

**AN EVALUATION OF THE ROLE OF LOCAL ECONOMIC DEVELOPMENT
IN PROMOTING INFRASTRUCTURAL DEVELOPMENT: A CASE STUDY
KING SABATA DALINDYEBO LOCAL MUNICIPALITY**

By

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DECLARATION

I declare that **“AN EVALUATION OF THE ROLE OF LOCAL ECONOMIC DEVELOPMENT IN PROMOTING INFRASTRUCTURAL DEVELOPMENT: A CASE STUDY OF KING SABATA DALINDYEBO LOCAL MUNICIPALITY”** is the author’s original work and has never been submitted by the author or anyone else, at any university for a degree. All the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

DEDICATION

This work is dedicated to my late friends Noludwe Nandi Lupuwana and Phumla Nomazwe Mei who always wanted me to study and supported me on my first degree. The encouragement they gave me has led to bigger achievements.

APPENDICES

APPENDIX 1: INTERVIEW QUESTIONS FOR POLICY FORMULATORS AND IMPLEMENTERS

APPENDIX 2: INTERVIEW QUESTIONS FOR BUSINESSES IN THE WILD COAST

APPENDIX 3: INTERVIEW QUESTIONS FOR COMMUNITY BASED PROJECTS IN THE WILD COAST

APPENDIX 4: INTERVIEW QUESTIONS WITH STALL OWNERS IN THE WILD COAST

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ACRONYMS

ASGISA	Accelerated and Shared Growth Initiative for South Africa
ANC	African National Congress
CBO	Community Based Organisation
CBP	Community Based Projects
DBSA	Development Bank of Southern Africa
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
ECDC	Eastern Cape Development Corporation
ECPACC	Eastern Cape Provincial Craft Council
ETC	East Cape Training Centre
ESKOM	Electricity Supply Commission
EPWP	Expanded Public Works Program
EPZ	Export Processing Zones
FET	Further Education and Training
FIFA	Federation of International Football Association
GEAR	Growth Employment and Redistribution
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
KSDM	King Sabata Dalindyebo Municipality
LED	Local Economic Development
MSA	Municipal Systems Act

N2	National Road no. 2
NGO	Non Governmental Organisation
ORTDM	O.R. Tambo District Municipality
PGDP	Provincial Growth and Development Plan
PMS	Performance Management System
RDP	Reconstruction and Development Program
SETA	Sector Education and Training Authority
SMME	Small Medium Macro Enterprises
SDF	Spatial Development Framework
SANRA	South African National Roads Agency
UDM	United Democratic Movement

ABSTRACT

This study examines Local Economic Development intervention strategies in relation to promoting infrastructural development with specific reference to roads as one of the vital interventions for alleviating poverty in the KSD Municipality. The study sought to evaluate the impact of the deteriorated condition of roads on the growth of economic activity and community development, the understanding of LED by both the Council and the officials, and also to evaluate LED approach on infrastructural development for poverty alleviation.

The study reveals that the municipality does not understand the concept of LED as a result this has caused blockages and impediments in terms of implementing the program in the municipality. Though there are some successes achieved through the construction of the 2010 FIFA World Cup Stadium, there are key constraints related to shortages of funds, staff, skills and resources. The study has established that LED is not living up to expectations in the area, there seems to be confusion regarding its definition and application. Furthermore, there is a confusion regarding the purpose of LED whether it is purely about poverty alleviation or whether LED it is about encouraging economic growth. Ideally it should be about the combination of the two.

LED clearly has a critical role to play in terms of considerations of poverty alleviation in terms of addressing development backlogs and promoting sustainable economic growth. In order to achieve this, there is a need to establish a permanent LED facilitation and support unit. The need to identify key intervention strategies, for example, the Expanded

Public Works Program which aims at identifying labor-intensive and community construction methods. In order to achieve this the study details a number of key recommendations which are mentioned below: The need to properly define LED and its goals, also to align LED with business and market realities. There should be adequate and appropriate training of officials, adequate funding and ensuring accountability. Active encouragement of local leaders, local level forums and partnerships and close co-operation with beneficiaries should be encouraged. It is also vital to establish LED units and development agencies at local level to drive LED process. It is also important for the municipality to encourage economically viable projects which meet poverty and growth requirements and which can also encourage SMME development.

CHAPTER 1

BACKGROUND OF THE STUDY

1.1 INTRODUCTION

This study seeks to evaluate Local Economic Development (LED) intervention strategies in relation to promoting infrastructural development with specific reference to roads as one of the vital interventions for alleviating poverty in the King Sabata Dalindyebo (KSD) municipality. The concern of the study is that the deteriorated condition of roads in that municipal area have an impact on the growth of economic activity and community development. There is a constellation of factors which make a study of LED interventions on infrastructural development in the KSD municipality an imperative. These factors are that the KSD municipality is the biggest economy comprising 60% of the OR Tambo district municipality; the district municipality itself is the second poorest of the six districts of the Eastern Cape Province; and the province is the poorest province in the country. In addition to these factors the three major economic activities in the KSD municipality are community services, agriculture and trade which require good road networks for growth and sustainability of their activities. Therefore infrastructural development becomes “a condition without which” in helping to boost economic activity and to leave no stone unturned in the efforts to create employment and to alleviate poverty in these depressed areas.

Generally, Local Economic Development is an outcome of local initiatives driven by local stakeholders. It involves identifying and using local resources, ideas and skills to stimulate the growth of economic activity 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.

In South Africa LED has been adopted as one of the strategies to address the main nationwide priorities which are employment creation and poverty eradication. The State sees it as its duty to create an enabling environment for people as individuals and as communities to organize themselves, take control of their destiny and to work towards prosperity (Policy Guidelines for Implementing LED in South Africa, 2005).

The abolition of the oppressive apartheid system in 1994 presented all tiers of government with the key challenge to promote both Reconstruction and Development in all communities. Related to this priority has been the embrace of democratic principles in the country, and the allied recognition of the need to allow all stakeholders a say in the interventions which directly affect them. Citizen's rights to participate in decision-making is reflected in the enhanced role and status of local government in the new constitutional order. Key powers have been devolved to local government, as enshrined in the Constitution (1996a), the Municipal Systems Act (2001a) and the Municipal Structures Act (2001b). These Acts and the associated Local Government White Paper of 1998 introduced the concept of developmental local government to the national development lexicon. The development strategy of LED has been a key strategy for local governments, as part of the planning process (DPLG, 2000)

The policy and practice of LED has become remarkably well established in South Africa in recent years. The experience of LED started from limited cases of applied LED in

small towns in the early 1990s and rapidly accelerated through the activities of the ‘forum’ movement in the early 1990s. The concept of community- or locality- based development was implicit in the 1994 RDP, effectively enshrined in the 1996 Constitution (in terms of the developmental role of local government) and thereafter has been supported by a range of policy and legal measures.

As noted above the 1994 Reconstruction and Development Programme (RDP) Document made implicit references to the notion of LED, through overt support for community-based development and locality based initiatives (ANC, 1994).

In 1996, the national Constitution mandated local governments to pursue ‘economic and social development’. This concept was taken significantly further in 1998 when Local Government White Paper (1998). This document introduced the notion of “developmental government”, which is defined in the constitution 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. In addition, local government is required to take a leadership role, involving and empowering citizens and stakeholder groups in the development process, to build social capital and to generate a sense of common purpose in finding local solutions for sustainability. Local municipalities thus have a crucial role to play as policy-makers and as institutions of local democracy, and are urged to become more strategic, visionary and ultimately influential in the way they operate.

In this context, the key thrust of such development strategies in post-apartheid South Africa, according to Minister Mufumadi, is that the very essence of developmental local governments is being able to confront the dual nature of our cities and towns, and to deal with the consequences of the location of the poor in dormitory townships furthest away from economic opportunities and urban infrastructure and that the solutions to these problems are complex and protracted (Mufumadi, 2001) Rogerson (2000) takes it further by stating that in terms of the mandate of developmental local government, the establishment of pro-poor local development strategies is critical and central for sustainable urban development as a whole, particularly in dealing with the apartheid legacy of widespread poverty.

In addition to these critical changes at municipal level, various international and national economic changes are compelling local areas to become more pro-active in development terms. Key issues in this regard include the accelerated trend towards globalization which encourages all places to find a niche for themselves in the global economy, and the widespread acceptance of neo-liberalism, as reflected in the South African GEAR strategy. The latter encourages localities and their entrepreneurs to pursue growth opportunities as they present themselves. A fundamental challenge in terms of economic promotion is to ensure that it is not just the wealthy who derive benefit, but rather that development is explicitly pro-poor in focus, strategy and involvement (DPLG 2000). This thinking is also reflected in the Local Government White Paper (1998) and is more explicitly stated in the current draft LED policy document.

1.2 AN OVERVIEW OF THE KSD MUNICIPALITY

The King Sabata Dalindyebo Local Municipality is one of the seven local municipalities that form the O.R. Tambo District Municipality (ORTDM). The KSD municipality is made up of two urban centres Mqanduli and Mthatha. It also stretches towards the Indian Ocean, offering unique scenic beauty that attracts tourists from all corners. In cognisance of the fact that the KSD is at the centre of the impoverished former Transkei homeland, the municipality has an average 105 000 households with an urbanization rate of 39%. This urbanization rate is distorted by Mthatha town where there is high level of population concentration. Mqanduli for example has an urbanization rate of 3%. This illustrates the challenges that the KSD has to face in balancing development between the urban centers of Mthatha and the rural areas where the majority of people resides.(KSD LED Document, 2007).

KSD comprises 60% of the O.R. Tambo District economy with Mthatha town serving as the main regional services centre. Between 1996 and 2005 the economy of the KSD grew by 1,81% illustrating poor governance and leadership that has characterized the municipality over 11 years(KSD Local Economic Development Strategy Vision 2030, 2007) . In 2005 however the economy grew by 3,28%. These growth rates remain unacceptably low taking into account the high unemployment rate which averages 64% and poverty levels that average 80%. Sectors that have been the engine for growth in 2005 include construction, manufacturing, mining, finance, community services and trade. It is important to note that these sectors are all moving from a very low base with

community service having the biggest share of the local economy. More than 51% of the economy is dominated by community services, trade is the second biggest sector followed by finance and agriculture. Between 1990 and 2005 finance surpassed agriculture in terms of size, the services sector has been growing faster and with the largest share of the local economy than the primary and secondary sectors. Agriculture which is seen as the hope for the rural regeneration has been stagnant for the past 10 years, this is also true for manufacturing and construction.(KSD Local Economic Development Strategy Vision 2030, 2007)

The KSD faces structural challenges that manifest themselves in a number of areas which include:

- Limited skills base. Functional literacy levels average 54%, with 16% having matric only whilst only 7% has post matric qualification. Even those who have post matric do not possess the kind of skills required by the local economy in construction, agriculture and tourism.
- Infrastructure backlogs characterized by debilitating symptoms of poor maintenance and neglect,
- Limited private sector investments in critical sectors such as manufacturing, timber processing and agriculture.
- Low income levels worsened by high levels of poverty and unemployment.(KSD Local Economic Development Strategy Vision 2030, 2007)

Despite its resources in terms of scenic beauty and historic heritage, most of the sectors are incompetent. An analysis of the various sectors of the economy indicates the local economy is highly concentrated with comparative advantages only in community services, agriculture and trade. Sectors that have shown growth potential and require attention include transport, construction, and manufacturing.

The economic situation of the KSD is a microcosm of the larger economy of the Eastern Cape Province. The economy of the Eastern Cape is characterized by extreme levels of uneven development. This is evident through a number of dualisms, namely, between the two urban industrial manufacturing centers and the poverty stricken and underdeveloped rural hinterland particularly in the former homeland areas of the Transkei and Ciskei: between a developed commercial farming sector and a floundering subsistence agricultural sector, and between concentrations of fairly well developed and efficient social and economic infrastructure in the western parts of the province and its virtual absence in the east. The development of infrastructure is needed especially in the former homelands where the KSD municipality is situated in order to address poverty through eliminating social backlogs in access roads, schools and clinics, water and sanitation and by improving the road, rail and air networks of the Province(PGDP,2004-2014).

