

**THE IMPACT OF LOCAL ECONOMIC DEVELOPMENT ON ECONOMIC
SUSTAINABILITY OF BUFFALO CITY METRO MUNICIPALITY**

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Research submitted towards partial fulfilment of the requirements for the degree

Masters degree in Development Studies

in the

Faculty of Business and Economic Sciences

of the

Nelson Mandela Metropolitan University

December 2013

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DECLARATION

I, *Zanele Mahlanza 208007808*, hereby declare that the *treatise* for *Masters in Development Studies* to be awarded is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

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ACKNOWLEDGEMENTS

This treatise to reach this final form is built on the experiences, knowledge and sacrifices of many people.

I would like to express my gratitude to the following people that had gone an extra mile towards the completion of my study:

My close friends and family for their continued support, assistance, and motivation.

My fellow students especially the study groups I was teamed with for their continued support, motivation, teamwork, trusts and understanding.

My supervisor, Prof Ronney Ncwadi for his guidance, wisdom and expert knowledge during the entire period of the study.

May God bless them all.

ABSTRACT

The national framework of local economic development (LED) in South Africa (2006 – 2011) has the goal to support the growth of sustainable local economies through integrated government action. Municipalities as custodians of integrated development programs and local economic development strategies work with different stakeholders such as private industry, other government departments, non-government organizations and relevant community sectors in attaining envisioned developmental goals; thus are avoiding wasteful duplication of effort and resources.

LED in the context of this study is defined as development of infrastructure within the BCMM for sustainability of small medium and micro enterprises in alleviating poverty in the area. This report presents an evaluation of the impact of local economic development in terms of basic infrastructure availability on the sustainability of small medium and micro enterprise development in the Buffalo City Metro Municipality (BCMM). This refers to amongst others accessibility of electricity and telecommunication in the operations of a business.

The overall approach followed by the researcher throughout this research is the mixed methods or pragmatic approach. The research method followed is that one of a descriptive approach.

The results of this study indicate that local economic development is still a new notion which is still unclear. There is evidence that there is a lack of basic services in some areas in the Buffalo City Metropolitan Municipal, this including access to electricity. The respondents also saw the local municipality as not doing much in support of new and small business and creating job opportunities for them.

The study recommends that factors such as skills development, accessibility to basic service, development and promotion of SMMEs, are also major contributors to the effective impact of LED in BCMM.

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CHAPTER 1: SCOPE OF STUDY

1.1 Introduction

The contemporary global financial crunch has elevated widespread distress for the sustainability of the global economy and ample has been written concerning the negative impacts of economic development on natural ecosystems and civil societies. Unfortunately, few feasible substitutes to the prevailing economic paradigms have been recommended for consideration. Those that have been are typically little more than suggestions for fine tuning capitalist or socialist economies.

Infrastructure development is critical for economic growth in South Africa it is somehow not always stressed enough and South Africa's infrastructural goals are not always entirely met. South Africa cannot achieve sustained economic growth and development if it cannot ensure infrastructure plan are fulfilled. Although sustainability is now generally understood to be a combination of environmental, social economic performance and development infrastructure, this report finds that economic sustainability is the most elusive component of the triple bottom line approach. There is not even universal consensus that businesses should be economically sustainable, though most concur that sustainability is desirable to prevent the devastating and inefficient impacts of corporate premature death (Doane & MacGillivray, 2001:15).

The Eastern Cape is amongst the poorest provinces in South Africa with the total population of 6, 3 million people. Eastern Cape is positioned in the south-east of South Africa, bordering Free State and Lesotho in the north, KwaZulu-Natal in the north-east, the Indian Ocean along its south and south-eastern borders, and Western and Northern Cape in the west. The province surrounds 69 580 km², constituting 13.9% of the total land area of the country, making it in surface area the second biggest province of the country (Statistics South Africa, 2003). The average population density during 2002 was 41 persons per square kilometre, and about 63% of the province's people lived in rural areas.

The province is housing two harbours, with has a coastline of about 800 km. The province's Gross Geographic Product at 2001 prices was valued at R81 027 million, and the province contributed 8.2% to the national Gross Domestic Product (GCIS, 2004). The Eastern Cape has the second highest poverty ranks in South Africa (47% of households below the poverty line, which is founded on imputed monthly expenditure of R800 or less) (SSA, 2003), combined with the highest provincial unemployment rate (55%) in the country (SSA, 2003). Regardless of the progress in the national growth rate in the latest years, with 3 per cent being cited for the year 2000, the economy of the Eastern Cape has failed to keep pace and is projected to still be growing at only 1.5 per cent per annum (SSA, 2003).

There is a strong need for the consolidation of economic development initiatives and to forge stronger partnerships with business, other spheres of government and other key stakeholders to both develop and drive a city development strategy or plan. It is recommendable that BCMM start the formation of a formal city development partnership under the guidance of the mayor which encompasses provincial government leaders, organized business, major companies, parastatals, tertiary institutions and other pertinent stakeholders to drive the economic development of the city. The partnership ought be able to develop a clear strategy, assemble strategic stakeholders, target and secure new-fangled strategic investments, unclog obstacles to growth and business development, develop an united approach with the Nelson Mandela Metro and the Amatole district municipality, Department of Trade and Industry (DTI) and other relevant government agencies to certify that the essentials for continued development are in place. There is also a necessary need to advance key infrastructure to enable new investment comprising of the central business district (CBD) revitalization, the provision of transport and service infrastructure for the west bank and the progression of the city's beachfront.

The provincial growth and development plan (Eastern Cape 2004-2014) was adopted in 2004 to also inform all departmental programmes with the support of integrated

development plans (IDPS) and local economic development strategies (LEDS) of municipalities.

The national framework of local economic development (LED) in South Africa (2006 – 2011) has the goal to support the growth of sustainable local economies through integrated government action. Municipalities as custodians of integrated development programs and local economic development strategies work with different stakeholders such as private industry, other government departments, non-government organizations (NGO'S) and relevant community sectors in attaining envisioned developmental goals; thus are avoiding wasteful duplication of effort and resources, (Benya, 2011:14).

Local Economic Development in South Africa strives to address socio-economic problems which are economic dualism and marginalisation. These problems are a consequence of the remaining effects of apartheid. In addition they are also intensified by the current effects of globalisation, including the typical short-term costs (in particular the loss of jobs) of a country trying to restructure an economy characterized by low competitiveness, (GTZ, 2008).

In the face of the failure of different policies and strategies to have the majority of the population benefit from economic growth, LED has become the most recent panacea to overcome the multiple obstacles of low skills level, non-existent entrepreneurial culture amongst the black population, inappropriate or weak support mechanisms, lack of access to financial and business development services, spatial marginalisation and numerous other market failures that lead to high unemployment, low income and thus widespread poverty, (GTZ, 2008).

1.2 The problem and its setting

Despite LED initiatives in BCMM, high rate of unemployment is still prevalent and present a major challenge; with relatively high levels of poverty widespread within BCMM. According to statistics 2006, 70% of households indicated an income of less

than R1500 per month, with 28% of all households indicating no income at all whilst 21% of the City's 20 years and above population, had grade 12, 16% had post-school education and only 17% of 15 - 24 year olds were enrolled in post school study. Unemployment rate within the Metro is estimated to be about 24%. Future development of Buffalo City Metropolitan Municipality (BCMM) is threatened by the lack of appropriate education and skills levels. (BCMM IDP 2011 – 2016), (Benya, 2011: 14).

Local economic development (LED) is about local people working together to achieve sustainable economic growth that brings economic benefits and improves quality of life for all in the community (World Bank,2002:3). The role of local government has always been to develop local economies to uplift the local communities (Ishmael et al, 1997:3). As stated in the Integrated Sustainable Rural Development Strategy (ISRDS) document, local government must, amongst other objectives attain socially cohesive stable rural communities with viable institutions, sustainable economies and access to social amenities so to contribute to the growth and development of local communities.

BCMM needs to assess the impact of local economic development initiatives on sustaining and improving the local economy of the area.

1.3 Research objectives

In the case of the research study, the main objective which can also be referred to as the primary objective is to assess to what extent are the local economic development initiatives affecting or improving on the local economies in the Buffalo City Metro Municipality. Following are the secondary objectives for the research study:

- To provide the socio-economic background of BCMM.
- To identify challenges within infrastructure development in the area.
- To understand LED in terms of infrastrure development
- To assess the impact of the smme development in poverty alleviation.

- To identify challenges in smme development and to make recommendations on possible actions that could be taken to overcome these.

