not enough

supermarkets in Mnquma resulting in a monopoly. The business community was also frustrated by the unnecessary costs that they incur, paying people on the streets to clean the entrance of their business premises in spite of them having already had paid tax to the municipality.

4.3.8. What are the initiatives in place for Mnquma municipality to meet its development objectives?

Mnquma local municipality has various initiatives in place to meet its development objectives so as to address the above mentioned problems derived from the graphs above. One of these initiatives is the IDP process which is reviewed every now and then for better results. The Council of Mnquma Municipality through the Executive Mayor and his/her Executive Mayoral Committee is legally responsible for managing and formulating the Municipality's IDP (3rd IDP report 2010/2011:7). In terms of Section 30(b) of the Systems Act, 2000 this responsibility can be delegated to the Municipal Manager. This process is aimed at improving the development initiatives of the municipality for the betterment of the lives of the citizens.

4.3.9. What are the challenges being faced by the municipality in meeting its development mandate?

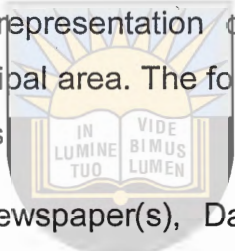
A study of the age distribution revealed that the bulk of the population, approximately 53%, is children (0-19 years). About 6.3% falls within the pension group (over 56years), whilst 38.5% is economically active (20-64 year). This indicates that there is a high dependency ratio, as 59% of the population depends only on 41% workforce in the municipality. There is therefore a desperate need for the municipality to develop youth development programmes (3rd IDP report 2010/2011:5).

This outlines the dependency factor of this municipality as well as the need for development initiatives to be in place. The municipality has been categorised as one of the poorest municipalities in the province of the Eastern Cape. This municipality is

faced with development challenges such that its people are lacking the most adequate skills.

4.3.10. Do the people own the development initiatives by being involved in these initiatives?

The Mquma local municipality is stated to involve its citizens to the development initiatives that are being enhanced in the municipality by doing this it therefore promotes the level of public participation. The structure for public participation in as far as the IDP process is concerned is the IDP/PMS/Budget Representative Forum. In order to ensure that there is representation of the various organized and unorganized groups within our municipal area. The following approaches are used to reach the people in their communities

- 
- ✓ Placing adverts in our local newspaper(s), Daily Dispatch, in English and isiXhosa which people and organizations to be part of the Representative Forum
 - ✓ In order to reach those parts of our community that does not read newspapers, the information of the Representative Forum will be announced through radio stations.
 - ✓ Making use of other methods such as flyers, ward councilors, ward committees and community development workers, announcements through church gatherings and community based organizations, posters etc.
 - ✓ Making an effort to reach unorganized groups and marginalized groups to ensure that their voices are heard. The nongovernmental organizations that represent the need of such groups.

The above scenarios provide the indication of how the municipality seeks to address the needs of its communities and how it seeks to provide for its people. Another form of research was done to hear the views of the citizens regarding the development initiatives within their municipal area and this was done in a form of a quantitative research format using questionnaires.

4. 4. CONCLUSION

This chapter has presented the findings obtained from the field work conducted for this research. Quantitative data was analysed, presented and interpreted. This data includes gender representation, age disparity and highest qualification obtained among the respondents. The respondents included the municipality, business and community.

Qualitative data was analysed, presented and interpreted. This included information obtained from the interviews and primary as well as secondary sources received from the municipality about its support of the community, the strategies that it uses to promote sustainable local economic growth, effectiveness of these strategies, monitoring systems it uses to enhance responsiveness of LED strategies to community needs, and the retention and expansion of existing business. Analysis and interpretation of the information presented above indicates disparities in terms of the information obtained from the municipality and that of the community and businesses pertaining to the quality of service delivery, the state of social and physical infrastructure, and the role played by the municipality in promoting sustainable development. There is very little public participation and poor facilitation thereof based on the information obtained from all respondents regarding community engagement, consultation and transparency. The next chapter (chapter 5) will summarise the study, conclude it based on the findings and make recommendations.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1: INTRODUCTION

This chapter summarises the study, concludes it based on the findings and provides recommendations. It thus seeks to answer the research questions and provide recommendations to the problem as a way forward.