Infrastructure development has the potential of promoting growth in agriculture, manufacturing and tourism by improving market access and by encouraging private investment. Poverty alleviation should be promoted through labour intensive and

community based construction methods. This would be in line with the Eastern Cape Provincial Growth and Development Plan, 2004.

There are pockets of vulnerability, extreme poverty and underdevelopment within the relatively “more privileged” areas. Significant levels of poverty and inequality are evident in the relatively more well off western region of the province, where a dominant privately-owned rural farming sector is contradicted by a class of landless, poor and unemployed residents of the platteland towns and small settlements along abandoned railway sidings. The broad structural features of the Eastern Cape economy have significantly different consequences on how poverty is experienced and lived within the various human settlements across the Province.(Eastern Cape Provincial Growth and Development Plan, 2004).

During 2002, the Eastern Cape contributed only 7% of the national gross domestic product (GDP) although some 15% of South Africans resided in the Province. While the Eastern Cape is South Africa’s third most populous province, it is ranked fifth after KwaZulu-Natal and Gauteng in terms of its overall contribution to GDP. As a consequence , the Eastern Cape has the second lowest (after Limpopo) per capita gross value added (GVA) nationally, which, pegged at R9, 883, is significantly lower than the national average of R21 ,664 (HRSC, 2003). Between 1996 and 2002, the Eastern Cape saw a significant increase in its GVA growth rate to 1.9%. This is ,however, largely due to a corresponding decline in the annual population growth rate over this period and is significantly lower than the trends in Gauteng(3.3%), Limpopo (2.8%), KwaZulu-

Natal(2.7%), Mpumalanga (2.5%) and the Northern Cape (2.5%). (Eastern Cape Provincial Growth and Development Plan, 2004).

The Eastern Cape economy is structurally different from the national economy in terms of the virtual absence of a local mining sector and has a significantly larger tertiary sector, accounted for mainly by the public sector. Nationally, the primary sector accounted for 10% of GVA in 2002, the secondary sector 27% and the tertiary sector 63%. Structurally, the Eastern Cape economy has remained fairly static between 1996 and 2002, with two thirds of GVA(66-67%) accounted for by the tertiary sector(particularly the public sector). Just over one quarter accrues to secondary processing(26%), and less than one tenth of GVA for the province is made up by the primary sector(7-8%). With the general stagnation in agriculture over the last decade, growth within the primary sector is accounted for by forestry and fishing. Within the secondary sector automobile and related manufacturing is primarily responsible for GVA growth, while transport and communications and finance accounts for the highest levels of growth overall and the core growth points in the tertiary sector.

1.3 PROBLEM STATEMENT

The condition of roads in this municipality have extremely deteriorated especially the routes to the beaches. These routes are not only access routes to the beaches but also to the hotels, bed and breakfast, back packers accommodation and craft centers which are community based projects that depend mostly on the tourists to book in and purchase their products(bead and weaved works),which contribute in job creation and poverty

alleviation. The whole economic activity in the area depends on these roads to attract investments including tourism and to promote economic activities.

The KSD municipality has the potential for economic growth and the development of its communities given the resources in trade, transport, construction and manufacturing in addition to its beautiful beaches like Hole in the Wall which forms part of history and the Coffee Bay. The poor condition of roads have a negative impact in the growth of economic activities and community development in the area, as the tourist visit rate has reduced drastically due to these poor conditions.

Development planning in KSD ignores road infrastructure improvement and this is evident in the municipality's IDP and LED documents where this critical issue is not emphasized. The question of road construction and maintenance is mentioned in a very casual way in the KSD IDP that " IDP must take into account the changes caused by the environmental, social, economic and physical factors, for example the impact of potholes mushroomed all over Mthatha urban roads on LED". This clearly shows that the IDP ignores road infrastructural development which is a critical factor for promoting economic activity and improvement of livelihoods in the municipality. Infrastructure development could promote growth in agriculture, manufacturing and tourism by improving market access and by encouraging private investment. Well planned infrastructure development will play a major role in leveraging social improvement and economic growth.

This study is aware of prevailing debates on the sustainability of LED as an intervention for addressing poverty. The view of the study is that since LED is the preferred policy approach adopted by the government, issues about its comprehensiveness in the identified projects dealing with poverty need to be raised to help strengthen the efforts of municipalities in addressing socioeconomic development.

1.4 OBJECTIVES OF THE STUDY

The main objective of this study is to evaluate the LED approach on infrastructural development for poverty alleviation, particularly, roads construction and maintenance in relation to the growth of economic activity for the development of the area.

The study will argue that there is a need to identify key interventions in designing labour-intensive projects and minimum requirements for activities expected to be executed using labour-intensive methods to improve the condition of roads in the area. This is important because roads construction and maintenance need to be considered as a poverty alleviation strategy that should be promoted through labour intensive and community based construction methods.

While it is accepted that road construction is a time bound activity, the state of poverty in the KSD municipality and the rate of unemployment and idleness are urgent matters that require that no stone should be left unturned in looking for solutions. Also, it is expected

that this research will raise further questions for further research which will contribute to the search for alternatives interventions in the area.

1.5 SIGNIFICANCE OF THE STUDY

This study will influence the KSD municipality to use the IDP and other prioritization processes to identify projects that are suitable in terms of deploying labour-intensive methods.

The study will also bring to the attention of the municipality the importance of intergovernmental relations. Good intergovernmental relations will promote economic activities of the KSD municipality, create jobs, skills, alleviate poverty and develop communities.

1.6 DELIMITATION OF THE STUDY

This study was conducted within the boundaries of the KSD municipality which consists of the Mthatha and Mqanduli towns. The researcher has conducted interviews with people in these towns to find the impact of the bad condition of roads in the growth of economic activities in the area.

1.7 ETHICAL CONSIDERATIONS

The researcher has made sure that participants willingly agreed to take part in the study. The researcher was aware that doing research represents an intrusion into people's lives. This awareness had let the researcher open the door for voluntary participation in the study. The researcher has further made sure that participants were given enough time to consider participating in the study (David and Sutton, 2004). It was vital for the

researcher to initially explain the purpose and the benefits of the study and also the time required for participation. Further more, the researcher had given the assurance that participants will not be harmed in either way during the course of the study. This had mostly be done through avoiding any discomfort feelings that has been brought by the investigation.

The researcher has also been concerned with the protection of the subject's interests and their well being. This has been done through concealing the subject's identity. The researcher had not recorded any personal details of the participants. Moreover, information received from participants will not be revealed publicly (Nachmias and Nachmias, 1987). At the stage of collecting data, participants will be given clear, accurate statements about the meaning and limits of confidentiality. Participants were therefore be told that the information they provide will be treated confidential. Responses during interviews were not be directly repeated to other participants.

CHAPTER 2

2.1 LITERATURE REVIEW

South Africa's understanding of local economic development is linked to the overarching concept of developmental local government which is defined 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. (The White Paper on Local Government, 1998). The national government's interpretation of LED is an outcome based on local initiative and driven by local stakeholders to stimulate economic growth and development (DPLG, 2000). LED is seen as a process whereby local initiative combines skills, resources and ideas aims to create employment opportunities for local residents, alleviate poverty, redistribute resources and opportunities to the benefit of all residents. In the draft LED policy paper issued in 2000 a series of interlocking challenges that confront localities were defined as constituting the base for LED , inter alia:

- To balance local economic strategies so they achieve both increased competitiveness sometimes through economic transformation and poverty alleviation and job creation
- To address enormous pent up demand for service delivery, particularly where services have not reached vulnerable members of society, as well as severe affordability constraints
- To engage in more open, transparent and mutually respectful state-society relations and

- To forge new and reformed inter-governmental relationships(DPLG, 2000).

It is clear that the official conception of LED in South Africa accommodates market-led or pro-growth approach. The market-led approach of business development aims to enable local economies to adjust more successfully to macro-economic reforms and emphasizes the goals of promoting individual self-reliance, entrepreneurship, expansion of the market, competitiveness, reduction of unemployment and sustainable growth(Scott and Pawson, 1999). By contrast, the market-critical approach of community development represents a bottom-up approach geared to goals of achieving local self-reliance, empowerment, participation, local co-operation, and environmental sustainability(Scott and Pawson, 1999). International works can be used to extend understanding of this spectrum of LED interventions. Based upon an extended analysis of LED interventions in North American cities, the work of Clarke and Gaile (1998) defines several broad policy categories of LED intervention which exemplify the market-led approach in cities. Five major categories of LED intervention are differentiated by Clarke and Gaile (1998):

- locational, the general tax incentives, enterprise zones, industrial parks,
- pro-globalisation, sister programmes, export promotion, foreign trade zones, attracting international direct investment,
- general entrepreneurial, which is venture capital provision, targeted tax incentives,

- entrepreneurial mercantile, business incubators, equity participation, local development corporations and
- human capital, employment training, human capital initiatives.

Notably absent from this North American derived schema of LED interventions is any category of poverty-focused LED interventions.

Although the existing LED planning has been dominated by LED activities geared to achieving high growth rates, the current draft for a national policy framework stresses that the South African priority is to be founded on a pro-poor basis. Indeed ,it is stated in the draft South African policy document that LED activities should be rooted most firmly upon the developmental and pro-poor responsibilities that have been given to municipalities (Bond, 2001, 2002).

Zaaijer and Sara, (1993), state that LED is essentially a process in which local government 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 the same vein, the World Bank sees LED as a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life

for all. The World Bank asserts that LED is about local people working together to achieve sustainable economic growth that brings benefits and quality of life to all in the community. Community here is defined as a city, town, metropolitan area, or sub-national region. (World Bank, 2002).

These quotations clearly identify the core focus of LED which is both pro-poor and pro-growth, emphasizing the concepts of partnership, economic sustainability, job creation and improvement of community well-being.

In recent years, LED has been recognized, internationally, as a key response to key contemporary trends, such as:

- Increasing decentralization of power and decision making to the local-level which parallels the reduction in the role of the central state in the economy in a neo-liberal era.
- Globalization forces, which in an era of the diminishing importance of the nation-state, compel a local-level response,
- Economic change within localities, varying from de-industrialization to local-innovation which requires local leadership initiative, response and direction, and
- The dubious results achieved by macro-level planning and regional development interventions (Nel, 1994-2001).

These trends are not unique to any portion of the globe. Though occurring at different rates, the effects of globalization and global economic crises have helped to ensure that local economic initiatives and self-reliance are a discernible trend around the world.

Accordingly, the goals of LED tend to revolve around issues of job creation, empowerment, the pursuit of economic growth, the restoration of economic vitality and diversification in areas subject to recession, and establishing the 'locality' as a vibrant, sustainable economic entity.

In its operation, LED can either have a 'pro-poor' focus (i.e. seeking poverty alleviation) as encouraged by the Department of Provincial and Local Government, or a 'pro-growth' focus (i.e. seeking economic growth), as encouraged by the Department of Trade and Industry (Tomlinson, 2003). These two divergent approaches respond to every real need in the country but they can also lead to divergences of opinion on the ground. Tomlinson raises a concern that the 'pro-poor' variant of LED may well, inadvertently, be marginalized in the country at the present, by the focus on Industrial Development Zones (IDZs), Export Processing Zones (EPZs) and other GEAR related initiatives. With this in mind, it is critical that development interventions in South Africa prioritize the needs of the poor. Projects need to be sustainable as well as economically viable.