1.4 Research methodology

The overall approach which will be followed by the researcher throughout this research is the mixed methods or pragmatic approach. This means that, first one approach is used (qualitative) and the next (quantitative), with the second part of the study expanding on the results of the first.

The research method followed was that one of a descriptive approach. In every case, descriptive research examines a situation as it is. It does not involve changing or modifying the situation under investigation, nor is it intended to determine cause-and-effect relationships. Its strategies include sampling, making observations, interviewing.

The in-depth questionnaires, documents, policies were used to collect data to obtain information on whether there is an impact by infrastructure development on sustainable economic development and smme development or whether that relationship or impact is a positive or a negative one. The results were analysed statistically. A structured questionnaire was distributed (both electronically and via internal mail) to participants with internet access, organizations, and citizens. Structured face to face interviews followed, and anonymity and confidentiality was strictly guaranteed.

Since this is an exploratory study there was no sample frame, however all the respondents that could be reached were contacted. These included businesses situated in the Eastern Cape region; this also becomes the sample frame.

1.4.1 Data collection technique

In order to provide a precise presentation of information, face-to-face interviews with the participants was conducted. Ssegawa (2000:20) states that face-to-face interviews

provide an opportunity to observe and verify practically the procedures which are in place. Data was collected from questionnaires focus groups, texts and documents, policy manuals. The researcher collected data related to the research problem, research focus and sub-problems, which is qualitative data and expanded to quantitative data. Data was collected by the researcher.

1.4.2 Data analysis

Data was organized by categorizing, and was analyzed and interpreted. The data was analyzed using descriptive statistics. Where data could not be quantified, the data was reported qualitatively. Secondly the researcher coded statements on the questionnaires. This was done through open coding, considering the data in minute detail while developing some initial categories. The coding was used for categorizing the data and described the implications and details for these categories.

1.5 Delimitation of the study

BCMM comprises of the merged municipalities of East London and King William's Town. The participants visited were from the following areas: Southernwood, Berea, Vincent, Quigney, Beacon Bay, Gonubie, Amalinda and Mdantsane.

1.6 Outline of the study

The study is divided into five chapters. The first chapter outlines the scope of the study, the problem statement, the objective of the study, the propositions and hypotheses, and the research methodology. In chapter 2, the literature related to local economic development is further discussed. Chapter 3 discusses the socio-economic background of Buffalo City Metro Municipality. In chapter 4 is the presentation of results. Chapter 5 is the recommendations for future research arising from these results will also be presented and the concluding remarks.

1.7. Concluding remarks

Having outlined the problem statement, the objectives of the study, the importance of the study, research methodology, sampling techniques, data collection, analysis and interpretation in this introductory chapter, the following chapter focuses on the literature review relating to the role of local economic development in the South African economy.

CHAPTER 2: LITERATURE REVIEW ON LOCAL ECONOMIC DEVELOPMENT

2.1 Introduction

The concept of LED has gained widespread acceptance internationally as being a locality based response to the challenges posed by globalization, devolution, and local level opportunities and crises (Rogerson, 2003). The aim of this chapter is to provide the introduction to LED, the history and the concept. Within the chapter there is a discussion on the nature of LED, actors, as the various definitions and approaches towards it. In order to provide appropriate policy recommendation regarding local economic development, it is important to have an appropriate knowledge of the concept of local economic development.

The chapter begins by providing a discussion on the emerging and history of the local economic development policy and is followed by various definitions of local economic development. Subsequent actors, inputs on LED concepts and the various strategies will be discussed. Concluding remarks are provided towards the end of the chapter.

2.2 Emerging of the local economic development policy

In South Africa, LED is a post 1994 phenomenon. Under apartheid, South Africa had a different regional planning policy concerning settlement arrangements with all residential zones supported by racial segregation. This resulted in the majority of the population being displaced and enforced the majority to live in marginalised townships. There was solid and dominant government control which suppressed the development of LED initiatives in towns and cities of South Africa and lead to the erosion of local autonomy. Upon the birth of democracy in 1994, there a new vision of development was born, and the concept of LED attracted more and more attention in government circles and amid policy makers, to the point of being an explicit government priority today.

The difference in the eras is that the post-1994 government has put in place strong importance on community and grassroots initiatives and participation. Notably, local government is currently being viewed as a sphere of government, and has been allocated a range of roles and responsibilities with respect to economic and social development, (GTZ 2008). This platform is more supportive of the general concept of Local Economic Development (LED).

According to GTZ, the foundation for the current policy framework for LED was originally set down in the South African Constitution, (GTZ, 2008: 6). According to Sections 152 (c) and 153 (a) of the South African Constitution, local government must "promote social and economic development" and local government needs "structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community", (SA Constitution). The Reconstruction and Development Programme (RDP) document (ANC, 1994) made implicit references to the notion of LED through the apparent support for community-based development and locality based initiatives. Subsequently was the Urban Development Framework and the Rural Development Framework published by the RDP office. However, during the first five years of the RDP, LED generally took second place to housing and infrastructure programmes, (GTZ, 2008:6). With the closing of the RDP Office, these policies were moved over by the Department of Housing and the Department of Land Affairs, (GTZ, 2008:6).

Development policy became even more practical in directing measures to promote, directly support and encourage pro-poor LED through various support mechanisms. Importantly in this regard is the Local Government White Paper (1998) which clearly stated some of the challenges facing municipalities and provided the mandate to local municipalities to deal with these challenges such as skewed settlement patterns, holdups in service delivery and spatial segregation, (Local Government White Paper (1998). The Local Government Transition Act of 1993 gave direction to municipalities in handling these challenges by developing and presenting the Integrated Development Planning (IDP) method that encourages economic development and addresses spatial

and transport planning, infrastructure development and regulation with appropriate funding mechanisms, (Local Government Transition Act of 1993). Incorporated within the Municipal Systems Act of 2000, which substituted the Local Government Transition Act, all local authorities are obligated to formulate annual and five year IDPs that set out the development targets with detailed projects and programmes (Nel, 2001). The Municipal Systems Act (No 32 of 2000) however is silent on how the powers of nonmetropolitan municipalities must deal with in terms of many of these issues such as such as skewed settlement patterns, holdups in service delivery and spatial segregation and despite the constitutional mandate to engage in social and economic development, provincial controls surviving from the previous administration were not conducive to LED (Nel, 2001).

In terms of the role of local government in LED, the White Paper on Local Government (1998) presents the concept of “developmental local government”, defining it 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.” Local Government is not directly responsible for creating jobs; however, it is in charge for taking pro-active measures to guarantee that the overall economic and social conditions of the locality are contributing towards the creation of employment opportunities. The White Paper further 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”. On the other hand, it was only in 2000 that government initiated releasing guiding principles and strategies that provided direction on LED institutional arrangements and strategies for local government to begin applying and effecting action plans that deal with local economic development.

The development and execution of LED plans and strategies has been different in different parts of South Africa, not least because it was only after the December 2000 local government elections that every piece of land within South Africa fell under the

jurisdiction of a municipality. Consequently, in many areas concepts and ideas around LED are fairly new.

2.3 Definitions of local economic development

There are various meanings to LED, and pinning down the term to one explanation would be a difficult. Nel and Humphrys (1999) view LED as “ the process or strategy in which locally based individuals or organizations use resources to modify or expand local economic activity to the benefit of the majority in the local community” (Nel and Humphrys, 1999:277).

Another definition states that “LED is a unique field of government policy that directly connects the programmes and resources of central government, both national and provincial, with the combined initiative and coordinated efforts of local institutions and communities working together to address their agreed priority needs and opportunities.” (Member of Executive Committee (MEC) for Department of Economic Development and Environmental Affairs, 2008).

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 area” (Nel & Rogerson, 2005:4).

The National Framework for Local Economic Development in South Africa, point out that “local economic development is about creating a platform and environment to engage stakeholders in implementing strategies and programmes”, (National Framework for Local Economic Development is South Africa Department of Provincial Local Government, 2006: 10).

More recently, World Bank Report 2002 defined 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”, (World Bank 2004). The World Bank report states LED as “about local people working together to achieve sustainable economic growth that brings economic benefits and improved quality of life to all in the community”.

Even though these definitions emphasize different aspects, what is evident is that the core focus of LED is on partnerships, economic sustainability, job creation and the improvement of quality of life and places within the context of communities or at local level (Nel & Rogerson, 2005:4). The aim of LED is to improve the quality of life for all” (Nel & Rogerson, 2005:4).