5.2: SUMMARY

The re-integration of South Africa in the global governance systems has had detrimental effects on its local economies. Local government is conceptualised as the shock absorber of global economic pressures exerted on South Africa by multinational corporations that have infiltrated domestic markets and the pressure of economic conditions attached to aid from international banks. Local government has to respond to these pressures. The study looked inwards for the solution to this challenge, focusing on Local Economic Development as an outcome of developmental local government.

The realisation of the vision of developmental local government set out in the *Local Government White Paper*, 1998 manifests in various forms. However, the focus of this study was confined to Local Economic Development as a means to achieving the vision of developmental local government, paying specific attention to Local Economic Development strategies used by Mquma Local Municipality to promote sustainable development.

Local Economic Development can be described as a process in which various stakeholders of the community, including citizens in the locality, the municipality, non-governmental organisations and other active agents in the private sector work together to create employment and reduce or eradicate poverty, thus promoting local economic growth and a better standard of living.

The problem was identified as the dependence of the Eastern Cape economy on a few export-oriented manufacturing sectors that produce high growth rates but do not record high levels of employment rates. Enquiry regarding the ineffective response of local government to the problem identified points to lack of effective implementation of Local Economic Development strategies. In an endeavour to make “An assessment of Local Economic Development strategies for promoting sustainable development in Mnquma Local Municipality” the enquiry of the study was informed by the following questions:

- What strategies are used by Mnquma Local Municipality to promote sustainable Local Economic Development?
- What challenges form a hindrance to the successful implementation of LED strategies and how has Mnquma Local Municipalities gone about overcoming these challenges?
- How effective are the Local Economic Development strategies used by Mnquma Local Municipality to promote local economic development?

Some of the reviewed literature attribute the ineffective implementation of Local Economic Development strategies to lack of resources that incapacitates local municipalities, while some attribute it to lack of structure. An enquiry was made to verify the findings presented by the literature reviewed. Upon enquiry, a number of conclusions were drawn from the study. These will be discussed in section 5.3.

5. 3: FINDINGS AND CONCLUSIONS

General Conclusions on Mnquma Local Municipality

From the information presented in section 5.2 it has been noted that Local Economic Development is one of the means of realising the vision of developmental local government. Local Economic Development employs various strategies to achieve this, strategies range from public private partnerships, retaining and expansion of existing business, plugging of economic leakages, developing human capital and productivity, developing and maintaining infrastructure and services, and focusing on community-based economic development.

The implementation of these strategies is meant to have a significant impact on the development of the local economy. However, ineffective implementation of Local Economic Development strategies has deteriorating effects on local economic development. This is evident in Mngquma Local Municipality as the study has shown that the locality community has not seen significant development that has translated to serious job creation. To some extent, the municipality has not been able to fulfil the developmental duties imposed on municipalities by the constitution. The municipality does not have a Local Economic Development Forum, the IDP is being used as a strategy.

Conclusions Drawn from the Study:

- The municipality has been unable to effectively carry out all the local economic development strategies due to a lack of financial resources and a shortage of human capital. From a Resource Management Perspective of the Balanced Scorecard, it can be concluded that the municipality has very limited resources to manage.
- Businesses in the informal sector have had very little assistance from the municipality; hence the transition to the formal sector has been stagnant.
- There is a limited platform for engagement, the study has shown poor facilitation of IDP forums one of the steps of democratising development. In terms of the Government Process Perspective, it can be concluded public participation needs improvement.
- The infrastructure is closely linked to key performance indicators; access to basic levels of water, sanitation, electricity and solid waste removal. Findings show that the infrastructure is not well maintained. A significant number of members from the community and also businesses in the area expressed strong dissatisfaction with the condition of the environment that they live and work in. The roads are not well maintained, the roads have pot holes. From a Development Impact Perspective, it can be concluded that the local economy is underdeveloped.
- The pace of service delivery is slow and inconsistent. The study has shown that in some communities, waste is collected late and water and electricity is

not provided consistently. In terms of the Service Delivery Perspective of the Balanced Scorecard, it can be concluded that service delivery is poor.

- The municipality has managed to form partnerships with other stakeholders. This include: Department of Economic Development and Environmental Affairs, the Department of Trade and Industry, the Department of Agriculture, the Department of Social Development, the Eastern Cape Development Cooperation (ECDC), Small Micro-Medium Enterprises (SMME), Department of Labour and the Small Enterprise Development Agency (SEDA).
- The municipality, in collaboration with other stakeholders, has been able to initiate a number of projects that have translated to employment.