The World Bank (2002) suggests the following ten issues as representatives of the most important and frequent sets of LED interventions:

- Ensuring that the local investment climate is functional for local enterprises
- Supporting small and medium sized enterprises

- Encouraging new enterprises
- Attracting inward investment
- Investing in physical (hard) infrastructure by improving the built environment (roads, sewerages, airports) for businesses
- Investing in soft infrastructure including human resource development, institutional support and regulatory issues
- Supporting the growth of business clusters
- Targeting particular geographical areas for generation or growth (ie area or spatial targeting)
- Supporting survivalist, primarily informal sector enterprise
- Targeting certain disadvantaged groups.

Across urban areas, the World Bank interprets the role of such LED initiatives as important dimensions of so-termed city development strategies. The notion of city development strategies represents one of the prime foundations of the World Bank's new global urban and local government strategy (GHK Group, 2000; World Bank, 2000). The approach involves the building of broad coalitions of local stakeholders and development partners, both national and international, to work together in order to design a strategy for a particular urban area that reflects a broadly shared understanding of the locality's socio-economic structure, constraints and prospects and a shared or holistic vision of goals, priorities and requirements (World Bank, 2000). It is suggested that the city development in combination with LED contribute to sustainable cities by assisting local governments to pursue good practices in building environments that are liveable, competitive, well-

governed or managed and bankable, in terms of being financially sound. According to the Bank's urban and local government strategy the sustainable development of communities or localities is based on the concept that economic vitality, social equity, environmental quality and sustainable urban finance are goals collectively integral for the creation of sustainable cities. The attainment of all four of these goals is viewed as contingent upon responsible and successful local economic development action (World Bank, 2001).

The ten areas for LED intervention that are identified by the World Bank must be viewed as spanning a spectrum of interventions from market-led or pro-business on the one hand to market-critical or pro-poor LED on the other hand.

Another useful definition of the scope of LED policy interventions is offered in the work of Helmsing (2001). Within the international literature on LED, the writings of Helmsing are distinctive for they are rooted upon an extensive analysis of LED practice in Africa, Asia and Latin America rather than upon the developed North. Based upon the record of LED in the South, Helmsing draws a distinction between three main forms or categories of LED initiatives. First, are a set of actions that might be broadly described as community-based economic development. In the activities of the community-based development the core focus is to facilitate household diversification of economic activity as the principal way to improve livelihood and reduce poverty and vulnerability. For example, much support for survivalist or home-based informal enterprise would fall into this type of LED intervention. Second, are a group of initiatives that surround business or enterprise development. Within this broad category is encompassed a suite of initiatives that would directly target support at either individual enterprises or at enterprise clusters.

It is emphasized that in contrast to community economic development, this category is premised on specialization and overcoming obstacles towards specialization in a market context. Enterprise development would focus upon enhancing the trajectory for growth amongst small, medium and large enterprises. This support could be to individual small enterprises but more generally would build upon the need for collective support of enterprises in the form of clusters. The third category relates to what is described as locality development. The concept of locality development is viewed as complementary to both the first two categories of interventions and refers to the overall planning and management of economic and physical development of localities. Indeed, the concept of locality development is primarily interpreted as about the planning and realization of infrastructures and of relevant economic and social capital (Helmsing, 2001). It is clear that pro-poor LED is not highlighted in North American based studies. In addition, whilst the role of LED in poverty alleviation is given due acknowledgement in the influential World Bank analyses, it is not a theme which is placed at the center of LED planning.

The international experience shows that local authorities can play a pivotal LED role through stimulating initiatives for poverty alleviation. The potential of such 'meso-scale' anti-poverty approaches is based upon, inter alia, municipal level responsibilities for the provision and coordination of local services, for the facilitation of community poverty initiatives, for the issuance of building permits, and for local licensing of commercial and transport activities (Wegelin, 1996). It is argued that municipalities are strategically well-placed to undertake local long-term planning in the area of poverty alleviation particularly in association with the private sector, NGOs and CBOs (Pieterse, 2000).

Moreover, it is a function of local government to generate and manage local projects whose aim is to address inequalities between citizens as well as mediating the public good through 'good governance' (Matovu, 2002).

Several broad intervention areas are identified in terms of LED initiatives for poverty alleviation (Wegelin and Borgan, 1995; Vanderschueren et al, 1996; Wegelin, 1996). Key areas of municipal policy intervention are identified as relating to regulatory framework, access to municipal services, and employment creation. The prime thrust of these policy interventions has been to augment the asset base of the urban poor or to enhance their capacity to manage their existing asset base (Moser, 1996; Rogerson, 1999). It is recognized that the regulatory framework that shapes the lives of the poor is established by both central and local governments and is designed to apply nationally and locally. Essentially, the regulatory framework sets the parameters for development in general but more specifically for the municipal environment. The regulatory framework comprises a wide sweep of laws, including local government laws, ordinances, legislation and regulations related to town planning, public health, building and land development (Vanderschueren et al, 1996). The development of a regulatory environment that supports the livelihoods of poor communities is an important LED initiative. In particular, access to land for housing is critical and most urban governments exert a strong influence on which groups in the city can obtain land for housing through what they do in terms of regulation and what they do not do. Indeed, there is an important link between access to housing and livelihoods as regards providing ready access to income-earning

opportunities and servicing as a space for home-based income opportunities (Kellett and Tipple, 2000).

Improving the delivery of infrastructural services to poor communities is a critical LED role in support of poverty alleviation. A major step forward towards expanding the asset base of the urban poor is to enhance their limited access to full range municipal services, which would generally include water supply, sanitation, refuse removal, drainage, flood protection, local roads, public transport, street lighting and traffic management. The limited access of the poor to such services is often aggravated by a tendency for design and service standards to be unaffordable or not planned for to allow incremental upgrading as poor communities improve and expand their willingness to pay for services. It is critical to appreciate that for the urban poor, their greatest asset is their capacity for labour.

Municipal actions towards employment creation represent important options for poverty alleviation. It is stressed that employment generation as the means for alleviating poverty historically has been one of the major strategies for alleviating poverty in urban developing world (Moser, 1996). A range of local government interventions in the developing world experience can facilitate job creation and assistance to poor communities. At one level this would encompass the capacity of municipal governments and actions implemented to attract new investment, retain existing investors and support the expansion of existing formal enterprises. Another dimension would be municipal interventions that favour more pro-poor economic policies that expand employment

opportunities or increased incomes for poorer groups. Key areas for policy consideration relate to the activities of the survivalist informal economy, including street traders, a range of home-based enterprises, and of urban agriculture. In particular, the introduction of accommodationist programmes towards the informal economy by municipal governments allows scope for low-income groups to develop or pursue their own livelihoods through informal enterprise. Another pro-poor tilt in municipal policies includes direct support offered for the expansion of labour-based public employment and for community-based enterprises.

According to the DPLG (2000) local economic development initiatives take place in the context of changes in the national and global economies. Changes in the national and global economies impact on local economies in different ways. For example, a fluctuation in global gold prices may mean that a gold mine which is the main employer in a small town is closed down, resulting in high unemployment. Accordingly, LED needs to take account of the national and global context, and be designed in a way which assists local areas to respond to the national and global contexts creatively.

In urban South Africa a variety of LED interventions have been introduced over the last two decades. The earliest LED interventions pioneered in cities such as Cape Town, Johannesburg and Durban during the late 1980s and early 1990s essentially were pro-growth and of the form that was described as market-led approaches. Major emphasis was placed upon attraction of external investment through a range of LED interventions

that centered on place marketing, property-led regeneration and the development of 'hard' infrastructure (Bloch, 2000; Rogerson, 2000).

Since 1994, however, there has been a coordinated effort to diffuse more widely the practices of LED in South Africa through the formation of a national framework for supporting LED. As the impetus for driving LED shifted to the level of national government, there has occurred also a notable change in the priorities for LED interventions. At the heart of developing a national framework for LED has been the activities of the national Department of Provincial and Local Government which is the leading national department with the mandate for LED policy formulation.

Through the frameworks that have been evolved by DPLG there has been a marked shift progressively towards the adoption of a more pro-poor focus in South African LED interventions as a whole. An increasing number of policy interventions have been introduced since 1994 which have sought to address rising levels of urban poverty in South Africa. The essential form of these poverty-focused interventions follows closely the international emphasis upon strengthening the asset base of disadvantaged or poor communities. In strengthening the asset base of poor communities through LED measures a number of important broad intervention areas are identified (Rogerson, 1999, 2000). Three critical policy areas in urban South Africa thus have surrounded the improvement of regulatory frameworks, the major extension of municipal services and infrastructure delivery, and issues of employment creation or more correctly livelihood support through more conciliatory approaches towards the informal sector and home-based economic

activities in cities. Of more recent application is the implementation of affirmative systems of public procurement as a means to support emergent SMMEs, particularly in terms of urban infrastructure delivery programmes (Watermeyer, 2000). The essential policy direction has been towards the greater adoption and implementation in cities of elements of what were described as community based economic development programmes as a supplement to the existing foci on business or enterprise development.

The concept of community- or locality- based development was implicit in the 1994 RDP, effectively enshrined in the 1996 Constitution (in terms of the developmental role of local government) and thereafter has been supported by a range of policy and legal measures.

Local government is required to take a leadership role, involving and empowering citizens and stakeholder groups in the development process, to build social capital and to generate a sense of common purpose in finding local solutions for sustainability. Local municipalities thus have a crucial role to play as policy-makers and as institutions of local democracy, and are urged to become more strategic, visionary and ultimately influential in the way they operate.

In this context, the key thrust of such development strategies in post-apartheid South Africa, as pointed out by Minister Mufamadi is for developmental local governments to be able to confront the dual nature of the country's cities and towns, and to deal with the consequences of the location of the poor in dormitory townships furthest away from economic opportunities and urban infrastructure. (Mufumadi, 2001, p. 3). According to

Rogerson comments, In terms of the mandate of developmental local government, the establishment of pro-poor local development strategies is therefore critical and central for sustainable urban development as a whole, particularly in dealing with the apartheid legacy of widespread poverty (Rogerson, 2000, p. 405)

The statutory principles for operationalising these concepts of development are contained in the Municipal Systems Act (2000a). The Act devotes a great deal of attention to the notion of 'Integrated Development Planning', of which LED is regarded as a key element. In essence, according to the Department of Provincial and Local Government, the IDP is conceived as a tool to assist municipalities in achieving their development mandates, and it is seen as a planning and implementation instrument to bring together the various functions and development objectives of municipalities (DPLG, 2000). Integrated Development Planning has been defined as a participatory approach to integrate economic, sectoral, spatial, social, institutional, environmental and fiscal strategies in order to support the optimal allocation of scarce resources between sectors and geographical areas and across the population in a manner that provides sustainable growth, equity and the empowerment of the poor and the marginalised' (DPLG, 2000). Future government funding allocations to local governments will be determined by the nature of planning and development priorities identified in such plans.

This study is distinctive for its argument that LED should be refocused on the poor, The pro-poor focus of the whole policy paper with its anchor upon infrastructure-provision in poor communities marks a significant turning away from the international policy

mainstream. An economic rationale for a program of municipal community services-based LED, geared to expanding access to infrastructure and services, alongside the benefits for greater gender equality, improve has a potential to public health, lower levels of racial segregation, and improve social capital (Bond, 2002). to achieve local economic benefits from municipal services provision and infrastructure investment requires, however, close attention to the ongoing subsidies that will permit the systems to operate (Bond, 2002).

CHAPTER 3

3.1 THE POLICY FRAMEWORK OF LED IN SOUTH AFRICA

The policy and practice of LED in South Africa has become remarkably well established in South Africa in recent years. The experience of LED started from limited cases of applied LED in small towns in the early 1980s and rapidly accelerated through the activities of the forum movement in the early 1990s.

In 1996, the national Constitution (1996) mandated local governments to pursue economic and social development. Section 153 states that “a municipality must structure and manage its administration, 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 and participate in national and provincial development programmes.”