2.4 LED approaches

As previously mentioned in previous discussions, LED is an intervention process which was initiated in response to many issues and external factors which needed to be addressed internally. According to Nel and Rogerson (2005), there are the elements which characterize the current and modern age and the most domineering are the following:

- In the neo-liberal era, there is a declining of the role of the central state in the economy, due to the inclining decentralization of power and decision making to the local level;
- Globalization forces, which in the era of weakening significance of the nation state, compel a local level response to economic marginalization and/or opportunities which globalization presents;
- From de-industrialization to local innovation which requires local leadership initiative, response and direction, due to economic change within localities; and

- The history of dubious results often attained through macro-level planning and regional development interventions.

The World Bank (2002), states that these challenges are even greater today, and amongst others include the following dimensions:

- International

Globalization has got an effect of increasing both economic and political competition for investment. Opportunities for international competitors wanting to enter local markets are created, whilst local businesses also have the opportunity to penetrate new markets. Local conditions determine a communities opportunities and therefor its ability to attract and retain local and foreign investment.

- National

National regulations, tax and other legal structures have an effect and shape local business climates, and these can either assist or impair local economies. Macroeconomic and monetary policies have an effect on local economies.

- Regional

Collaboration between communities within and between regions will assist and enhance competitiveness and simultaneously benefit individual communities. This will in turn assist economic growth within communities and individually, as communities compete to attract both outside and local investment.

- Municipal

More often firms select urban areas as their location for various business aims and causes. The municipalities need to take full advantage of the opportunities as business

sense; they need to draw full advantage from this. In order to promote the business development, municipalities need to invest and put a great deal of emphasis on urban management to ensure a climate which is conducive to promote business development. A lot is dependent upon social development which encapsulates basic human needs, infrastructure, safety and security. Another critical matter is the improvement in processes and methods for business registration are improved, in order for business development.

With regard to the theory of LED, literature clearly states the distinct differences in terms of the approaches in the North and South, (Helmsing, 2003). According to Heming (2003), the development strategy of LED has been widely implemented in the North for years, however in countries of the South it has only recently taken off in the formal sense. The development of LED in the North seems to have ensued not only as a result of central government seeking a way to catalyze local level growth, (Nel, 2001: 1004). Although similar patterns are also evident in the South, and can also form basis for significant reasons for the initiation of LED, one should include to these causes issues such as debt crisis, inability of many states to intervene at local level, imposed structural adjustment, massive currency devaluation, and the series of natural and political shocks within the region (Nel, 2001: 1004). Nonetheless LED was less evident in community based initiatives, until the government mandated the institutionalization of formal LED strategies and policies and implementation of LED thereof.

Southern approaches to LED focus more on issues of urban entrepreneurialism in places such as Brazil, Peru and Korea, however LED more often depends on small scale and community based initiatives, utilizing home-grown and local skills and seeking predominantly to safeguard survival, rather than participating in the global economy (Nel, 2001).

There are two broad levels on which LED operates in both North and South. The first level known as the formal level, can be described by the inclusion of local and higher authority structures and the formal business sectors; and the second level, the informal

level, which is categorized by action at the level of community based organizations and non-government organizations (Nel, 2001). On both levels LED requires partnerships between key agencies and the community level there is great reliance on social cohesion (Nel, 2001). Community based LED places emphasis on community centered initiatives and activities relating to improving the local economy and job creation, and support for small enterprises is a common trait. Local authority based LED inspires company establishment either through supply side incentives such as tax related incentives or demand side incentives through new business development by developing and implementing strategies which build up demand for locally produced goods and providing assistance for emerging enterprises, which is common in Canada (Nel, 2001). Amongst the LED strategies, some of the most commonly utilized by local authorities include financial support, land and building development, information and marketing assistance, new planning and organizational structures and training and employment (Nel, 2001). In South Africa there are economic resemblances with both the North and the South, therefore LED strategies are within the range from urban entrepreneurialism to rural survival strategies.

The reaction to LED which encompasses community development, economic growth, empowerment, job creation and transforming local areas into vibrant self-sustaining economic entities, competitive nationally as well as globally. The responses to LED may be similar across countries however they may differ in terms of focus and emphasis. Countries' foci may differ between pro-growth to pro-poor approaches to local economic development. Following neo-liberal approaches, economic growth was always seen as the primacy in LED, but recently this discussion has taken a new turn and developing countries are recognizing that social and economic development should go hand in hand to fight the impact of poverty.

Amongst various approaches, current debate focuses on two significant approaches of LED: pro-growth or market LED, which places emphasis on the promotion of economic growth and development, and the pro-poor or market critical approach which looks at poverty alleviation strategies and approaches (Helmsing, 2003). Literature states that in

the developing world there is indisputable need to place emphasis on poverty alleviation, in this following the pro-poor approach (Nel & Rogerson, 2005). The market-led or pro-poor approach to business development aims to enable local economies to more successfully adjust to macro-economic reforms and emphasizes the goals of promoting individual self-reliance, entrepreneurship, expansion of market, competitiveness, reduction of unemployment and sustainable growth (Rogerson, 2003:53). On the other hand, the market-critical or pro-poor approach of community development is described by a bottom-up approach geared to goals of achieving local self-reliance, empowerment, participation, local cooperation and environment sustainability (Rogerson, 2003:53). Essentially LED is part of a country's development strategy and therefore one should investigate contextual specifics which it should encompass to bring about development.

2.5 Actors within LED

For LED to be effectively implemented there needs to be a strong support structure, lots of facilitation processes and funding. LED requires a lot of support from various stakeholders and each one has a specific and fundamental role to partake, funding from government institutions is necessary, as is evident in many attempts that have been undertaken worldwide (Nel & Humphrys, 1999). The role of government extends to the one of creating an enabling environment through policy documents and legislation, which creates the platform to target specific areas of much needed economic growth and development.

The role of partnerships in LED is fundamental for optimisation and effective implementation the strategy. According to GTZ (2009), partnerships are described as cooperation between municipalities, the private sector, and civil society to pledge to work together on a project or programme to pursue common goals and in which the different partners bring complimentary resources, contribute to the design of the programme and share risks and benefits. As claimed by Marais (2008, p 1), partnerships "have not always been central to LED planning and development" and

“only identified as a crucial element of LED at the beginning of the 1990s”. According to GTZ (2009), partnerships are the drivers for increasing the participation and role of the private sector in LED. Presently, the promotion of partnerships is recognised to be a key feature of LED and acknowledged as such by several donor agencies including the International Labour Organization and United Nations Capital Development Fund (GTZ, 2009).

A focal aspect of LED is partnerships that are forged between local government, business, NGO’s and communities (GTZ, 2009). As stated by Stibbe (2008), the new shift in LED offers remarkable opportunities for partnerships revealing “an intrinsic overlapping of interest between business and the public sector” (Stibbe, 2008: 3). In principle “partnerships promise benefits arising from economies of scale, and the sharing of resources, commitment and enthusiasm” (Marais, 2008: 2). Through the building of partnerships “the advantages of the private sector – dynamism, access to finance, knowledge and technologies, managerial efficiencies and the entrepreneurial spirit – are combined with the social responsibility, environmental awareness, local knowledge and job generation concerns of the public sector” (Bennett et al. 1999: 25). These partnerships are created from and through different platforms both in the public and private sphere, which will be discussed briefly in the following sections.

2.5.1 National government

The central role for national government is that of coordination of investment programmes, public policies and, funding mechanisms are seen as contributing both in terms of creation of improved infrastructure and services and in providing opportunities for skills development, employment and business creation. Government is also to guarantee access to loans, directly, through the Banking Charter (an agreement with the commercial banks) and through legislation to permit the establishment of local savings and credit banks, (ECSECC, 2005).

2.5.2 Provincial government

As stated by ECSECC (2005), the role of provincial government is fundamentally to coordinate national resources passed down to various provincial departments and correlate these to the priorities and initiatives of the Integrated Development Plans. Provincial departments are to take on LED “as a major delivery area” which municipalities must provide for communities and citizens (ECSECC, 2005: 33).