From the information presented above it can be concluded that the shortage of human capital and financial resources has limited the capacity of Mquma municipality to realise the vision of developmental local government, as set out in the *Local Government White Paper, 1993*. The lack of maintenance of both social and physical infrastructure has had detrimental effects on the development of the local economy. There has not been a significant increase in the number of people getting employment, owing to the poor condition of social and physical infrastructure and its inability to attract investment, thus creating employment opportunities. The municipality has been unable to plug economic leakages as some people are still going out of Butterworth to do their shopping.

5. 4: RECOMMENDATIONS

The study has provided recommendations, the application and efficacy of which extends beyond Mquma Local Municipality and the Eastern Cape. This is to say that the recommendations provided can be used by municipalities in and outside of the Eastern Cape Province.

5.4. 1. On Community Engagement

The municipality should create platforms for all the surrounding communities that fall under its administrative unit at key points so as to capture the different needs, expectations and interests of the respective communities in these key points.

It should use its loud hailer effectively to disseminate information and put posters not only at the door of the municipality but also at groceries and other points where people from the community frequently go. This is an important part of democratising development.

The municipality should constantly engage with the community through media such as community Radios which has a large audience and a good platform for public debates on development that works. This should be one of the steps that the municipality is taking to democratise participation. Public participation is thus important in any government institution as it enables the citizens to feel proud knowing that they own the development initiatives within their department so as in local government. This ensures the involvement of the citizens in municipal programmes. The Mnquma municipality needs to improve the level of public participation and by doing so it would be being informative and at the same time being transparent to its citizens.

5.4.2. On Retention and Expansion

To attract potential investors to invest in the local economy, the municipality can advertise its locality as a good place to start a business emphasising on the good things that the municipality can offer businesses. For example, the accessibility to property offered by the municipality to people looking to start business. If people who want to start new businesses know that the municipality does not make the registration of a business a lengthy process then more investors can be attracted to invest in the development of the locality.

5.4.3. On Lack of Resources

The municipality can come up with creative ways of generating funds, ways that are cost effective. One of the ways of doing this is by initiating programs that are driven by the community, creating a sense of ownership so that the programs are self-sustainable. If the community is driving a clean-up campaign to address the problem of delayed refuse collection then the municipality will incur less costs.

5.4.4. Uphold the Batho Pele Principles

These principles are the guidelines of how public administration be exercised. They give value and meaning to administration and outline if how public service must be carried out. This entails that municipal officials to be more open about the services they will render to the citizens as to block any misunderstandings or quarrels between the two. Local government must be transparent at all times as to improve the level of service delivery and for citizens to become aware of acts of their municipalities.

5.4.5. Promotion of development mandate

Citizens need to be empowered by helping them know their rights and helping them access the basic recourses as well as their esteem needs those that cannot do by themselves. The development mandate needs to be promoted in municipalities as it grooms its citizens to be developed. The feeling in this municipality is that there are not sufficient development initiatives in place for the promotion and the distribution of wealth amongst the communities in the municipal area.

5.4.6. Enhance understanding of development and encourage sustainable LED

The lack of understanding of the concept of development and LED especially amongst the agents at the local sphere, that is, the municipal officials and the communities that are involved in promoting LED has resulted in municipalities failing to achieve the developmental goals and having failed interventions. Therefore, a

clear understanding of the concept of development as well as LED is important for all municipal officials expected to implement LED. Accredited training programmes pitched at National Qualification Framework (NQF) 5 on LED targeting staff in the LED unit of municipalities should be developed and offered to the relevant employees by the accredited service providers, and this training should be monitored and evaluated on periodical bases to assess its impact.

These accredited training programmes will also assist the relevant employees and the municipal officials that promote LED in understanding that the scope of LED should be broadened from poverty alleviation to long term development focus, LED strategies should go beyond short term poverty alleviation and move towards longer term developmental goals within the broad framework of transformational and participatory development of communities. In the short run, poverty alleviation interventions are necessary and should continue. Nevertheless, it must be noted that in the long run, more sustainable solutions such as capital investment into sewing projects which are not affected by seasonality should be adopted. Those responsible for implementing LED should understand development as a comprehensive, holistic and participatory process in which the quality of life of a person is greatly enhanced in a sustainable manner.