These objectives are further articulated in the Municipal Systems Act of 2000. The stated priority function of this Act is to provide for the core principles, mechanisms and processes that are necessary to move progressively towards the social and economic upliftment of local communities. More so, to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities.

The White Paper on Local Development(1998) introduces the concept of developmental local government, which is defined 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 to improve the quality of their lives”. However the same document makes it clear that, Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities.

Thus, local economic development is about creating a platform and environment to engage stakeholders in implementing strategies and programmes.

The White Paper goes on to state that, “the powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities, in particular meeting the basic needs of the poor and on the growth of the local economy”.

The responsibility for ensuring that local government has the resources and capacity to carry out its mandate lies with the Department of Provincial and Local Government, whose core functions, according to its Strategic Plan 2005-2010 are to:

- Facilitate and promote co-ordination among National Departments and Local Governments;
- Provide support to provincial and Local Governments in fulfilling their constitutional mandates.

Whilst the Constitution(1996) places a great responsibility on municipalities to facilitate LED, the schedule in the Constitution that lists the functions of municipalities does not include LED. This has contributed to an interpretation that sees LED as an un-funded mandate for municipalities. Rather there is a clear implication given the juxtaposition of the Constitution and its schedule that municipalities have a key role in creating a conducive environment for investment through provision of infrastructure and quality of services, rather than by developing programmes and attempting to create jobs directly.

However it is envisaged that municipalities play a connector role in respect of LED whereby they draw on resources locked in a range of different government support instruments into their localities. For example, municipalities can draw on the support of the Sector Education and Training Authorities (SETAs) to address skills development in their areas. They can draw on the support of the new Small Enterprise Development Agency at the Department of Trade and Industry to assist with growth retention and growth of enterprise in their area. Besides government support programmes there are a range of non-governmental support initiatives that municipalities can tap into for resources.

The primary means to give effect to these developmental roles is by undertaking developmentally-oriented municipal planning which should ensure progress towards Section 153 of the Constitution(Chapter 5, sub-section 23, Municipal Systems Act). Thus the Integrated Development Plan(IDP) of each municipality is intended to reflect a single

inclusive and strategic plan for the development of the municipality which links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality.

Under the new Constitution municipalities have been awarded major development responsibilities to ensure that the quality of life for the citizens is improved. The new role of local government includes the provision of basic services, promoting democracy and accountability and instating processes towards eradication of poverty. Preparing an IDP enables municipality to be able to manage the process of fulfilling its developmental responsibilities.

This will ensure the proper management of the planning process and requires close co-ordination between those responsible for the IDP, and those responsible for the LED in a municipality. The district council, in consultation with its local municipalities, must adopt a framework for integrated development planning

- To determine procedures for co-ordination, consultation and alignment between the district and local municipalities and therefore bind them both.
- To guide each local municipality in preparing the process plan
- A time schedule for the planning process must be included
- Roles and responsibilities need to be defined
- How the process must be monitored must be stated.

Integrated development planning is an interactive and participatory process. The municipality must therefore allow and encourage public participation. It must facilitate

consensus around the vision of the LED within the locality and within any network or linkages that are promoted. Due to the participatory nature of the IDP process it takes a municipality approximately 6-9 months to complete an IDP and this timing is closely related to the municipality budget cycle. During this period delivery and development continues. The IDP is reviewed annually, which could result in necessary amendments of the IDP plan.

An IDP is the principal strategic plan document with respect to planning, management and development. It binds the executive authority of the municipality and all other persons with respect to their duties in the IDP and the rights of persons passed as a by-law. It must contain a vision for the municipality's long term development emphasizing most critical development and internal transformation needs. It must contain an assessment of existing levels of development including identification of communities lacking basic municipal services, the council's development priorities and objectives including LED aims and internal transformation needs, the council's development strategies, to be aligned with national or provincial sectoral plans and planning requirements (legislated and binding), a spatial development framework providing for land use management, operational strategies and disaster management plans. (Municipal Systems Act 32 of 2000).

IDP is a process, through which a municipality prepares a strategic development plan. It draws together all the development objectives of a municipality including LED, and

enables strategies to realize those objectives to be formulated in an integrated way. This means that everyone is working towards the same goal.

By drawing together development objectives, priorities, strategies and budgets in this way, the IDP helps to ensure co-ordination between LED and other initiatives of government. IDP is now the basic unit of planning for government as a whole.

The LED Regeneration Study forms part of the IDP. The LED toolkit should be used from preliminary steps of the IDP, which include:

- The assessment of the current situation in the municipal area,
- The assessment of the needs of the community,
- The prioritization of needs and setting of goals to meet those needs.

It is important to note that the IDP process is the single, inclusive planning process within which other processes must be located. LED must be fully integrated within the IDP. If a municipality is being developmental and responding to local development, then it needs to establish a clear vision and objectives that tackle these issues. For example, poverty and unemployment remain the key challenges facing municipalities in South Africa IDP objectives need to include targets for meeting these challenges. LED strategies can then be used to assist in the meeting of the objectives. The entire working of the municipality will need to become more integrated and more focused on developmental outcomes.

Chapter 6 of the Municipal Systems Act outlines the establishment of a performance management system. Though not stated as such the PMS in theory, should reflect achievements of the targets of the IDP. As part of the process of planning an IDP, local

governments are intended to development a culture of community participation through establishment of ward committees, people working with ward councilors in the ward, a ward is a geographical division of the land done by demarcation board. According to Chapter 4 of the Municipal Systems Act, a municipality must encourage and create conditions for the local community to participate in the preparation, implementation and review of its IDP, its PMS, the monitoring and review of performance, budget preparation and strategic decisions relating to the provision of municipal services. In addition, municipalities should contribute to building the capacity of the local community to enable it to participate in the affairs of the municipality and councillors and staff to foster community participation and use its resources, and annually allocate funds in its budgets, as may be appropriate for the purpose of implementing (a) and (b).

3.2 ADVANTAGES OF AN IDP IN LOCAL ECONOMIC DEVELOPMENT

- Through the IDP, the municipality is informed about the problems affecting its municipal area and, being guided by information on available resources, is able to develop and implement appropriate strategies and projects to address the problems.
- It helps municipalities make more effective use of scarce resources. The municipality can focus on identified and prioritized local needs taking into consideration local resources.
- This enables them to search for more effective solutions by addressing causes, rather than just allocating capital expenditure for dealing with symptoms.

- The IDP helps to speed delivery by providing a tool which guides where investment should occur.
- It encourages public participation and offers decision-making mechanisms that will arrive at realistic project proposals taking into consideration the limited resources.
- Where there is a clear municipal development plan, private investors and sector departments are more willing to invest their money.
- The IDP will strengthen democracy and institutional transformation through transparency and inclusiveness. It engages different socio-economic groups where
 - people live and work.

The Municipal Systems Act goes on to stipulate the obligations with respect to mechanisms, processes and procedures to include community participation ensuring the inclusion of those who are illiterate, disabled or disadvantaged by gender or other causes. There are thus provisions for communication and notifications and admission to public meetings.

The Municipal Systems Act (MSA, 2000) provides the municipalities with a legal framework in which to plan for integrated development. The MSA requires every council to prepare its own IDP, which will guide them for 5 years. This means that the integrated development plan is linked to the term of office of the elected council. The newly elected council can adopt the IDP of its predecessor should it feel appropriate to do so or develop a new IDP taking existing documents into consideration. The form and content of an IDP

document is largely subject to the discretion of the municipality, with exception of those content prescribed by the MSA.

Another relevant development reference in the Act relates to local government building its capacity to perform its functions. This means that municipalities need to ensure that councillors and officials understand the policies relating to LED. The recently released, *Stimulating and Developing Local Economies (DPLG, 2006)* presents the National Framework for LED in South Africa. The reference to building its capacity also means that it is of prime importance that municipalities and metros employ officials that are trained in LED. They also need to employ technical professionals who can undertake key responsibilities in urban and regional planning and studies in working out the competitive advantages of local economies. In cases where such expertise does not exist, municipalities can contract in researchers and planner with appropriate skills.

Sub-section 74 of the Municipal Systems Act states that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users. It must be remembered that increasing tariffs increases the taxes and costs for businesses which in the long run could impact on their competitiveness. This suggests that municipalities need to be creative about how to fund LED. The major function of local government in LED therefore is to ensure that appropriate, user-friendly and fully functional infrastructure exists to promote business development in the local area. The maintenance and construction of infrastructure are funded mandates of local governments

The central role of local governments is to facilitate LED, which means that it should hold consultative meetings and engage in planning and joint research processes on how to promote the local economy. Holding meetings and supporting research processes are not major cost items relative to the budgets available to most municipalities.

LED should not be viewed only as a programme but everything the municipality does impacts on the local economy. For example, procurement policies can be structured to address the use of local labour, and all infrastructure development should reflect positively on the development of the local economy, whatever its primary purpose.

Government departments and other supporters should equally be more proactive in working with municipalities to promote LED. They should ensure that their support initiatives are relevant for local stakeholders and that their programmes are drawn up and presented in such a way as to be comprehensible and effective in the local context.

CHAPTER 4

4.1 RESEARCH METHODOLOGY

4.1.1 INTRODUCTION

The study used qualitative methods to collect data. The tool which was used to collect data was interviews to solicit the views of the respondents on the impact of the poor condition of roads on economic activities.

Since open ended questions are less structured, the more important probing became an instrument for eliciting and encouraging further information and fully exploiting insights of key informants through open ended questions. For instance in the case where one of the officials was asked about why the municipality does not recruit more staff, he revealed that the post of LED manager has been put on hold because most of the councilors wanted the post for their own people but pleaded that it should not be mentioned on the findings. The open-ended questions deepened the understanding of certain variables which were under investigation, for example the fact that some roads are not the municipality's responsibility and that the departments responsible for the roads are able to see for themselves that the roads are decaying. This added depth to the information obtained and following interesting leads generated hypothesis worth of further investigation.

This study followed a case study approach. The KSD local municipality was a case study as it has been observed that it has the worst condition of roads in the O.R.Tambo District

Municipality. Since localities provide a basis for studying how general processes affect a local area and how local area affects general processes there is a great need that research should be in the form of a case study using empirically based geo-historical research. Therefore, given, the apparent significance attached to localities, research into the processes happening within places and the uniqueness of individual experience, a case study approach is justifiable. This approach was favoured in this research because it can be used to identify broad, general conclusions about similarities and differences in the development experience. Through interviewing the different subjects and interacting with them the study identified successes and challenges encountered by the municipality.

The study employed primary sources to collect data to find out the impact of poor road infrastructural development on the growth of economic activities and community development in the area. Documents such as the IDP and the LED that contain the entire planning of the municipality were reviewed to identify gaps in the planning process of the municipality and open ended questions were utilized to access first-hand information.

4.1.2 TARGET POPULATION

The population that was involved in the research was the residents of KDS municipality; the unit of analysis was officials and members of council concerned in the KSD municipality. These comprised the mayor, municipal manager, director LED, director Infrastructural Development, LED officers. The local business people were stall owners, hotel, bed and breakfast, back packers accommodation owners and members of community based projects.

4.1.3 BACKGROUND OF THE KSD MUNICIPALITY

The KSD municipality was formed in December 2000 through disestablishment of Mqanduli and Mthatha Transitional Local Municipalities and Mqanduli and Mthatha Transitional Rural Councils. Section 12 of Municipal Systems Act of 1998 as amended disestablished these rural councils and subsequently established KSD municipality as a category B municipality. As a result of political differences between the United Democratic Movement (UDM) which had won the elections and the African National Congress(ANC) which wanted to take over the municipality, the area suffered in terms of development of the municipality because no endorsement of by-laws took place. From 2001 the KSD did not have a credible Integrated Development Plan until August 2004 when the ANC took over. In October 2004 the IDP was crafted and was according legislative requirements.