2.5.3 Local government

The District and Metropolitan municipalities are described as playing a “leading role” in stimulating the local economy (ECSECC, 2005). The ECSECC (2005) report argues that “The District Municipalities and metropolitan municipalities should be at the centre of a planning and networking web, ensuring that municipal policies and practices are conducive of a good environment in which businesses, cooperatives and NGOs can thrive and grow”, (ECSECC, 2005: 33). Local government is firstly responsible for making national and provincial resources accessible to local actors; this becomes the crucial part in effective LED (ECSECC, 2005). Subsequently, local government has a role to play in enabling capacity building and skills development. It does this through connecting with specialist providers such as the SETAs, Labour Centres, universities and other tertiary education institutions (ECSECC, 2005). Thirdly, cluster development is highlighted in the section on municipal government; these include providing land, stimulating partnerships, facilitating business services, promoting marketing (ECSECC, 2005).

2.5.4 Community organisations

It becomes critical for the community to be involved in LED processes and projects; this is whereby the community identifies the people, public institutions, businesses, community organizations and other groups with interests in the local economy. In order to implement the LED, careful attention has to be given to drivers, institutional

arrangements and existing capabilities, including all stakeholders from within and outside of Government (South Africa LED Network 1998).

2.5.5 Donor Agencies

Even though the current legislation and practice does not allow the agencies to play a decisive role, they need to be acknowledged as being integral part or key actors of the process. Many municipalities have agreements with various donors, who through financial resources and support assist in development initiatives (South Africa LED Network).

2.5.6 Local producers and their associations

When it comes to enterprise based development, the local producer's play a critical role as inter firm cooperation and joint action is pivotal (Helmsing, 2003). Often local producers cannot combine competition with cooperation, making joint action difficult without an external catalyst. Yet no one can deny the multiple roles of producer associations in local economic development (Helmsing, 2003:2).

Within in the development context, LED can be based on the central idea that mobilising local actors and resources will result in a convergence of interests and around the competitive advantages of localities. Added to this is the building of capacity for economic actors to take up economic opportunities, and this may arrest the damaging effects, and enable exploitation of opportunities, created by new market conditions, (Helmsing: 2003: 2).

2.6 Concluding remarks

This chapter has discussed the concept of local economic development under the global perspective, the nature and history of the notion of LED. Also the various strategies and various approaches have been interrogated. The literature has revealed

the significance and contribution made by stakeholders and actors within the LED environment. A clear distinction has been revealed of the various descriptions of local economic development. From the literature point of view it becomes certain that LED should lead to much more than merely economic development, this enforces and reinforces the socio-economic role of LED. The following section will highlight the socio-economic conditions of the Buffalo City Metropolitan Municipality.

CHAPTER 3: SOCIO-ECONOMIC CONDITIONS OF BUFFALO CITY METROPOLITAN MUNICIPALITY

3.1 Introduction

Globally the economic environment progressively increased momentum in 2010, advancing largely from the significant monetary and fiscal stimulus that continued in most parts of the world (World Bank, 2004). The 2010/11 financial year also witnessed fears of double dip recession brought about by the Euro Area Debt Crisis, which originated from Greece (World Bank, 2004). The contagious effect of Greece's debt effect was felt in many other countries with Spain, Portugal, and Ireland being the worst affected (World Bank, 2004). Notwithstanding these fears, global economic recovery was continuous in apace in 2010/11 amid convincing signs that growth momentum in the global economy will remain largely sustained (World Bank, 2004). In 2010, global economic growth continued to be characterized by a two speed recovery where growth in advanced economies remained largely subdued whilst robust growth characterized emerging and developing countries.

3.2 South Africa context

According to the South African Cities Network (2003), South Africa has, at least matched to other African countries, a well-developed market economy, and a well-established manufacturing industry, a progressive financial system and manageable inflation. The country's infrastructure is well developed and the country has a functioning multi-party system, a strong trade union structure and independent media, (South African Cities Network, 2003). As compared to some African countries, South Africa has therefore many of the fundamentals essential for progressive economic development. At the same time South Africa nonetheless has also many problems and impediments for economic development. The South African Cities Network (2003) states that almost half of the population is categorized as poor, formal employment is on a low and unemployment is very high. Over seven million of a total population of more

than forty million can neither read nor write, this defines the high illiteracy rate, and HIV/Aids is strongly affecting the health status of the people, (South African Cities Network, 2003). Although the South African economy demonstrated improved economic forecasts in the early 2000s, is reliant on external factors like world trade and commodity prices. According to the Urban Plan 2000, South Africa's main trading partner is the European Union, also the Comprehensive Trade, Development and Co-operation Agreement with the EU, which was reached recently, is expected to increase trade and investment exchange between South Africa and the EU. A similar arrangement is in operation with the US, another major trading partner.

3.3 The Eastern Cape province

The Eastern Cape (EC) remains by and large underdeveloped, with economic activity well lower than economic potential (Department of Economic Development, Environmental Affairs and Tourism). Currently economic activity is concentrated in Port Elizabeth, East London and Umtata. Notwithstanding economic growth, high levels of unemployment, and poverty perseveres more in particular in the rural areas where majority of the population resides. The province struggles to generate its own income (Department of Economic Development, Environmental Affairs and Tourism). The Eastern Cape is endowed with extensive agricultural capacity, while the automotive sector dominates manufacturing production. The economy of the province is cyclical as it is dependent upon manufacturing exporting activity, which in turn is reliant on changes in external economic climate.

Investment in the Eastern Cape will continue to be determined by prevailing market conditions which continue to be cyclical and unstable (Department of Economic Development, Environmental Affairs and Tourism). Majority of the fixed domestic investment is based on investment on machinery and other equipment, and building and construction works. Altogether significant effort has gone into a strategy to develop a new growth path based on the national economic development strategic plan of the Department of Economic Development for creating work that is inclusive and equitable.

An overview (see Table 3.1 below) of the most recent growth rates of the 2009 demonstrates that more than two thirds of the economy is in the red and experiencing negative growth rates (ECSECC, 2009). The hardest hit sector has been manufacturing which is a significant contributor to both Gross Domestic Product (GDP) and employment in the province (ECSECC, 2009). Provincial growth has been strengthened by construction sector which in the last four quarters indicates the highest growth rate yet it has the lowest contribution to GDP. Government services also show consistent positive growth rates.

Table 3. 1 Eastern Cape Quarterly Gross Domestic Product Growth Rate

Industries	2Q2008	3Q2008	4Q2008	1Q2009	2Q2009
Agriculture	-2.1	7.8	-6.2	-0.8	-5.0
Mining	23.5	-4.3	6.8	-32.6	5.5
Manufacturing	13.2	-10.5	-22.8	-23.3	-11.5
Electricity	-0.3	5.3	0.1	0.9	0.1
Construction	11.3	18.1	14.4	14.4	12.0
Trade	-4.1	-6.8	0.1	-1.6	-2.9
Transport	3.2	3.4	0.6	-1.3	-0.8
Finance	1.1	0.8	0.3	-1.8	-1.9
Community services	3.9	6.1	2.6	3.0	2.3
Government services	2.7	5.6	5.0	2.6	2.3
Total (basic prices)	3.3	-0.2	-2.7	-3.7	-1.8
Tax less subsidies	1.8	-1.5	-3.8	-8.5	-8.2
GDPR at market prices	3.2	-0.3	-2.8	-4.1	-2.4
GDPR at market prices	-2.1	7.8	-6.2	-0.8	-5.0

Source: ECSECC (2009).

Table 3.2 below provides a breakdown of employment per sector. It shows that the Eastern Cape and the national labour markets have similar structure and pattern. Employment in the Eastern Cape is significantly more reliant on community services (35.1%) and creates virtually no mining related employment (0.2%).

Table 3. 2 Breakdown of Employment per sector (2008)

	Number		Distribution	
	RSA	EC	RSA	EC
Agriculture	792 203	60 022	7.3%	7.7%
Mining	515 519	1 443	4.7%	0.2%
Manufacturing	1 563 501	112 928	14.3%	14.6%
Electricity	80 863	3 501	0.7%	0.5%
Construction	574 969	31 425	5.3%	4.1%
Trade	1 893 449	108 037	17.3%	13.9%
Transport	501 424	20 363	4.6%	2.6%
Finance	1 544 106	58 246	14.1%	7.5%
Community services	2 292 518	275 345	21.0%	35.5%
Households	1 159 663	103 723	10.6%	13.4%
Total	10 918 215	775 033	100.0%	100.0%

Source: Global Insight, 2009.

3.4 Buffalo City Metropolitan Municipality demographic profile and socio-economic aspects

Buffalo City Metropolitan Municipality is situated relatively centrally in the Eastern Cape Province, which is bounded to the south-east by the long coastline along the Indian Ocean. The Eastern Cape Province is the second largest province in land area in South Africa, and covers some 169,580 square kilometres, which is 13, 9% of South Africa's

total land area. The province has the third largest population of South Africa's Provinces, approximately 6, 4 million people (Statistics South Africa 2001), which is 14, 1 % of South Africa's people.