5.4.7. Expansion of capital investment for poverty alleviation

Ineffective implementation of LED strategies and insufficient capital investment which specifically targets poverty alleviation is causing a rapid loss of capital gains which might be utilised towards eradicating poverty thereby increasing poverty levels in ADM. In an endeavour to improve LED strategies so that they have a major positive impact on poverty alleviation, the researcher recommends the re-thinking of LED strategies to unlock the poverty trap in Mngquma. Targeting of LED programs should be designed in a manner which will prioritise the poor in the allocation of jobs opportunities. Furthermore, there is need for investing in all forms of capital since poverty is multidimensional and a web of factors that trap entrepreneurs and residents in poverty. Investing in all forms of capital will ensure that gains in one sector are not lost in another sector. Such an approach is holistic and likely to enable LED strategies or programs to achieve the objective of alleviating poverty.

5.4.8. Capacity building and skills development

Inadequate skills and capacity to design and implement LED within the local municipality has led to it being criticised for their ineffective service delivery to the local communities. This is evident with the high levels of poverty being experienced within the area, indicating that people involved in promoting LED and effective service delivery lack certain requisite skills to achieve the municipal intended goals.

It is possible for municipalities to develop and expand the delivery of services by improving their own ability to do so. Hence, there is a need for municipalities to open skills training centres that will provide capacity building for many unemployed and mostly poor, illiterate people who live within the area of Mnquma. This is needed owing to the fact that most poor people do not have the educational qualifications to secure better jobs in the formal sector or to create their own; hence, they must be developed in order to be self-sufficient.

By skills development, municipalities may be better able to deliver services effectively and efficiently from inside. Educating people will also foster good communication skills between the municipalities and citizens and this will help the council to be able to determine the needs of the community and whether these needs are being met. In addition, those residents involved in LED projects need to be trained and developed so as to equip them with the required skills on how to efficiently and effectively run such LED projects since this can minimise wastage of resources and increases employment and job security. Also better technical skills acquired by municipal employees will improve the delivery of a particular municipal service. In this regard, skills development is of paramount importance as skills are required in areas such as leadership, project design, implementation, financial management, building partnerships, monitoring and evaluation, mobilisation of resources and community development. Resources should be invested in human capital development. A comprehensive capacity development programme for LED municipal officials and communities should become a priority and a reality.

5.4.10. Avoidance of dependency syndrome by communities

The study revealed that communities within the area have a problem of relying much on the municipalities, failing to initiate projects that will assist them in promoting development within their areas, hence, alleviating poverty. In this regard, it is recommended that communities within Mngquma local municipality should not be too dependent on the initiatives engineered by their respective municipalities but can come up with their own self-help projects aimed at socio-economically emancipating their members. This can be through locally developed cooperatives which are duly managed by the community and the municipality can only partake by way of providing fringe support towards the sustainability or modification of such projects. Although these self-help projects are deemed to be unviable, it is of paramount importance that there is an ongoing regular process of monitoring and evaluation of such projects to make them viable.

5.4.11. Promote strategic partnerships

There is a poor synergy between public and private sectors in terms of forging strong partnerships in promoting LED for poverty eradication. Advisably, municipalities need to develop, adopt and implement a comprehensive LED policy framework, which should clearly define the concept of LED and how it should be operationalised locally. Such policy should work towards ensuring that the necessary resources be allocated to municipalities to empower them to deliver services and facilitate LED. Also there is a need for diversification on the part of promoting strategic partnerships throughout both the public and private sectors. This will assist the municipalities to identify the critical capacities of communities which can be harnessed in order to attract investment in the area, by improving the quality of lives of people. Workshops should also be organised for the municipal staff so that they can continuously update their knowledge and get acquainted with new technological trends to cope with the rapidly changing environment.

5.4.12. AREAS FOR FURTHER STUDY

The study focused on LED as a mechanism for poverty alleviation, exploring the ways through which LED can be modified towards poverty alleviation and sustainable development to accommodate various stakeholders in the fight against poverty. The study also indicated that LED strategies, initiatives and agencies are in existence in trying to promote poverty eradication, although they are not doing enough. It remains to be seen how effective these LED agencies can be in growing local economies and providing opportunities to the many unemployed poor people in those areas. Hence, the researcher recommends that a further research focusing on the effectiveness of LED agencies and LED policy implementation can be explored by further researchers interested in promoting sustainable socio-economic development.