4.1.4 SAMPLING PROCEDURE

The sample population consisted of residents of KSD municipality, the unit of analysis were officials and members of council concerned. These included the Mayor, Municipal Manager, Director LED, Director Infrastructural Development, 2 LED officers from the policy implementation unit. In addition, local business people on the Coffee Bay-Hole in the Wall route, 2 stall owners, 2 hotel managers, 2 bed and breakfast back packers accommodation owners and 2 leaders of community based projects were included.

The sampling technique that was used was purposive sampling. The reason why the study favoured purposive sampling was because of the interest in a specific group of people who were directly engaged in LED, the Mayor, Municipal Manager, Director LED, Director Infrastructure, LED officers.

4.1.5 DATA COLLECTION

The sites visited were the KSD municipality in Mthatha, Ocean View hotel, Coffee Bay hotel, Bomvu B&B, White Clay B&B, Hole in the Wall Hotel, B&B and Self Catering apartments, Masizame Women's project, Mbeksis' Creations, and also the informal trading fruit stalls. Some of the businesses are on the route to the Wild Coast, for example the stall, Mbeksis's creation and Masizame Women's project.

The researcher did not encounter problems as such though the municipal manager complained that the letter requesting permission to conduct interviews was supposed to be directed straight to him not through the mayor.

4.2 RESEARCH FINDINGS

This section is based on the research findings that were collected through in-depth interviews that were conducted among the policy formulators and implementers in the KSD Municipal as well as businesses, community based projects and stall owners. The community based projects and informal trading fruit stalls constitutes the business structure in the Wild Coast.

4.3 BACKGROUND OF THE BUSINESSES IN THE WILD COAST

4.3.1 INTRODUCTION

The Ocean View hotel was built in the 1940s and the current manager has been managing the hotel for more than twelve years. She is leasing the business for the Eastern Cape Development Corporation. Coffee Bay hotel is also leased by the same person. This hotel was known as the Lagoon hotel in the 1970/80s and was owned by the then President of the Republic of Transkei K.D. Matanzima. After 1994 the elections this building was vandalized and later rebuilt with the community being co-owners. It was known as Kwa Tshezi lodge as the land belongs to the Tshezi. The business went bankrupt and was renamed Coffee Bay hotel.

Bomvu B&B was built in 1995 and is owned by a white man who is now selling the business to a black lady who's been working for him for more than ten years as a manager. White Clay B&B was built in 1992 and is also owned by a white man who was born in Mqanduli. Hole in the Wall was built in the 1960s, it started as a Fisherman's village. It became popular because of the natural phenomena it possesses, a hill that is in the middle of the sea that has a hole on it. It consists of a hotel, safe catering apartments and B&Bs owned by foreigners who use them as their holiday homes, and rent them out when they are away. White Clay B&B and Hole in the Wall are situated along the gravel road in this Wild Coast, the other hotels and B&Bs are the tarred road from Viedgesville i.e. from the N2 to Durban which is about 80km away from the coast. This is a tourist attraction area which is visited by international, national and local tourists.

4.3.2 THE RELATIONSHIP BETWEEN THE KSD MUNICIPALITY AND THE BUSINESSES IN THE AREA

According to the business people in the area, the relationship between the municipality and the businesses is that of rendering basic services to the people, especially those living in rural areas. These businesses have just started receiving services from the municipality two years ago and not all of them receive services from the municipality, Hole in the Wall do not receive any services. These services are water and refuse removal. The respondents argue that the refuse removal is not consistent, refuse is collected on Thursdays but sometimes it is not collected for more than two weeks. The Hole in the Wall hotel uses borehole pumps, which is a very expensive measure for a hotel to use. Borehole water requires purification as the water is directly extracted from the ground. Sometimes the water becomes dirty and this is not a good service to the clients. This also applies to sanitation as well.

There are change rooms that were built by the municipality in these beaches five years ago. These change rooms consist of toilets and showers but they are not in use because of sanitation and water problems in the area. This means that there are no proper installation of systems for their usage so that the toilets can flush and for the sewage drainages to work. Electricity is supplied by ESKOM in these businesses and they are directly paying to Eskom and only pay levies to the municipality. The respondents also pointed out that they have never received any correspondence from the municipality with regard to business participation in the formulation of the IDP and in terms of involving the private sector for local economic development.

4.3.3 IMPACT OF POOR CONDITION OF ROADS ON BUSINESSES

According to the business people in the area, the poor condition of roads has a negative impact on their businesses. Their clients experience breakdowns because of potholes that are as big as a washing basin, which are everywhere on the road. It becomes their responsibility when their clients experience these problems, they feel the hotel and B&B owners should make the tourists aware about this so that they travel during the day instead of evenings. Tourists argue that there are no sign posts which will make them aware of the fact that the road is in a decaying state.

Sometimes they experience two punctures at a time. It becomes very dangerous especially for driving tourists, the tourist put the blame on the owners of businesses they are booked at, they claim that they should alert them when making reservations, which of course will kill the business because they would not want to come to a place which is such a disaster. Individual tourists end up sleeping along the road if they do not reach the hotel they have booked in, this becomes very dangerous for the tourists sometimes business owners have to pay for the tourists' car damages.

There are times when the municipality hires contractors to patch the roads but because of the poor quality of the tar they use, the repair work lasts a few days and the ditches appear again. There is no monitoring done nor supervision to ensure the quality of work. Business people argue that the roads need to be rebuilt from scratch. When the tourists experience these problems they get so upset to an extent that they cancel their bookings

and cut off their visits. Some of the tourist buses have handed over letters to the hotel owners and have threatened to stop transporting tourists to the area until the roads are rehabilitated. This is the case with the businesses that are on the gravel road, these business owners argue that they are inaccessible during rainy days. This is the result of the hilly area which makes it difficult for tourists driving in smaller cars to reach them, only tourists driving in 4X4 bakkies are able to reach them because the road becomes very muddy when raining. The business people in the area strongly believe that the area has a potential for development. The businesses have lost about 16% each on revenue and 10-15% on clientele. The businesses are not reaching their potential or rather are not growing because of these major challenges.

4.3.4 THE CONTRIBUTION OF BUSINESSES TO JOB CREATION AND POVERTY ALLEVIATION

The study found that 95% of the local people in this area are employed on these businesses. Some people work as housekeepers, chefs, bartenders and have received training and obtained certificates through services Sector Education and Training Authority and the Department of Labour and also the East Cape Training Centre in Port Elizabeth. Some businesses have directly trained their employees on their own. Some of the employees include caretakers, gardeners and security guards.

In terms of other activities that are taking place in the area, the businesses in the area have “Gillies”, this is the name that is given to the young men that assist tourists with fishing, hiking trails and tour guiding. It has been pointed out by the business owners that

tourists like to visit nearby villages. They visit the sangomas and attend iintlombe (these are some activities of the sangomas, when graduating from initiation school or performing a ritual). The tourists also attend imigidi (graduation of a man from circumcision), weddings and funerals. The gillies make sure that the tourists are safe. These gillies are able to communicate in English. They are available in every business and are paid by the tourists. Life savers are also available, the municipality hires life savers during peak season and are only paid during those times. The business people in this area use them all year long because tourists visit all the time in the area. Life savers are people who know the seas better in terms of dangerous spots, the right weather to swim, dangerous waves and they are professional swimmers.

The respondents also pointed out that there are traditional performances in the evenings by local girls who get paid by the tourists. The business people buy fish, oysters and muscles from the fishermen in the area. The fishermen have fishing licenses obtained from the environmentalists. It has also been pointed out by the respondents that there are people working as coast care, these people are people who clean the beaches after heavy rains, strong winds and after social grant pay day where a lot of stall owners from different areas visit pay points to sell their goods. It becomes so dirty during these days and if the pay day happens to be a on Friday, then it will mean that the area will stay dirty until the day of collection which is Thursday in this case. The view of the business people is that the municipality is retarding tourism as they have argued above. The feeling in this regard is that if the municipality could consider tourism as a local economic development strategy and take tourism seriously, the municipality would involve the

businesses in its strategic planning which is the formulation of IDP and LED Strategy. Roads for instance would be prioritized. They feel that the municipality should promote holiday clubs through interacting with the Department of Tourism. They believe that by having holiday clubs their businesses would be marketed better. They also believe that if they had good relations with the municipality, a tourist information centre in Mqanduli would be very strategic. This centre would assist tourists in terms of which areas to visit, they would have all the information about the Wild Coast including beaches in Elliotdale, a town near Mqanduli which falls under the jurisdiction of the Mbashe Municipality.

4.4 COMMUNITY BASED PROJECTS AND STALL OWNERS

4.4.1 BACKGROUND OF THE PROJECTS AND STALLS

There are two community based projects identified by the researcher which are still operational. One of the projects is Mbeksis Creations which is based at Kwaaiman A/A 10km away from Coffee Bay, it comprises five women who are the bonafides of the area. The other project is Masizame Women's Project which is situated in Coffee Bay, it comprises ten women who are also bonafides on the area. These projects started between 1998 and year 2000. they are both registered as close corporation and they specialize in beading, sewing and crafting. These projects share the same sentiments, they were assisted by friends to register their projects. The projects were initially funded by the Eastern Cape Provincial Craft Council (ECPACC) and the Department of Arts and Culture. Masizame was built by the Special Development Initiative which supports small projects in terms of starting their projects. There is no funding available now for both projects, ECPACC made the initial funding for the businesses to start but in terms of

running the business they do not receive any assistance from anyone. Funding by ECPACC included machinery.

Stalls are businesses that operate as informal traders, they are mostly found on the streets and are owned in this area by high school drop outs who took over the business from their parents. Some because of their proximity to the taxi rank they found it convenient for them to trade with the commuters. The stalls are situated at the strategic junctions where the main roads meet. These junctions are used as taxi ranks. The destinations of these roads lead to tourist places such as Elliotdale, Zithulele hospital and Hole in the Wall. These businesses operate in the open that is, they do not have shelters. This means that during extremely cold and heavy rains they cannot work. They started their businesses through their own savings from the money they receive through social grants.

4.4.2 TRAINING

Women from the Mbeksis project did not receive any training but the project leader is a drop out student from the Eastern Cape Technikon currently known as Walter Sisulu University of Technology, where she did auditing before she did fashion designing.

Masizame project members did not receive any training except for the project leader who received training from Department of Arts and Culture and from Germany in 2004 and from the United States of America in 2007. She was trained on skills development which includes quality beading, business skills and entrepreneurship empowerment skills. All the stall owners did not receive any training from anyone.

4.4.3 THE IMPACT OF POOR CONDITION OF ROADS ON THEIR BUSINESSES

The community based projects and stall owners feel that their businesses are affected by the poor condition of roads. The Community Based Projects for example argue that they get support solely from the tourists who visit the area. Their concern is that because of this poor condition of roads the visits of the tourists have now reduced and this has a negative impact on their businesses. At the Masizame project, the women working there sell their products for individual gain. They do different things according to their expertise. If tourists are unable to come because of bad roads this means that these projects would have to suffer.

Another problem that they have highlighted is the informal way of exporting their products. The two projects depend on their individual relationships that they have with tourists. These tourists take some of the products and sort of become their agents in terms of selling these products in their respective areas locally and overseas. The success of these relationships depend on the honesty of the volunteering tourist. These women feel that if the condition of roads is driving the tourists away then unemployment will rise and self sufficiency will die. The respondents stated that they are not assisted by the municipality in anyway. They have made attempts for assistance from the municipality, by asking the municipality to assist them with either transport or leasing stalls for them in the Grahamstown National Arts Festival. The municipality did not respond to any of these requests, now they feel that the municipality is not co-operative at all in terms of economic activities that occur in the area.

It was pointed out that the project leader in one of the projects raised this issue of roads with the Mayor in an ANC meeting in Mqanduli, where she was actually concerned about the impact of the roads on their businesses and projects. She has not yet received feedback on the matter.