There has been an average annual increase of 1.49% in resident population of BCMM (Rhodes University's Population Research Unit PRU, 2000). It must be noted that an escalation in the number of dwelling units does not automatically equate to a interrelated increase in population as recent surveys have shown a trend for households to "split", whereby large families will occupy several small informal structures (either attached to a formal dwelling or in a separate locality) Rhodes University's Population Research Unit (PRU, 2000). This results in lower occupancy rates per unit, which in turn equates to an increase in demand for housing. Such demand, however, does not necessarily indicate a match growth in population thus putting pressure on the need for accommodation and hence infrastructure. The projections represent a potential growth over a 15 to 20-year period of some 270,000 people, which has consequences for the spatial requirements for development especially housing and associated social facilities, Rhodes University's Population Research Unit (PRU, 2000).

According to Statistics South Africa SSA (2003), the demographic and socio-economic profile of the residents of Buffalo City indicates that some 41% of the population is aged 19 or below whilst 52% of the population is aged between 20 and 59 years of age. This relatively youthful profile of the population proposes on going pressure to provide not only the physical facilities required (housing, schooling and training facilities) but also highpoints the need to increase the speed of job creation in the local economy. The large amount of youth coming through has implications for local economy and hence need for funding for economic development programmes,

BCMM seems to have a relative majority of females in the economically active age cohorts point out that the area remains a net exporter of male labour to other economic centres in the country, although at a lower rate than is characteristic of other parts of the

Eastern Cape. This indicates that, relatively, within the Eastern Cape Buffalo City remains an area where people seek opportunities in the formal and informal economies Statistics South Africa (2003).

The population groups in Buffalo City consist of of the following i.e. 86 % is from the predominantly black African group with White and Coloured groups at 7% and 6% respectively. The Indian or Asian group only represents 1% of the population Statistics South Africa (2003).

Almost 40% of the total population for BCM falls into the classification of reaching grade 8 or less in terms of education. Those who completed high school make up 26, 5% of the population, while those with tertiary education also make up 26,5% of the population. Most people with tertiary education are likely to be from the urban centres, particularly East London (ECSECC, 2009).

The rate of unemployment in Buffalo City, at an estimated 24,3%, is lower than the Eastern Cape Provincial average of 31.3% (ECSECC, 2009) and the relative wealth of the majority of Buffalo City residents remains low, with only some 36% of the households in the area earning more than R1,500 per month (ECSECC, 2009). This further translates to relatively high levels of poverty which is widespread within the City.

The province is generally seen as one of the two poorest in South Africa. There are two major urban municipalities within the Province, Nelson Mandela Bay Metropolitan and Buffalo City Metropolitan Municipality. Buffalo City is the key urban centre of the eastern part of the Eastern Cape. It consists of a corridor of urban areas, stretching from the “port city” of East London to the east, through to Mdantsane and reaching Dimbaza in the west. East London is the primary node, whilst the King Williams Town (KWT) area is the secondary node (IDP, 2012). It also contains a wide band of rural areas on either side of the urban corridor. Buffalo City’s land area is approximately 2,515 km², with 68km of coastline (IDP, 2012). Both King William’s Town (KWT) and East London have important functions. KWT functions as a Regional Service Centre and together with

Bhisho, is the Provincial Administrative Hub and contains the seat of the Provincial Government of the Eastern Cape Province, whilst East London is the central economic hub. In view of the dominance of the East London Core Area the KWT/ Bhisho Regeneration process requires budgetary emphasis for implementing the projects that the Local Spatial Development Framework identifies (IDP, 2012).

Buffalo City is broadly characterised by three main identifiable land use patterns. The first is the dominant urban axis of East London – Mdantsane–KWT–Dimbaza, which dominates the industrial and service sector centres and attracts people from throughout the greater Amathole region in search of work and better access to urban service and facilities. The second is the area comprising the fringe peri-urban and rural settlement areas, which, whilst remaining under the influence of the urban axis, is distinct in character and land use patterns. These include the Newlands settlements, those settlements that previously fell within the former Ciskei Bantustans, and the Ncera settlements located west of East London. Thirdly, the commercial farming areas form a distinctive type of area. These areas are dominant in the north-eastern and south-western (coastal) sectors of the Municipality and are characterised by extensive land uses, with certain areas making use of intensive farming (irrigation-based).

According to ECSSEC (2010), the income distribution within the municipality is that half of the population earn between one and six thousand rand per month. This makes up the majority of the low earners in the municipality. Ten percent of those who work earn less than one thousand rand per month. Only 18% of the population earns more than sixteen thousand rand per month (ECSSEC, 2010). This shows that disposable income is at a premium in Buffalo City, and generally speaking, levels of affordability of residents is low, which has an impact on the diversification of the economy and, more particularly for the Spatial Development Framework, has implications for the forms of spatial development that are best suited to facilitating an improvement in the majority of residents' socioeconomic circumstances.

The Buffalo City Metropolitan Municipality is characterised by circulatory migration and rapid uncontrolled urbanization has consequences for housing tenure options types in the sense that not everybody residing in the metro will be requiring permanent ownership accommodation, but some people might only be needing access to a rental unit during the working week before returning to their permanent peri-urban and rural villages for the weekend (ECSECC, 2010).

The number of people employed in Buffalo City shrank from 267,332 to 261,882 jobs, representing a loss of 5400 jobs. The impact of the job losses is much more if consideration is given to the fact that employed people often have families to support and the loss of a job can have disastrous consequences. After a period of decline from 2005, the unemployment rate at Buffalo City started to trend upwards especially during the period 2008 and 2009. This can be attributed to the recession which led to the loss of 5400 jobs as alluded to earlier. The number of unemployed people also increased accordingly to 82 000 during the period under discussion. With the expected recovery that is expected during 2010, the figures are expected to look much better. The unemployment rate of 24 % at BCMM is much better than the 31 % that was experienced across the province in 2009. The national unemployment rate averaged 23.8 % in 2009.

The Human Development Index (HDI) is an indicator which measures development. It measures life expectancy, literacy and income of a particular district. It is measured on a scale of 0 to 1 and an HDI should preferably be above 0.50 to represent an acceptable level of development. Buffalo City has a high level of HDI. This can be explained by the presence of good education facilities within the area, a vibrant economy as well as good health facilities. The HDI has improved from 0.58 to 0.60 between 1996 and 2009.

The Gini coefficient is a summary statistic of income inequality, which varies from 0 (in the case of perfect equality where all households earn equal income) to 1 (in the case where one household earns all the income and other households earn nothing). In

practice the coefficient is likely to vary from approximately 0, 25 to 0, 70. The figures for Buffalo City indicate that inequality has been increasing in Buffalo City from 1996 even though this has slackened between 2008 and 2009. Comparisons with the Amathole District, the Eastern Cape and the rest of South Africa indicate that inequality is a countrywide problem (ECSECC, 2010). Disposable income, too, is scarce in Buffalo City as a whole and there is a consequent need to focus on overcoming the legacy of under-development affecting its people and the local economy.

3.5 Concluding remarks

This chapter has discussed the global context of the economy, which was subsequently followed by the South African context. There was a lengthy illustration and discussion of the Buffalo City Metropolitan Municipality demographic profile and local economy analysis. This said chapter also highlighted the socio-economic conditions of the Buffalo City Metropolitan Municipality. The following results will illustrate the results obtained from the questionnaires.

CHAPTER 4: REPRESENTATION OF EMPIRICAL FINDINGS

4. 1 Introduction

Buffalo City falls within the Amathole District Municipality (ADM). ADM population is projected at + 1, 67 million, being mainly rural and living in low socio-economic settings. The demographic patterns of ADM population illustrate high poverty, illiteracy and unemployment rates, rendering them disposed to high illnesses and mortality (www.amathole.gov.za, 2007). The low socio-economic conditions prevailing in ADM contribute to changes in lifestyles and consequently to incidences of communicable diseases such as Tuberculosis (TB), polio, measles; and non-communicable diseases such as hypertension, diabetes mellitus, cancer and mental illness. Inequity in the access to health care and other basic factors such as water and sanitation is a direct impact of low socio-economic conditions under which ADM communities live. Since 1998, Buffalo City has lost 40,000+ textile jobs. Unemployment is 40%; the figure is higher in semi-skilled and unskilled labor sets. The net loss in consumer spending is incalculable (www.sacities.net/led_buffalo.ppt , 2007).