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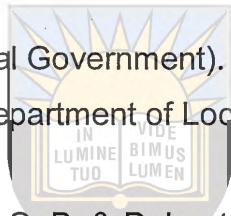
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ANNEXURE A: QUESTIONNAIRE

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Questionnaire

SECTION A

1. BIOGRAPHICAL DATA

Please tick with the letter **X** in the appropriate box

1.1. Gender

Male		Female	
------	--	--------	--

1.2. Age

21-29		30-39		40-49		50-59		60+
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1.3. To which ethnic origin group do you most closely belong?

Black African		White		coloured		Indian		Prefer not to say	
------------------	--	-------	--	----------	--	--------	--	----------------------	--

1.4. Marital status

Single		Married		Divorced		Widow	
--------	--	---------	--	----------	--	-------	--

1.5. Highest qualifications obtained

Matric		Diploma		Junior degree		Honours		Masters		PhD	
--------	--	---------	--	------------------	--	---------	--	---------	--	-----	--

1.6. Position

(Please specify your role in LED)

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.....

1.7. How long have you been working in the LED unit/field?

1.8. How long have you been involved in promoting LED within the municipality?

SECTION B

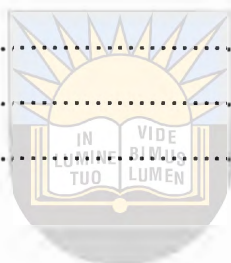
2. LOCAL ECONOMIC DEVELOPMENT STRATEGIES

2.1. What is your understanding of LED approach?

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.....
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2.2. What are your LED objectives in your municipality?

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2.3. Is your LED strategy in your municipality leads to the reduction of poverty?

Yes		No	
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(Please motivate your answer)

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2.4. (a). What are the current LED strategies employed in your municipality to alleviate poverty?

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.....

2.4. (b). Are these strategies leading to poverty alleviation in local communities?

Yes		No	
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(Please motivate your answer)

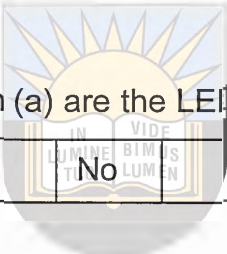
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2.5. (a). How do you define pro-poor LED?

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.....
.....

2.5. (b) According to your definition in (a) are the LED strategies in your municipality pro-poor or pro-growth?

Yes		No	
-----	--	----	--



(Please motivate your answer)

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.....

2.6. Do the LED strategies in your municipality have a socio-economic growth focus?

Yes		No	
-----	--	----	--

(Please motivate your answer)

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3. POVERTY

3.1. (a) Are you employed?

Yes		No	
-----	--	----	--

3.1. (b) if no what is your source of income

.....
.....

.....
.....

3.2. (a). What would you define as poverty?

.....
.....
.....

3.2. (b). According to your definition of poverty, would you consider yourself as poor?

Yes		No	
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(Please motivate your answer)

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3.3. Has your status in (b) changed since the introduction of LED in your community?

Yes		No	
-----	--	----	--

(Please motivate your answer)

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.....
.....

3.4. (a) Are you satisfied with the services rendered by your municipality?

Yes		No	
-----	--	----	--

(Please motivate your answer)

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.....

3.5. In your opinion does your municipality provide adequate services?

Yes		No	
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(Please explain your answer)

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.....

3.6. What should be done to improve the services rendered by your municipality?

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.....

.....3.7..Are there any ongoing or completed Municipal infrastructural projects in your area?

Yes		No	
-----	--	----	--



(Please motivate your answer)

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3.8. What impact does the LED strategy have in poverty alleviations?

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3:9. What recent economic developments have been taking place as a result of the projects?

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4. PERCEPTIONS AND CONCERNS ON THE METHODS EMPLOYED IN ALLEVIATING POVERTY WITHIN THEIR AREAS

4.1. Do you think the methods used by your municipality to alleviate poverty are effective?

Yes		No	
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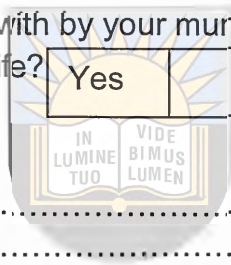
(Please motivate your answer)

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4.2. Are the LED initiatives engaged with by your municipality doing enough in your community to improve the quality of life?

Yes		No	
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(Please motivate your answer)



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4.3. Has the LED initiatives promoted a sense of belonging in the community?

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5. LOCAL ECONOMIC DEVELOPMENT PROJECTS /INITIATIVES

5.1. What are the LED projects being carried out in your municipality?

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5.2. What really led to the development of such the projects?

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5.3. What impact do these projects have on the general lives of the people?