The projects members feel strongly that they are being used by the municipality because they only communicate with them when there are big events or functions with some dignitaries attending. They feel that they are called just to window-dress. The municipality just calls them to display their products and after that they are paid peanuts. Transport to these occasions is paid by them not the municipality. The view of the Community Based Projects and stall owners on this matter is that they thought that it was just the problem of the United Democratic Movement which was in power from year 2000-2004. They pointed out that they thought that the UDM was unable to bring services to the people because it was a new party and was unfit to do so. But now it is still the case with the ANC in power whom they thought would bring a difference. The respondents feel cheated and are very disappointed because the ANC is a party which they believe liberated this country and wanted all people to receive services equally.

4.5 POLICY FORMULATORS AND IMPLEMENTERS

4.5.1 MUNICIPALITY'S UNDERSTANDING OF LED

The understanding of LED within the KSD municipality seems to differ from the Mayor to the different LED officers. The Mayor sees LED and its objectives as a contribution towards growth and development to improve the lives of the people. He thinks that it is

the responsibility of the municipality to create a conducive environment to promote LED. He further stated that any project or any activity that leads to the creation of jobs is an LED strategy because it will reduce unemployment and will alleviate poverty and also improve the social being of the people. That though some of the activities are not sustainable but they will make a difference. It is the duty of Councillors to consult with their communities, to inform them and involve them on LED activities. Accordingly, this will open the minds of the people and will result in self sufficiency. The Mayor stated that the main objective is to try to recruit businesses and enterprises that would promote growth and employment and he believes that the promotion of LED activities will result in poverty alleviation and will keep people at work. He proudly mentioned the municipality's success on being able to meet targets in the project of the construction of 2010 FIFA World Cup Stadium which has made a lot of improvements in terms of quality of work done and jobs created by the project.

On the other hand the Municipal Manager sees LED and its objectives as a socio-economic development aspect which is difficult to focus on in an economy of an area that is poverty stricken. In his view, the main objective of the municipality is to give better life to the people within the area, that must be done through various means. In his view the municipality must have an understanding of the extent to which the communities residing within the area can participate in the LED strategy, meaning that any projects or any activity done must put the abilities of the people first before involving them.

The Director of LED also has his own understanding of what LED is. He believes that LED is a government development program of the economy of that locality within a

confined boundary of a municipality in terms of economic improvement of the area. The main objective of LED, according to Director, is to promote economic development by providing a conducive environment for economic development including infrastructure, i.e., all the basic services including clinics and schools. The Director of Infrastructure understands that as a department they exist to facilitate development through whatever ventures in terms of infrastructure to promote the economy. He believes that the main objective of the municipality to promote LED is to alleviate poverty through the creation of jobs, proper road infrastructure, adequate electricity and proper land use. LED officers understand LED as a poverty strategy where the municipality promotes SMME development which will lead to job creation through skills development programs and investment promotion. The objective is to create jobs and change Mthatha to an economic hub.

4.5.2 ACTIVITIES THAT PROMOTE LED AND THEIR IMPACT

According to the Mayor and the Municipal Manager activities that promote LED are those activities that create job opportunities, for example, the development of new businesses, such as close corporations and sole traderships. These close corporations and sole tradership businesses are the municipality's consumers which receive tenders within the municipal area and their suppliers' names are kept on the data base of the municipality. This involves manufacturing industries and chain stores which increase the number of people employed and also improve socio-economic standards. In terms of the impact of LED activities on job creation the municipal manager, director LED and LED officers argue that it is difficult to indicate the extent of the impact of LED on job

creation in terms of micro business. That small businesses are not satisfactory because there are no significant numbers and no statistics kept because of resources. It is only now that the municipality is doing research on the hospitality services to establish statistics. The research is done by students from a local FET College who are employed as interns.

The Director LED is of the view that in terms of the activities that promote LED, there is a strong connection between LED activities and poverty alleviation. He argues that there should be a starting point where, for example, small community garden projects, chicken projects are used as the main activity. If these small projects succeed then LED can move to bigger scales. On the other hand he believes that natural resources, favourable climatic conditions, soil conditions and rain patterns are the main catalysts in this regard. The coastline in terms of being along the coast, tourism potential, geographical location of towns to major cities are contributing factors of activities that promote LED. All sectors are responsible for promoting LED, all government departments should take part in LED activities.

On the other hand the Director Infrastructure argues that shopping malls built in Mthatha are the main activities that promote LED and have an impact on job creation and poverty alleviation. Shopping malls that are built in the area are informed by the Spatial Development Framework, SDF is a tool that informs land use management and determines the development of business land use and investment in infrastructure such as water, electricity and roads. He feels that there are job opportunities in the KSD but these

opportunities are not being explored by the municipality. The respondent pointed out that this is caused by political uncertainties and volatile politics in the KSD municipality.

According to LED officers, LED is supposed to attract investments through the process of creating economic hub not forgetting to improve local people through community gardens, poultry farming and piggery. By this, poverty will be alleviated, spin-offs of dairy farming would also create jobs and people would be able to be independent. They argue that support to community projects and co-operatives would promote LED activities in the KSD. They strongly argue that KSD has LED strategy but when they do presentations for investment in conferences held at O.R.Tambo District Municipality, their ideas are being stolen by investors who use them to make their own analysis so that they are able to involve themselves in the programs intended to promote LED and its activities. This clearly points out that the LED officers are unable to implement what is in the document, they are running away by pointing fingers to the investors. LED strategy has to clearly define how the strategy is going to be implemented. If the implementation plan is on the LED document there would be no one who would steal the LED officers' ideas and they would support community projects and co-operatives without any hassles.

According to the Mayor there would be key intervention strategy in promoting economic activities in the area but because of financial constraints they are at a limited scale to promote SMMEs. There is contradiction between what the Mayor is saying about key intervention strategies and what the LED officers are saying about the LED strategy that is in place. On the contrary LED officers pointed out that there are government programs like Thinasinako, which fund projects to a minimum of R200 000. These funds also

involve activities on capacity building. The Department of Local Government is also involved in capacity building through Accelerated and Shared Growth Initiative for South Africa (ASGISA) Eastern Cape. This funding assist in the development of the region.

Concerning LED interventions the Municipal Manager and Director Infrastructure believe that the construction of the 2010 World Cup Stadium and the construction of shopping malls, i.e. Circus Triangle, Nkululekweni and Mthatha Plaza are major interventions in terms of promoting economic activities in the area and also the development of taxi ranks. These developments have created jobs and created a conducive environment for the taxi industry to operate. The LED Director is of the view that capital injection, training, skills development, infrastructural improvements, institutional re-engineering for example politics, administrative structures are the key intervention strategies that can promote economic activities in the area.

All four respondents, namely, the Mayor, Municipal Manager, Director LED and Director Infrastructure argue that there is a connection between the LED directorate and infrastructure directorate. The LED directorate deals with issues that promote economy of the area and issues that develop the communities through projects that are created that leads to job creation and skills development. On the other hand the Infrastructure directorate deals with the development of infrastructure from basic services to development of land.

Their argument is based on the fact that the 2010 FIFA World Cup Stadium construction is a success and also the renovation of the Mthatha airport. It has been a success in that jobs have been created, small contractors have been sub-contracted and that there would be skills transfer taking place. When probing about the involvement of the LED directorate in this regard the researcher could not find any evidence in terms of meetings, memos or any other correspondence. This has also been pointed out by the LED officers when they pointed out that there is minimal connection between these two directorates. They believe that the infrastructure directorate is supposed to provide infrastructural development to ensure accessibility to developmental nodes.

If there was a connection there shouldn't be utterances like 'supposed', there should be a clear connection. They pointed out that there is a crisis municipality in terms of revenue, administration and political leadership has also led to the Municipal Infrastructure Grant not being enough to fund key intervention programs that would promote economic activities in the area.

4.5.3 THE IMPACT OF POOR CONDITION OF ROADS ON PROMOTING LED AND THEIR PRIORITIZATION

Both policy formulators and implementers agree on the fact that the infrastructure has deteriorated, especially the roads, and that this has a negative impact on business investment. The Mayor explained that the KSD infrastructure was laid 100 years ago and it was not designed for economic growth but for services like delivery of water, sewerages and domestic electricity. He agrees that the roads are damaged, full of

potholes, they need to be reconstructed. He asserts that roads in the true sense of the word are rotten. They agree that the bad state of roads prohibits the opening of new businesses and that this also affects transport services like taxis, buses and private vehicles.

The Director LED describes this condition as a dirty house where one does not know what else to expect. That the bad condition of roads affect the appetite of the investors. He clearly points out that there is a need to inspire confidence in the investors in order to promote LED in the area. The infrastructure in the KSD does not inspire business confidence as a result, there are investors who become less interested to invest in the area. On the contrary, the Director infrastructure disagrees with the fact that investors are turning their backs away because of the poor infrastructure. He argues that the infrastructure has no negative impact on LED in terms of the investors. According to him it depends on how people perceive KSD service delivery, but in terms of LED poor condition of roads has no impact because investors have great interest in the area. He is of the view that the fact that retail industry is growing rapidly in the area, is concrete evidence that investors are interested despite the decaying infrastructure. This is sending a message that even if the roads were not a priority in the municipality the investors would come. A question arises, whether the infrastructure directorate truly prioritises infrastructural development in terms of the basic services and reconstruction of roads. This also shows how the directorate does not value the condition of roads and the area as well. Recently it was reported in the news on radio that it had been almost a week that the newly built retail mall had no water supply, restaurants were unable to operate

because they required water to run their businesses therefore public toilets had to be closed. This should have been given urgent attention because if this continues to happen then these investors would turn their backs on the area as this affects their profits. This is contradicting the director infrastructure's argument and the managers of the shops have pointed out that this has become a norm in this municipal area.

The respondents here agreed that the KSD municipality does prioritise the condition of roads. But that there are challenges that they face as a municipality. These challenges begin from low revenue base and funding. The causes of low revenue is the fact that after 1994 elections residents stopped paying rates. There are measures that are in place to make residents to pay for services provided to them. The national government has intervened on this matter by seconding officials to implement the new laws that have been amended in the Constitution on local government issues and which directly focus on the payment of services by residents. The Department of Housing, Local Government and Traditional Affairs has also attempted to intervene in the running of the municipality, this was due to the fact that there was a political crisis which led to an administrative crisis which has resulted in the collapse of services as a result of failure by the Council to meet and make policy decisions. The intervention was later withdrawn because both the department and the municipality were able to find each other. Attempts were made by the study to secure information on the reasons for the Provincial Government to withdraw but was unable to access because it is said to be a confidential matter.

The Development Bank of Southern Africa has also intervened to assist the municipality in replanning of economic activities. Also the Development Bank of Southern Africa has

seconded staff to the municipality to assist in the recruitment and selection of management staff, this has been confirmed by one of the LED officers. Within the LED directorate there is the director, two officers and two interns. The gap in terms of the structure of the directorate and the number of staff members makes it hard for LED activities to take off in the area. There is a shortage of staff in terms of officers who are directly involved in implementation process and middle management which deals monitoring, evaluation and are the ones who account from the Director.

In terms of the prioritizing of roads in the IDP/LED document the director LED disagrees with the fact that the roads are a priority. He argues that no plan is being highlighted on how this challenge would be tackled in terms of implementation. He explains that if the roads were a priority at least the municipality would have evidence of some roads that have been completed with the little funds that are available. He thinks that problems that are identified by ward councilors should be the ones that should reflect on the IDP document instead of taking somebody's perfect writing skills (consultant) and ideas to make the document look good. He clearly points out that the IDP is a strategic planning document of the things that should be done to improve the livelihood of the people. Other respondents believe that the poor condition of roads has been prioritized though funds are a problem in order to implement the plan. They point out that even in their outreach programs they do prioritise the condition of roads. They have mentioned that there are ward based planning programs where each ward informs the municipality through ward councilors and ward committees about the problems in terms of development.