The overall approach which was followed by the researcher throughout the research was the mixed method or pragmatic approach. This means that, a mix of both qualitative and quantitative was used. Since this is an exploratory study there was no sample frame, however all the respondents that could be reached were contacted. The respondents included BCMM citizens, and businesses situated in the BCMM region; this also becomes the sample frame. The most appropriate sampling method applied was the convenience and non-probability sampling. In formulating a conceptual framework of the study, secondary sources such as books, academic journals, conference proceedings, newspapers, magazines and the Internet were used. In order to provide a precise presentation of information, face-to-face interviews with the respondents were conducted and structured questionnaires were used to collect data.

All respondents were interviewed on different occasions for between 30 and 45 minutes. Individual interviews of fifty-five respondents were conducted out of the seventy which were planned. This translates into a response rate of 78 percent. The rest of the respondents (n=15) refused to complete the questionnaire. Respondents were assured that their identities would not be identifiable in any subsequent report. The participants were fully informed about the purpose of the study and interviews before they started and about their right to leave if they felt they no longer wanted to participate. All interviews were recorded on respondent's permission.

This chapter reveals the analysis and interpretation of the research data where thematic analysis has been used to reflect the views of the community members and small business owners, gathered through interviews. The aim of this chapter is to present the empirical findings from the surveys on local economic development impact in the Buffalo City Metropolitan Municipality. The chapter begins by providing a descriptive analysis of the findings and concludes by a discussion on the implications of the findings.

4. 2 Presentation of results

4.2.1 Biographical Information

4.2.1.1 Gender profile

The majority of the participants during individual interviews were female at eighty-two percent and eighteen percent male, as illustrated tabular form below:

Table 4.1 Gender

GENDER	N	PERCENT
Female	45	82%
Male	10	18 %
Total	55	100%

Source: Survey data (2013)

4.2.1.2 Geographical area

BCMM comprises of the merged municipalities of East London and King William's Town. The participants were from the following areas: Southernwood, Berea, Vincent, Quigney, Beacon Bay, Gonubie, Amalinda and Mdantsane.

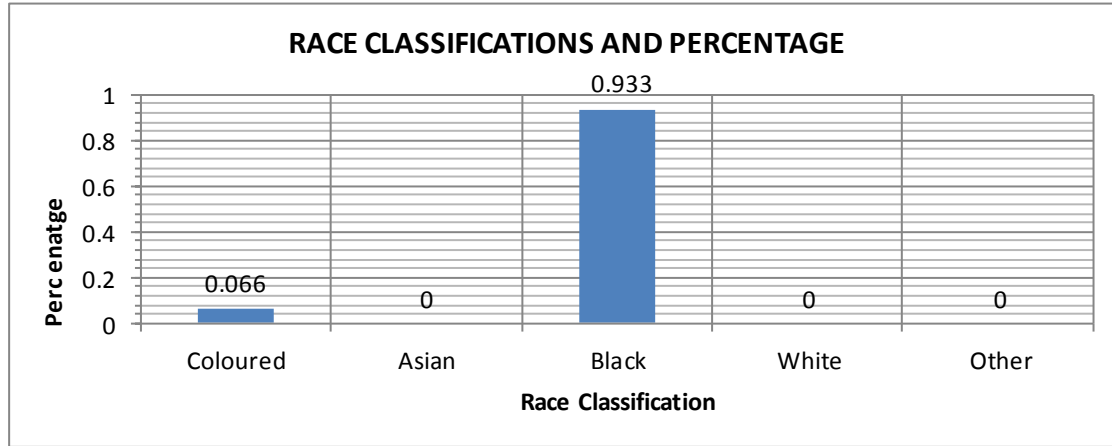
Table 4.2 Geographical area

Area	Number
Amalinda	10
Berea	5
Beacon Bay	2
Gonubie	2
Mdantsane	15
Quigney	10
Southernwood	10
Vincent	1
Total	55

Source: Survey data (2013)

4.2.1.3 Race

Figure 4.1 Race classifications and percentage



Source: Survey 2013

Ninety three percent of the respondents were black; six percent were coloured, and none were white, Asian and other race (Fig 4.1).

4.2.1.4 Source of income

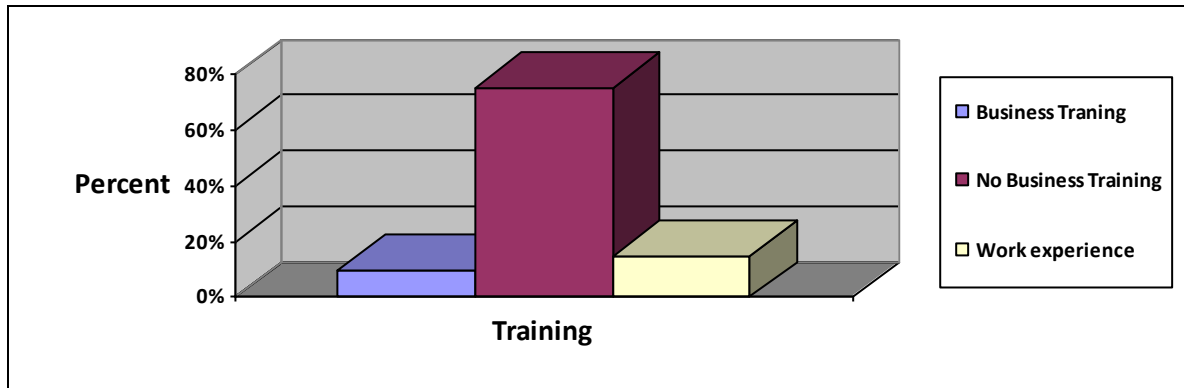
The respondents were asked to indicate their source of income. Approximately 10 percent indicated that their source of income was from selling as hawkers. They sold fruit and vegetables, some sold snacks and some sold sausage rolls. Almost 10 percent indicated they were street vendors and also that they also received senior citizen social grant. The remaining eighty percent indicated that they had registered businesses. The respondents with registered businesses were the managing directors.

4.2.1.5 Business training

The respondents were asked to disclose their training capacity in running a business. Seventy-five percent of the responses illustrated that they had not received any training related to business management or business operation. On the other hand ten percent

indicated that they had no formal training in running a business but had gained experienced from previous work and experience from running family small businesses. The remaining fifteen percent had received some formal training (Table 4.1).

Figure 4.2 Business training



Source: Survey (2013)

4.2.1.6 Business premises

All the respondents indicated that they were renting their business premises, none of the respondents were owning the premises. (Table 4.2).

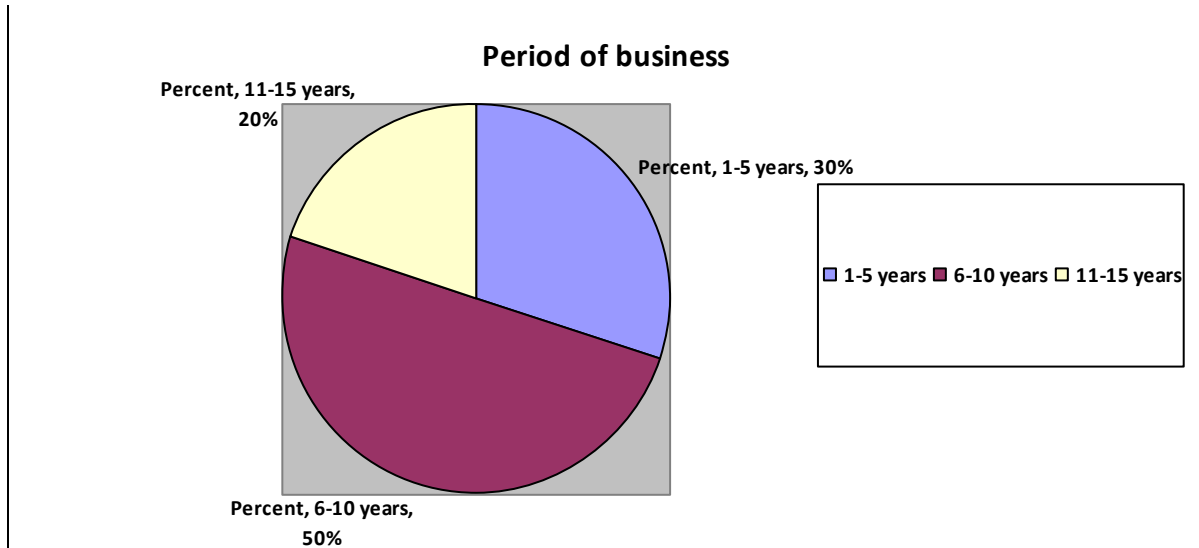
Table 4.3 Business premises

BUSINESS PREMISES	N	PERCENT
Renting	55	100%
Owning	Nil	Nil
Total	55	100%

Source: Survey data (2013)

4.2.1.7 Period of business

Figure 4.3 Period of business



Source: Survey 2013

The respondents were asked to indicate the period of the businesses. Fifty percent of the respondents had been running their businesses for approximately 6 to 10 years, whilst twenty percent of the respondents had been operating for approximately 11 to 15 years, followed by approximately thirty percent respondents who had been in the business operation for about 1 to 5 years. (Fig 4.3).