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5.4. Was the LED initiatives geared as sustainable social development, economic growth, or it is or was only a survival strategy?

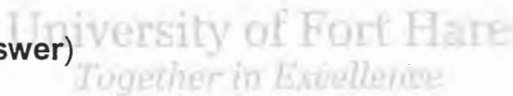
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5.5. Do these LED initiatives created any employment opportunities?

Yes		No	
-----	--	----	--

(Please motivate your answer)



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5.6. Were the jobs created by the LED initiatives enhanced the development of human skills?

Yes	No
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(Please motivate your answer)

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5.7. To what extent have the quality of employment opportunities for the local people improved?

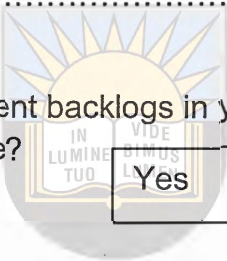
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6. CHALLENGES FACED IN PROMOTING LED AND SERVICE DELIVERY TO THE PEOPLE

6.1. What are the factors limiting development in your community?

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6.2. Do you think there are development backlogs in your area that have not been met by the municipal LED programme?



Yes	No
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(Please motivate your answer)

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6.3. What are the factors that could promote development in your community?

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6.4. As an individual are you satisfied by the way your municipality is addressing the challenges your community is facing?

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6.5. In your opinion what could be done to improve the socio-economic conditions of your area?

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6.6. What are the possible ways or means of overcoming the problems and challenges of the LED in addressing poverty impediments in your municipality?

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7. THE ROLE OF ORGANISATIONS IN PROMOTING LED

7.1. Is your municipality involved with other organization or agency in promoting LED?

Yes	No
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(Please give examples of such organizations)

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7.2. What role does that organization have in terms of promoting development in your area?

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7.3. Do you think these organizations in your municipality do have a positive impact on the lives of the community members?

Yes		No	
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(Please motivate your answer)

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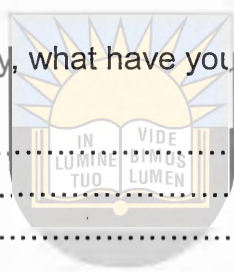
7.4. Is the community still facing the same problems it was facing before your municipality was aligned with these organizations?

Yes		No	
-----	--	----	--

(Please motivate your answer)

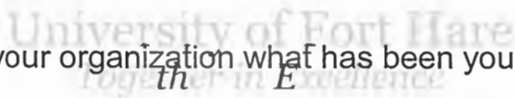
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7.5. As an agency of your municipality, what have you done that led to the development of your community?



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7.6. Since the inception of your organization what has been your success or failure in promoting development?



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8. GENERAL COMMENT

8.1. Any other comment you would like to make regarding the services rendered to you as citizens or methods used by your municipality to reduce poverty in your community

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8.2. Any general comment you would like to add regarding your role in local economic development?

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8.3. What are the general recommendations you have based on your experience in this unit, that will be more useful in ensuring that your municipality is able to implement their LED strategies adequately?

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8.4. What do you think should be done in relation to the relationship between the unit and the community (civil society organization) and business sector?

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THANK YOU FOR YOUR CO-OPERATION

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ANNEXURE B: INTERVIEW QUESTIONS



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Interview Guiding Questions

1. What do you understand by pro-poor LED and what are the LED objectives of your municipality?
2. What is your LED strategy in your municipality?
3. Do you think the LED strategy in your municipality is pro-poor or pro-growth?
4. Do these LED strategies address the critical basic needs of the community?
5. What impact does the LED strategy have in poverty alleviations?
6. What recent economic developments have been taking place as a result of the projects?
7. Has these LED strategies employed in your municipality promoted a sense of belonging in the community?
8. To what extent have the quality of employment opportunities for the local people improved?
9. Do you think your municipality provides adequate services to the people that lead to poverty alleviation? If no, what can be done to improve the services?
10. Are there any LED initiatives in your municipality? If so who initiated them? And what really led to the development of these projects?
11. Was the LED initiative geared as sustainable social development, economic growth, or it is or was only a survival strategy and substantiates your answer
12. Are there any ongoing or completed Municipal infrastructural projects in your area?
13. What are the challenges you face in promoting LED and service delivery to the people?
14. What do you think are the possible ways or means of overcoming the problems and challenges of the LED in addressing poverty impediments in your municipality?
15. Any general comment you would like to add based on LED as an approach for poverty alleviation?