The other problem that they have pointed out is that some of the roads that are within the municipality's jurisdiction are not their responsibility, for example, roads like the one from Mthatha to Coffee Bay is under the Department of Roads and Transport, some are under provincial roads such as the road from Mthatha to Queenstown while others are under the South African Roads Agency. Achievements made by the municipality include the construction of the 2010 stadium and the renovation of the Mthatha airport in preparation of 2010. Challenges remain those of funding restrictions and human resource capacity. The Director infrastructure pointed out that Mqanduli is rural, that there is a lot of untouched land in the area. He further stated that the plans for Mqanduli will never be the same like those made for Mthatha. One of the reasons that makes the plans not to be the same is the fact that as mentioned earlier, Mqanduli is rural and has a lot of untouched landscape. The area has been neglected by the previous government, therefore it requires a plan for Spatial Development Framework. There are plans to build a Spar supermarket which is a chain store, this will upgrade the area, create jobs, decrease unemployment and will lead to poverty alleviation.

In terms of the roads that are not the responsibility of the municipality and the relationship between the municipality and other government departments, it was indicated by the director infrastructure that there is no relationship with Provincial government, department of roads and transport and South African Roads Agency. He further stated that the Department of Roads is able to see for itself that the roads are in a poor state and that there is no need for them to hold meetings to talk about the roads. On

the question of the reputation of the municipality regarding the condition of roads, he responded by saying that there is nothing they can do.

4.5.4 DESIGNING LABOR-INTENSIVE PROJECTS AS AN INTERVENTION STRATEGY

In terms of designing labor intensive projects as an intervention strategy, the respondents clearly admitted that there are no successes because of lack of co-operation between the construction companies and the municipality. Construction companies that are awarded tenders by the municipality have a tendency of not finishing their jobs because of mismanagement of funds by the contractors. The only penalty that they get for breach of contract is to be black listed and this seems not to be working because they still continue to get other tenders.

The respondents argue that requirements for using labor intensive and community construction will work when there are resources like money and time to involve the communities. Even though there are no successes in terms of using labor intensive and community construction methods, the KSD has engaged in the Expanded Public Works Program which is a Department of Public Works program. The department has a tool that it uses to design labor-intensive projects that involve community based construction methods to be used on the construction and maintenance of roads which has been adopted to procurement in the municipality. This will result in skills transfer, job creation and poverty alleviation. According to the respondents, for KSD to succeed in promoting LED

and using intervention strategies to promote this, LED needs to be prioritized, have statistical capturing to measure success and community benefit.

CHAPTER 5

5.1 ANALYSIS OF FINDINGS

In this section, details of this case study are summarized, although the focus was on the businesses that are on the route to the Wild Coast i.e. Coffee Bay and Hole-in the-Wall beaches. The relationship between the municipality and businesses in this area was not left out, although primary attention was devoted to the roads. This relationship is very important because it creates a conducive environment for LED to operate and to promote tourism.

5.2 ACHIEVEMENTS OF THE MUNICIPALITY

One of the biggest achievements of the KSD municipality is the construction of the 2010 FIFA World Cup Stadium. The fact that Mthatha has been given an opportunity to host participating teams has opened eyes to the municipality and has also revitalized them in terms of promoting LED. This is one of the biggest projects which will promote and uplift markets and also entrepreneurs. The benefit of this project is that during the construction process local people are able get jobs, it has created jobs for skilled, semi-skilled and unskilled people. This shows that the KSD is able to meet international standards in the construction industry. This has been endorsed by the World Cup coordinating team when they came to evaluate progress. One other factor is that soccer is very popular in the area so local teams will also benefit in terms of the opportunity to play with international teams while practicing. The teams will acquire international

football skills which in future may grant them opportunity to play for the national team or may be play for the for the teams on full time basis.

This opportunity have also influenced the renovation of the Mthatha airport to meet international standards. This will improve the flight times, the airplanes being used, development of certain amenities like shops, car rental services and shuttle services. This project has also created job opportunities during construction and after completion because the airport will require more staff that will be employed on full time basis.

5.3 MUNICIPAL-BUSINESS RELATIONS

Although there are successes in the municipality however there are key impediments in the local area which seem to be the breakdown in relations within the municipal departments, between the municipality and the businesses in the Wild Coast. The failure of the municipality to support local tourism promotion stands in conflict with standard national practice. The municipality has failed to provide key services which could promote significant development in the Coffee Bay and Hole in the Wall Wild Coast area. It is the role of the municipality to improve the investment environment in the area as facilitators of LED. The municipality should also stimulate business creation or expansion for example provide premises at low rent to SMME's or promote a particular tourism theme or activity in a key venue.

These are key roles of municipality as stipulated in the DPLG documents. If a municipality does not exercise its responsibility then it is quite evident that the

municipality is failing. The municipality has failed to maintain infrastructure which businesses cannot operate without. This includes road infrastructure, water services, electricity and sanitation. It is a local government mandate to provide basic services to the people. The businesses in the area have at least been able to develop themselves up to a certain level but would want to see the public sector helping to provide a conducive environment for business to operate. For example, they were able to start their businesses on their own, create jobs to reduce unemployment so as to alleviate poverty. The business people are keen to develop the area but the absence of a working relationship with the municipality is a real impediment. Other key impediments include:

- The fact that most projects are not LED initiatives and do not operate along business lines for example the two community projects interviewed are individual initiative where certain women in the area had a vision and started these projects. They sell their products through individual relations with tourists that visit them in terms of exporting their products. If there was a relationship between the municipality and these businesses they would operate along stipulated export practices.
- Antagonism exists between the municipality and the business sector and the politicized nature of development is clearly a handicap. The business sector has clearly indicated that they do not want a relationship with the municipality anymore, they have given up because the municipality has neglected them and their businesses have survived on their own. Another reason is that the municipality does not consult with them but just get credits for the efforts they have made to promote tourism in the area.

- Concerns over municipal management of LED and the failure to include the business sector. The municipality's understanding of LED creates problems. The LED director is of the view that LED is about creating small projects like gardens so that if the communities succeed to manage these ones then the municipality would begin to involve communities in bigger scales. But there are no records of the smaller projects that he is talking about instead he directs the blame to lack of funds in the municipality. If LED directorate does not have funds to promote its initiatives then this means that from the beginning, i.e., during the planning process LED is not being prioritized in the formulation of the municipality's IDP. Even the interns that are employed by the municipality to collect data to establish statistics for jobs created are focusing on the hospitality industry not LED initiatives.

If the above are not addressed it is highly unlikely that the municipality will experience any economic growth. Job loss, increasing poverty and disinvestment are also inevitable. Urgent action and local reconciliation is an urgent priority.

The black business community also finds the municipality inaccessible. Smaller projects seem to have little potential to achieve sustainability or to transform the local economy. The municipal officials see it as their exclusive right to create jobs and there appears to be a poor understanding of the economic nature of LED. The officials do not support projects that are not their own initiative, they do not even have a data base for those. Such an approach cannot lay a firm foundation for the area's future. For example, the fact that the community based projects and the stall owners do not get any support from the

municipality is a problem. Again the fact that the community based projects are able to sell their products overseas shows that there is a need for LED activities to consider this potential for export trade.

It has been noted in the interviews conducted that there is no common vision between the Council(Mayor), Municipal Manager, Directors in different departments involved in promoting LED within the municipality and the Director LED and LED officials. As a result of this, the municipality is doing very little in terms of LED. This has been mentioned by the director LED that the program in the municipality does not operate to the expected standards as a clear gap exists between the business-oriented IDP and local understanding of LED. The problem of funding, staff shortages, political in-fighting and allegations of corruption have in all likelihood negatively affected the municipality and local development prospects. Staff shortages involve the fact that for example, there are no managers, within the LED Directorate, there is only the Director, two officials and two interns who are not specializing in LED. They have been recruited by the Director with no clear criteria used to recruit them.

Tourism in this area is also affected by the poor condition of roads. A further problem is that the Infrastructure Directorate refuses to take responsibility by claiming that it is the Department of Roads and Transport's responsibility to maintain the roads. The Director also argues that the Department of Roads and Transport is able to see for itself that the roads are decaying. On the contrary many people only know that it is the responsibility of

the municipality to maintain these roads because they fall within their jurisdiction. This is also affecting the reputation of the area and turning away investors.

Tourism development which is an LED strategy that leads to poverty alleviation can succeed in the area because the white businesses in the area have at least been able to fund their businesses, have practical vision and external involvement. If the municipality can support these initiatives, through proper consultation and public participation with both the white and black businesses and communities, this can lead to a more pro-poor LED initiative.

5.4 UNDERSTANDING OF LED

The failure and success of LED in any local government depends on the correct understanding of LED among the officers. This understanding makes it easy for the people who plan LED to know what is supposed to be done. What makes LED to fail in the KSD is the different understanding of the concept by the very people who are supposed to create LED initiatives for the community. Their views on this matter creates problems when it comes to implementation.

The Director of LED sees LED as something that should start from a small garden in a household. If households are able to manage their own gardens then LED initiatives can be introduced on a bigger scale so that they are able to succeed. This guarantees that the initiatives will be successful. This might be a good plan for the municipality however the idea does not exist anywhere in the IDP and LED documents which contain the whole

planning of the municipality. If the Director believes that the small garden projects may have good results why are these projects not used as an LED strategy because municipalities' LED strategy differ from one municipality to the other. Municipalities plan they LED strategies according to the strengths and potential of the municipality's locality. It is clear that the KSD municipality did not engage the communities in the formulation of the IDP and LED strategy. This also raises concern on who was actually involved in the formulation of the IDP and LED strategy. There is no data base for these initiatives as proof that they exist. There is no documentation showing the number of initiatives, the areas where the initiatives operate and the goals of the initiatives in terms of poverty alleviation and community development.

The officials working in the same directorate have different perceptions, they believe that communities should be involved in any initiative that is introduced, where they will be capacitated according to the skills required in that particular project and be mentored. This will enable self-sufficiency and growth in the small businesses, promote pro-poor development and enable them to participate in competitive markets. For LED to take off both the Council and the officials should have a common understanding of LED based on the objectives of the LED strategy. The LED directorate in this municipality does not share the same vision as people who are facilitators and coordinators of the LED. There are few realistic plans to assist black business development and as a result promotion of pro-poor LED is limited.

In the KSD Municipality LED Strategy there is a mention of a Milling Industry that is going to be built. When probing if the communities were consulted about the matter the response was that there are about ten farmers that the municipality is working with that will provide the industry with raw material. It is clear that the municipality is not working towards assisting the marginalized and disadvantaged communities. It is concentrating on those who have already developed themselves. In terms of poverty alleviation this municipality distances itself, it is not on their agenda to develop poor communities. Also if the industry will be supported by only ten farmers chances are it won't be a sustainable project because ten farmers are not enough to keep an industry running even for one year. It is clear that the industry will get most of its raw material outside the jurisdiction of Mqanduli. Mqanduli residents clearly have not been consulted, if they were, they would be aware of this big project and the municipality would have trained them on agriculture related skills. Training on agriculture related skills is one of the components of the Expanded Public Works Program (EPWP) which the municipality has adopted but has not implemented. The objectives of the EPWP is to alleviate poverty and to create jobs in the shortest possible time. The objective will be attained through the creation of short term and long term jobs through projects that create essential infrastructure and through the provision of social services to the poorest of the poor. The KSD municipality ignores these objectives and is very illusive in terms of poverty alleviation because even if the industry would be successful most of the Mqanduli communities will not benefit from this initiative.