Section B: Local Economic Development

4.2.2 Definition of local economic development

Only thirty percent of the respondents indicated they knew the definition of local economic development. Their individual explanation of local economic development ranged from LED being as black entrepreneurship, also LED was defined as the development of RDP toilets; LED was also defined as giving business to the

construction and civil industry; LED was defined as municipalities improving service delivery and also municipalities improving the infrastructure. Ten percent of the respondents saw LED as bringing food to their families and improving the quality of life. Sixty percent of the remaining respondents did not know what local economic development was and they had never heard of it before.

4.2.3 Impact of local economic development in business sustainability

Eleven percent of the respondents explained that local economic development helped them sustain their businesses. This was by means of the Department of Economic Affairs which had the LED Unit in place and the Department of Local Government and the Department of Agriculture which were working closely with the people or citizens and businesses in Buffalo City Metropolitan Municipality. The respondents who had registered businesses have mentioned that the above mentioned department have helped sustain business growth and improve the local economy through the creation of business opportunities through. Subsequently LED has been mentioned to have assisted through the tender to process to develop business and make them grow their contractor's grades. LED is said to have made positive impact in the development of business partnerships, through partnerships developed with local businesses, SETA, MVULA trust, CIDB, DTI. This has allowed the small business to align gain access to information and opportunities.

The remaining eighty-nine percent of the respondents indicated that local economic development did not have a significant impact in their business sustainability because Oxford Street Terminus in East London still had no shelter or stalls for the street hawkers.

4.2.4 Accessibility to municipal tender

Eleven percent of the respondents who had registered businesses indicated that they have had access to the tender process and have been awarded tenders for various

services. Being exposed to the organisations like DTI, SETA, and CIDB gives the businesses more exposure to tender processes, because they would be contacted to submit quotations and would have access to tender advertisements. The remaining eighty-nine respondents mentioned that they did not know anything about the tender processes.

4.2.5 Knowledge of tender process

According to the eleven percent of the respondents the tender process was about bidders being invited for tender to deliver goods or services. The invited bidders would then have to submit their tender documents; following their submission would be the bid adjudication which was according to the supply chain management processes within the organisation. The bidder with most points will be awarded the tender. Ten percent of the respondents had received tender process training from SIDA and CIDB. The training had assisted them in filling of tender documents and they had gained knowledge of the tendering process. The remaining seventy-nine percent of the respondents had no knowledge about the tender processes, although they have heard that business opportunities are available through the tender process. They will be interested in gaining knowledge of the process as this would mean they can start registering their businesses and by this getting into formal business and being able to tender.

4.2.6 Access to computers and internet

Twenty-nine percent of the respondents indicated that they make use of computers in running their business. They also illustrated that they have access to internet. Having computer and internet access made it easier for them to run their business administration, it also meant that they could respond faster to request for quotations for tendering. The remaining seventy-one percent respondents expressed that they do not have access to either computers or internet for running their business; they felt disadvantaged by this as they felt that a lot of information in terms of running a business and business ideas were available online.

4.2.7 Access to telephone line

Twenty-three percent of the respondents have illustrated that they have installed a telephone line in their business this included the respondents which had registered businesses. The remaining seventy-seven percent respondents stated that they didn't have telephone line connection in their business.

4.2.8 Access to electricity

Forty-seven percent of the respondents stated that they have access to electricity in their business. The remaining fifty-three percent indicated that they did not have access to electricity in the operation of their business; this included the respondents which were street traders. They indicated that living in informal settlements meant that they could not access electricity and this disadvantaged them in preparing for what they sell in town.

4.2.9 Solutions to poverty

Fifty percent of the respondents stated that local government including the municipality should improve service delivery in terms of provisioning of electricity to areas where no electricity exists. Also municipality and local government must provide basic services for the people this included access to sanitation and access to water. By doing this people would feel self-worthy and also be motivated to work and do something for themselves. Moreover having access to sustainable jobs was critical order to feed their families though making it free to register a business so that more people can have registered businesses and have access to tenders. The street traders expressed that they were not happy being street traders and wanted a proper business where they can be better exposed to business opportunities. In addition education was also pointed out as one solution as it is key to the future of the youth. being educated meant that you get a proper qualification wherein you can be self-employed or employed. Entrepreneurial skills courses should be something that should be made available to everyone in order

for people to start having the mind of creating jobs themselves instead of waiting for government. Adequate infrastructure which included health services and sanitation needed to be a priority for the local municipality as the people are affected by poor social environment and demotivated by it. The remaining fifty percent of the respondents did not have solutions to poverty.

4.2.10 Partnerships with other businesses

Ninety percent of the respondents indicated that they had not built any partnerships or relations with other businesses. Only ten percent of the respondents who had registered businesses indicated that they had developed relations and partnerships with other people in business within their sector for support. They referred to them as business partnerships where partners cooperate in order to advance their mutual business interests. Subsequently they described partnerships as cooperation between them, public sector and the private sector in which there is a pledge to work together to pursue common goals and in which the different partners bring complimentary resources, contribute to the design of the programme and share risks and benefits.

4.2.11 Municipal services

Fifty percent of the respondents indicated that they were not satisfied with the services rendered at Buffalo City Metropolitan Municipality. Issues that were raised were the increasing political interference which was seen as the main cause of slow or null service delivery. Additionally the respondents indicated that the rubbish collection was a major problem in their area, wherein rubbish which stay week without collection. Also there seemed to be reports on areas which did not have electricity, and this made the living conditions of the people difficult, and it resulted in people stealing electricity which also posed as a health risk and a criminal offence. The street hawkers were removed from trading on state property without permits, and the permits are not easy to get from municipality due to affordability issues. The business also saw the local municipality as not doing much in support of new and small business and creating job opportunities for

them. Twenty percent respondents indicated that they were satisfied with the service rendered by BCMM. The remaining thirty percent of the respondents indicated that they would rather not comment on the issue relating to services rendered by BCMM.

4.2.12 Challenges affecting business

Eleven percent of the respondents which had registered businesses and were accessing the tender process indicated that they had a challenge of not being paid on time by the government through the tenders or service rendered to government, and they were not allowed to charge interest on the state's late payment. Twenty percent of the respondents reported on the challenges they had faced due to being unable to acquire trading permits due to affordability and the permit fee increases annually. Ten percent illustrated that they were not getting support from the municipality as small business and preference was given to businesses based on people or someone you know from the municipality. The remaining fifty-nine percent of the respondents had no challenges or constraints affecting their businesses.

4.2.13 Community structures and their role

Thirty-five percent of the respondents indicated that there were community structures in their areas. Through the community structures some have learnt to fill in tender documents and pricing of tender documents. Also the community structures assist in cleaning of the roads and cutting bush areas which caused as a risk for criminal activities. Community policing was also seen as an advantage as a crime prevention mechanism.

4.3 Concluding remarks

This chapter presented the results of the data analysis. The data was collected and processed based on the research topic and tabulated under the depicted categories,

with sub-headings in the data analysis chapter. The following chapter will discuss the main findings and deliberate on the recommendations based on the empirical results.

CHAPTER 5

SUMMARY OF THE MAIN FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

The National Framework of Local Economic Development (LED) in South Africa (2006 – 2011) has the objective to support the advancement of sustainable local economies through integrated government action. LED has become the most recent panacea to overcome the multiple obstacles of low skills level, non-existent entrepreneurial culture amongst the black population, inappropriate or weak support mechanisms, lack of access to financial and business development services, spatial marginalisation and numerous other market failures that lead to high unemployment, low income and thus widespread poverty, (GTZ, 2008).

Although local municipalities as custodians of integrated development programs and local economic development strategies are to work with different stakeholders such as private industry, other government departments, non-government organizations (NGO'S) and relevant community sectors in attaining envisioned developmental goals; the findings in this particular research based in Buffalo City Metro Municipalities demonstrate otherwise. Local economic development in BCMM seems be far from the aim of increasing the economy of the area. The people and businesses who are to contribute directly to local economies do not fully comprehend the concept and what benefits it offers. Only a few recognize LED as tool that enabled them to sustain business growth, create job for sustainable income and improve the local economy at large.

5.2. Summary of main findings

Majority of the respondents solely depend on business profits as source of income. Also most of the respondents don't have formal business training in running a business. LED is not entirely known by the respondents each response from the respondents was different and there was no cohesion understanding of the concept. LED is said to have made positive impact in the development of business partnerships, through partnerships developed with local businesses, Sector Education and Training Authority (SETA), MVULA trust, South Africa's Construction Industry Development Board (CIDB), Department of Trade and Industry (DTI). This has allowed the small business to align gain access to information and opportunities. Majority of the respondents did not have access to electricity, telecommunication, internet and computers.

5.3 Recommendations

5.3.1 Economic and social Development

The approach of the government towards economic and social improvements implies alleviating poverty and sustainable economic growth. Creation of economic and self-employment opportunities particularly for unemployed, women and youth as economically disadvantaged groups is recommended to improve their economic status.

5.3.2 Integration and inclusion of the community members

The involvement of community members from the initial stages of project planning, will allow them to take full ownership and responsibility of the initiatives. This will educate and raise awareness to the local as well on current laws and policy and plan going forward. It is thus recommended that BCMM continues with the facilitation of the LED progress with all the stakeholders involved in the poverty alleviation initiatives as an intervention strategy, for continuous and effective running of identified programmes.

This will assist in avoiding the non-exclusion of local members from the public sector initiatives as revealed in the findings.

5.3.3 Development of Small medium and Micro Enterprises

Municipality should support and promote the development of SMME"s. The introduction and development of SMME's and introduction of a monitoring system which would assess the impact of these will serve as an intervention strategy in assisting the current informal workers.

5.3.4 Skills development

Due to lack of training in business and lack of appropriate support skills training and material support for street traders and SMMEs. BCMM needs to enhance human resource development and labour force skills profile in Buffalo City to support growth in key economic sectors and small business establishment and growth. Subsequently BCMM must establish a Buffalo City Skills Development Forum which links key local role-players to plan and develop programmes to enhance overall skills and capacity development in the city, promotes joint training and research initiatives, and strengthens synergies between the Further Educational Training and higher education institutions.

5.3.5 Access to basic services

Lack of basic service has been mentioned as a constraint at BCMM. Access to water, electricity and sanitation has a direct impact on quality of life. Clean water and sanitation are necessary for reducing mortality and poor health and for increasing the productive capacity of the poor. It is highly recommended for BCMM to improve the delivery of service to the people and through interaction with stakeholders like Eskom increase access to electricity.

5.3.6 Access to telecommunication

Due to a number of people unable to access telephone (landlines) and internet, BCMM could strive through interaction with relevant sectors to negotiate the reduction of the service provisioning costs and barriers to access to broadband telecommunications networks for the poor, residents and businesses. BCMM can subsequently attempt through relevant stakeholders to enhance access to ICT skills and technologies for the poor as a means of accessing support services.

5.4 Conclusion

Although the results of the study are based on a small sample, the results point out that there are a few constraints that prevent the local economic development on economic sustainability in the BCMM. On the basis of these results, one can argue that the local environment of the BCMM, is not conducive enough to sustain local economic development.

Other factors such as skills development, accessibility to basic service, development and promotion of SMMEs, are also major contributors to the effective impact of LED in BCMM.

BCMM is faced with a huge task of fighting poverty and to some extent has managed to make an indelible mark in terms of having a fully-fledged LED unit. However, the current progress does not appear to have met the expectations of the poor.

5.5. Limitations of study

The information-gathering was not as widespread as one would have preferred but this was due to a lack of funds and resources. Due to a limited number of respondents, the results of this survey should not be used for generalization. However the findings of this

study does provide some useful insights into the impact of local economic development initiatives on economic sustainability in the Buffalo City Metropolitan Municipality.

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Faculty of Business and Economic Sciences

Nelson Mandela Metropolitan University

***INTERVIEW SCHEDULE FOR THE RESEACRH
PROJECT ON:***

***THE IMPACT OF LOCAL ECONOMIC
DEVELOPMENT ON ECONOMIC
SUSTAINABILITY OF THE BUFFALO CITY
METRO MUNICIPALITY***

STUDENT: Zanele Mahlanza

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STUDENT NUMBER: 208007808

CELL: 076 298 1991

YEAR OF STUDY: 2013

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PLEASE NOTE THAT ANY INFORMATION GATHERED DURING THIS PROCESS WILL REMAIN CONFIDENTIAL AND WILL BE USED FOR ACADEMIC PURPOSES ONLY. NO NAMES OF PERSONS AND/OR ORGANISATIONS WILL BE MENTIONED IN THE REPORT.

SECTION A: DEMOGRAPHIC INFORMATION

1. Full names of respondent:

.....

2. Address of respondent / business:

.....

.....

.....

3. Telephone/ Cellphone number of the respondent / business:

.....

4. Please indicate your gender:

Female		1
Male		2

5. Please indicate to which population group you belong:

White		1
Coloured		2
Black		3
Asian		4
Other (specify)		5

6. Do you own a business, YES/ NO?.....

7. If you are not the owner, state your position in the business?

.....

8. Identify the nature of industry in which your business operates:

Retailer and/ Wholesaler		1
Manufacturer		2
Finance		3
Technology		4
Construction		5
Health Care		6
Farming		7
Mining		8
Transport		9
Medicine		10
Law		11
Other (specify)		12

9. As a business owner, do you have any training in business operations, explain please?.....
.....

10. Does your business operate in the local market? YES/NO.....

11. Does your business operate in the global market? YES/NO.....

12. State the form of your business:

Sole Trader		1
Close Corporation		2
Private Company		3
Partnership		4
Family Business		5
Other (specify)		6

13. How long has this business been operating?.....

14. How many years have you been involved in this business?.....

15. What is the average gross monthly income (before deductions) your business?

Less than R 50 000.00	1
R50 000.00 – R100 000.00	2
R100 000.00 – R150 000.00	3
R150 000.00 – R200 000.00	4
R250 000.00 – R300 000.00	5
R350 000.00 – R400 000.00	6
R400 000.00 – R450 000.00	7
R450 000.00 – R500 000.00	8
Above R500 000.00	9

(This information will be treated with strictest confidentiality).

16. Are you renting these premises from which you run your business or do you own the premises? RENTING/OWNING (choose the applicable answer)

17. If renting, how much is your rent per month?.....

18. Do you make use of computers in running your business? YES/NO.....

19. Do you have access to Internet? YES/NO.....

20. Do you have a telephone line (Telkom) connection in your business? YES/NO

21. Do you have access from the main road leading to your business for delivery?

YES/NO.....

22. Do you have electricity in your business? YES/NO.....

23. From your business perspective, how does poverty affect your business?

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

24. From your business perspective, what are the solutions to poverty levels in your area?

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

25. As a business are you a part of any business forum or do you have partnerships with other businesses for any purpose be it for business or support function?

.....
.....

26. Have you had any assistance from the local business service centres?
YES/NO.....

(LBSCs are organisations aimed at assisting in the development of SMMEs)

27. If yes in question 46 above, please name the LBSC you visited.....

28. Are you satisfied with the municipal services in your area? YES/NO.....

29. State reasons for your answer in question above

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

SECTION B: LOCAL ECONOMIC DEVELOPMENT PROGRAMMES

30. What is your understanding of local economic development?

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

31. Are there any LED programme/s you are ware of within BCMM, please list?

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

32. Who are the intended beneficiaries of these programmes?

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

33. As the beneficiary were you at any stage involved or consulted or made aware of such development initiatives?.....

.....
.....

34. What can you say their response is towards these programmes?

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

35. What difference has these programme/s brought about in changing your life?

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

36. What would you say are the challenges of these programme?

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

37. What would you suggest needs to be done to avoid this?

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

38. What community structures are there?

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

39. What role do they play in development initiatives?

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

40. What community initiated programmes are there?

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

41. If there are no programmes running, what would you prefer to happen in terms of development?

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

42. Are the current programmes under LED sustainable, please explain?

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

43. List the training needs that will help you run your business successfully

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

THANK YOU.