The different views and responses by both the Council and the officials clearly give a picture of a haphazard house. If the house is in this state there is nothing good that can come out of it. The attitude of the Director Infrastructure for example clearly shows that the roads in this municipality are not a priority and as a key department that deals with the condition of roads is disappointing. The response he has given is saying that even if they do not maintain the roads the investors are interested in investing in the area anyway. This statement is contradicting with all the participants in this study about the impact of the roads on businesses. This attitude makes one wonder if he cares about the place or whether he has any interest in the development of the KSD. Recently in the news, it has been reported that the Provincial government will directly take over about ten municipalities in the Province who have been identified as being dysfunctional and KSD is one of these municipalities. It is because of such attitude and the confusion within the municipality in terms of running the municipality that has led to this decision by the Provincial government.

5.5 RELATIONS WITHIN THE MUNICIPAL DEPARTMENTS AND OTHER GOVERNMENT DEPARTMENTS

The LED directorate can never operate on its own without the involvement of the Council and other directorates within the municipality. Councilors are directly involved with the people, they are a link between the municipality and its community and are the ones who are able to prioritise the needs of the people in their wards . They are the ones who have capital budgets to develop their respective areas in terms of projects. In the case of this study departments like Infrastructural Development are key departments which are

supposed to work hand in hand with the LED Directorate to achieve the objectives of the programs. Also intergovernmental relations in this case are vital, if the municipality claims that it is not responsible for the maintenance of certain roads within its jurisdiction, intergovernmental relations should be created because in the eyes of the public and people visiting the area the blame is put on the municipality. At the beginning of every municipal demarcation there is a billboard that welcomes travelers to the municipal area. These billboards do not explain the ownership of the roads or responsibility for maintenance. Therefore the reputation of the municipality is tarnished. It is important for the municipality to have healthy intergovernmental relations for the sake of its reputation and to attract more people to visit the area and to invest in it. The poor condition of roads also have resulted in the rise in transport fares which makes it difficult for the poor black business people which use public transport for business purposes.

From the interview discussions, it was clear that outlying places such as the Mqanduli town are being neglected by the municipality, this is because of the fact that it was hardly mentioned by the officials interviewed. The focus of officials was only on Mthatha town. This has been also confirmed by the observation and experience of the researcher in terms of the development of the area, for example, there are no flush toilets in the Mqanduli town they are still using the bucket system and the ventilated improved pit toilets (VIPs). Flush-toilet sanitation system and running water are at least the basic services that a town should have and is a local government mandate to provide basic services for the community to improve quality of life. Also, this is one of LED

intervention strategies that leads to job creation, reduction of unemployment, and alleviation of poverty and leading to a better life for all. If there are these conditions in the Mqanduli town then it is obvious that the conditions would be worse outside town i.e. in the villages that fall within the jurisdiction of Mqanduli. The roads are not given any priority in the area, the stall owners have no shelters, the area is neglected and, seemingly poverty alleviation in the area and community development are not the priority of the municipality. This is a result of poor planning and consultation with stakeholders. This increases the dependency of communities on welfare grants.

CHAPTER 6 CONCLUSION

This study concludes by asserting that the LED approach in the KSD municipality on infrastructural development does not recognize the promotion of LED activities as a poverty alleviation strategy in terms of road construction and maintenance. The LED approach is important for is in relation to the growth of economic activity for the development of this municipal area where road construction and maintenance would create a conducive environment for investment and alleviate poverty. The three major economic activities in this municipality are community services, agriculture and trade and therefore require good road network for growth and sustainability. Whilst there is widespread recognition of the need to promote LED, there appears to be unfortunate mismatch between what is in the IDP and the resources and ability to respond positively on the ground. The municipality correctly identified the need to have a pro-poor strategy as a key objective, but has clearly failed to recognize that LED is also an economic activity. This problem and associated failure to work with the market, and in many cases a reluctance to involve or even interact with the business community both black and white is a recipe for failure. Urgent attention and interventions are required to inculcate a true understanding of what LED is, this is also caused by the divergence of views held by DTI and DPLG which has been translated into very poor understanding of what LED is. As international evidence shows, it can only succeed through the operation of partnerships between key stakeholders.

It is indeed unfortunate that local government seems to be failing in its mandate. There are sound strategies in the IDP, but on the ground, severe capacity and financial

constraints and the apparent failure to really understand what LED is are not only ensuring that development is not occurring, but also that communities are being marginalized and business investment is deterred. It is apparent that the municipality is weak and this can be a real barrier to development, scaring away investment and often failing to maintain basic levels of services. Failure to play an effective leadership role, to interact with all key local role-players, and frequent allegations of corruption and local political disputes are a serious impediment to development. The KSD municipality lack the capacity and the ability to embark on ‘developmental local government’.

LED in the KSD municipality is clearly not living up to expectations. Many projects have failed to create the envisaged numbers of jobs and benefits, debilitating local constraints are impeding progress, poverty and unemployment is probably getting worse. This reality calls for urgent and dedicated action to respond to this crisis and to ensure that LED is more effective on the ground.

CHAPTER 7

RECOMMENDATIONS

It is regrettable that the KSD municipality does not appear to have a major LED success story in which a whole local economy has been successfully transformed except that of the construction of 2010 FIFA World Cup Stadium and that of the renovation of the airport. LED here is in a state of crisis in its current form and operational structure.

If government is committed to support LED, radical intervention will be required. This intervention is needed to overcome numerous blockages, these intervention should be to develop a well trained, committed, well resourced, permanent provincial LED facilitation unit which has the funds and staff to support weak municipalities to design, fund and implement appropriate LED interventions. Implementation of EPWP as an LED intervention strategy for example will improve the deteriorated condition of roads in the area. This program seeks to yield both social and economic benefits, social benefits include measures to poverty alleviation, initiatives that would address community development needs such as construction of roads, clinics, multi-purpose centres and encourage the development and emergence of a cadre of community development workers. Economic benefits would include the provision of essential infrastructure such as sewage systems, provision of water, sanitation, construction and maintenance of schools and clinics, sports facilities, emergence of entrepreneurs, sustainable jobs, skills enhanced, training and capacity building in communities for example, emergence of community based project managers to manage small scale local projects. Such a unit should be

trained and be supported by a professional development agency or universities. LED must be seen as being more than just a line-function, but needs support from all branches of government. At the provincial level, LED should overlap as closely as possible. There should be a working definition of LED needs to be developed which can offer meaningful guidelines to municipality. Such a definition should combine the strengths of the DTI and DPLG perspectives and stress the need to strive for both poverty relief and sustainable economic development.

National and provincial government can assist through proper market research, identifying national and international market opportunities, offering relevant and practical advice, and developing appropriate policy and realistic guidelines. Government should also promote best practices, publicise findings and encourage monitoring, evaluation and assessment to determine future action. This requires the municipality to have dedicated LED officials, who report to the provincial unit and to require that such officials are obliged to undergo economic and development training(ideally the new SETA LED course). Officials who have some practical business experience should be appointed.

Establishing an LED agency is a viable option to pursue. The KSD municipality needs to pursue more practical IDP in which LED feature prominently, and is pursued with vigour. The municipality needs to be realistic about its needs, capacity and ability. They need to be more entrepreneurial in all of their actions. LED thinking and goals must pervade all aspects of municipal activity. In addition, KSD must operate more effectively in a business like manner, namely, deliver quality services, encourage investment and

work with all key local stakeholders. The municipality requires to start liaising with local business chambers for the greater good of local citizens. Such collaboration must be extended to all key stakeholder groups, which have economic/development interests as opposed to social interests at heart. Church and NGO organization often have a key role to play in this regard.

Local reconciliation needs to be sought and conflicts have to be addressed. Establishing local level forums and perhaps even LED agencies or Section 21 Development Corporations is a viable route to take. Communities and project beneficiaries need to be intimately involved at all stages of project design and implementation. By the same token, non local government led LED must be encouraged as far as possible. Local government must create and promote an environment conducive to investment and business development. It must provide the necessary infrastructure and support, particularly to bodies such as tourism agencies. Information provision and research by the local development to pursue. The municipality should try to de-politicise development, and also reduce opportunities for corruption through proper reporting systems and the setting of appropriate standards. There is also a need to ensure that local authority and LED agency are accountable and corruption free. SMME development needs to be encouraged, as does sub-contracting, local procurement and most important of all the provision of SMME support staff and Business Service Centres. Projects need to have poverty relief as a primary goal.

Finally, the KSD Municipality clearly needs to play a key role in this process given the real incapacities which exist and the need for external direction, guidance, support and facilitation.

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APPENDICES

APPENDIX 1

QUESTIONS FOR RESEARCH BASED

ON THE IMPACT OF POOR CONDITION OF ROADS IN PROMOTING LED

The purpose of this Questionnaire is to establish whether the KSD Municipality understands that infrastructural development is an LED and poverty alleviation strategy and how the deteriorating condition of roads affects growth in economic activities in the area.

Please answer all questions as honest as possible.

You do not have to disclose your name as the information will be kept confidential.

QUESTIONS FOR POLICY FORMULATERS AND IMPLEMENTERS

1. What does the KSD municipality understand by LED?
2. What are the main objectives of the municipality in promoting LED?
3. Is there any connection between LED activities and poverty alleviation? please explain.
4. Which activities are there that have the potential to promote LED?
5. What is the role of investors in LED in the KSD?
6. Is there any impact of LED on job creation in the KSD? Please explain.

7. Are there any LED interventions that can promote economic activities in this municipality?
8. What is the connection between LED and infrastructural development in the municipality? Give examples.
9. The KSD road infrastructure has deteriorated in the years, does this condition have an impact in promoting LED? Please elaborate.
10. Does the municipality prioritize the condition of roads in LED planning? Please explain.
11. Does the IDP/LED document of the municipality prioritize the condition of roads? Please explain.
12. Is there any plan to deal with the problem? If no, why? If yes what are
 - (a) achievements and
 - (b) challenges?
13. Who is responsible for the maintenance of roads? Is it the provincial government/ the municipality?
14. Are there any problems in discharging this responsibility? Please elaborate.
15. Are there any interventions for designing labour-intensive projects?
16. What are the successes and challenges of these interventions?
17. What are the requirements for using labour-intensive and community construction?
18. What are the successes and challenges of these?
19. Any other issues in connection with LED, economic activity and poverty alleviation?

APPENDIX 2

QUESTIONS FOR MANAGERS IN BUSINESSES

Please answer all questions as honestly as possible.

You do not have to disclose your name as the information will be kept confidential.

1. When did this business start?
2. Is there a relationship between the business and the municipality?
3. What is your view on the poor condition of roads?
4. Does the poor condition of roads have an impact on the business? Please explain.
5. If yes, how?
6. Do you think this condition may have a negative impact on future investments? If so, how?
7. How many jobs has your business created?
8. What is the level of education of your assistants/employers?
9. Do you offer them any training on their appointment?
10. What keeps your business going?
11. How many tourists do visit your business in a day?
12. Do they visit the way they used to before the condition of roads deteriorated?
13. What do you think can be done to improve this condition?

14. Do you think your business contributes to poverty alleviation and how?
15. What other issues do you think need to be considered? Why?

APPENDIX 3

QUESTIONS FOR COMMUNITY BASED PROJECTS.

Please answer all questions as honestly as possible.

You do not have to disclose your name as the information will be kept confidential.

1. When was this project established?
2. Who is/are your funder/s?
3. Are you a registered project/ company?
4. Did you receive any training on how to run the project?
5. If yes, in which areas were you trained, in terms of running the project?
6. Who buys from your business?
7. Do they come the way they used to?
8. What is your view on the poor condition of roads?
9. Does it affect your business?
10. If yes, how?
11. Do you think your business contributes to poverty alleviation in the area? How?
12. What other issues do you think are important in connection with the condition of roads and economic activity in this place?
13. What do you think needs to be done?

QUESTIONS FOR STALL OWNERS

Please answer all questions as honestly as possible.

You do not have to disclose your name as the information will be kept confidential.

1. When did you start selling/having a stall here?
2. Who buys from your stall?
3. Do they come the same way they used to?
4. How do you view the poor condition of roads?
5. Does it affect your business?
6. What do you think can be done about the poor condition of roads?