

Assessment of Local Economic Development in the O.R. Tambo District Municipality:  
Agriculture and Food Production

By

Mbuyiselo Theophilus Nongogo

Submitted in partial fulfilment of the requirements for the degree of Magister in Business  
Administration to be awarded at the Nelson Mandela Metropolitan University

December 2013

Supervisor: Prof. Kishore Raga

## DECLARATION

I, Mbuyiselo Theophilus Nongogo with student number 20628073, hereby declare that the treatise for Magister in Business Administration 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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## **DEDICATION**

I dedicate this treatise to my wife, Dr. Sanelisiwe Rosemary Mkhize-Nongogo, my children, Lusanda, Akho, Langa, Iyana and Luhle, as well as all the family members who have kept us united throughout our life time.

May the family keep up the spirit of faith and tolerance in the trying times of our existence and strive to do so towards all other families within the communities with which we interact.

## ACKNOWLEDGEMENTS

I wish to express my sincere gratitude to my wife, Sanelisiwe Rosemary Mkhize-Nongogo, my cousin brother, Mkhuseleli Chris Nongogo, and my sister, Nomahlubi Nongogo, who supported me financially throughout my studies towards this degree.

Furthermore, I would also like to express my gratitude to the following persons who made this study possible:

- My supervisor, Prof. Kishore Raga, for his constructive guidance throughout the research. It was a great privilege to work with you.
- Mr K. Mahlathi, from the Department of Rural Development and Agrarian Reform and Transformation, who was of great help in terms of ensuring that the questionnaires were distributed to the relevant persons.
- Last, but not least, I wish to thank all who contributed towards this study.

## LIST OF ACRONYMS

ANC	:	African National Congress
BEE	:	Black Economic Empowerment
ORTDM	:	OR Tambo District Municipality
CASP	:	Comprehensive Agricultural Support Programme
CBOs	:	Community-Based Organisations
DEDEA	:	Department of Economic Development and Environmental Affairs
DHS	:	Demographic and Health Survey
DLGTA	:	Department of Local Government and Traditional Affairs
DPLG	:	Department of Provincial and Local Government
DTI	:	Department of Trade and Industry
ECRDA	:	Eastern Cape Rural Development Agency
EL	:	East London
EL FPM	:	East London Fresh Produce Market
ECSECC	:	Eastern Cape Socio-Economic Consultative Council
GEAR	:	Growth, Employment and Redistribution
GDP	:	Gross Domestic Product
GDS	:	Growth and Development Summit
GVA	:	Gross Value Add
HDI	:	Historically Disadvantaged Individuals
HSRC	:	Human Sciences Research Council
IDP	:	Integrated Development Plan
ISRDP	:	Integrated Sustainable Rural Development Programme
ISRDS	:	Integrated Sustainable Rural Development Strategy
KFPM	:	Kei Fresh Produce Market
KSD	:	King Sabata Dalindyebo
LED	:	Local Economic Development
LEDF	:	Local Economic Development Fund
LMs	:	Local municipalities
LRAD	:	Land Reform and Distribution Grant
MDGs	:	Millennium Development Goals
MEC	:	Member of Executive Committee
MSA	:	Municipal Systems Act

MSPs	:	Municipal Service Partnerships
NDA	:	National Development Agency
NEF	:	New Economics Foundation
NEPAD	:	New Partnership for Africa's Development
NGOs	:	Non-Governmental Organisations
NMMU	:	Nelson Mandela Metropolitan University
NORTDA	:	Ntinga OR Tambo Development Agency
MSPs	:	Municipal Service Partnerships
ORTDM	:	OR Tambo District Municipality
PARP	:	Primary Agriculture Resuscitation Programme
PGDP	:	Provincial Growth and Development Plan
PGDS	:	Provincial Growth and Development Strategy
PPPs	:	Public Private Partnerships
RDP	:	Reconstruction and Development Plan
RSA	:	Republic of South Africa
SA	:	South Africa
SALGA	:	South African Local Government Association
SASAS	:	South African Social Attitude Survey
SDBIP	:	Service Delivery and Budget Implementation Plan
SMMEs	:	Small, medium and micro enterprises
SONA	:	State of the Nation Address
UN	:	United Nations
UNDP	:	United Nations Development Programme
URP	:	Urban Renewal Programme

## **ABSTRACT**

Local economic development (LED) is a government policy tool that seeks to build the economic capacity of a local area to improve its economic future and the quality of life for all. Partnerships between the public sector and the private sector are considered to be an important foundation for successful LED planning and implementation. The aim of the study was to assess whether the LED interventions, with specific emphasis on agriculture and food production programmes, are improving the livelihoods of the poor communities within the OR Tambo District Municipality. The researcher used the qualitative and quantitative research methods to collect the data through interviews and questionnaires respectively. Probability and non-probability sampling techniques were employed to identify the research sample from the target population. The researcher sampled the OR Tambo District Municipality as well as all the local municipalities therein.

The target population consisted of LED directors, LED and IDP managers as well as LED councillors as respondents. Furthermore, the researcher also sampled other stakeholders that are crucial in LED, namely the Department of Economic Development and Environmental Affairs, the Department of Rural Development and Agrarian Reform and Transformation, the Eastern Cape Department of Local Government and Traditional Affairs, the Department of Social Development and Special Programmes as well as the Ntinga OR Tambo Development Agency. Budgetary constraints and agricultural infrastructure backlogs were identified as the main challenges facing the district. These challenges hinder the effectiveness of implementing sound LED programmes. Consequently, LED benefits are minimal. It is recommended that the municipality develop strategies for income generation to boost its financial viability in order to strengthen its financial capacity, embark on vigorous infrastructure rollout which will have a positive economic impact and open employment opportunities for the local communities. This can be achieved by the strengthening of partnerships and the attraction of private investors in order for the municipality to implement the LED programmes effectively and change the lives of the people in the local area.

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## **CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY**

### 1.1. Introduction

This chapter provides the background and rationale to the study and covers the following sections: the problem statement, the research question, and the objectives of the study. Several terms that are used in the study are defined. Lastly, the deployment of the study in the form of chapters is presented.

### 1.2. Background and rationale to the study

Post-1994 National Elections, the African National Congress (ANC)-led government inherited a skewed economy: a country with the most crucial economic resources concentrated in urban areas, while very few economic activities and resources existed in the rural areas. This led to minimal growth taking place in rural areas where it is estimated that approximately 70 per cent of the country's poorest reside.

Poverty in itself manifests in various forms in different communities. However, what is common among all poor communities in South Africa and other developing countries is the fact that they have limited opportunities for economic development and have become trapped in a poverty cycle. Only economic growth in a sustainable approach will help eradicate poverty and improve the lives of the people (Mpengu, 2010:1).

#### 1.2.1 Millennium Declaration by United Nations (September 2000)

In September 2000, the United Nations (UN) adopted and signed the Millennium Declaration which contains the Millennium Development Goals (MDGs) in response to the global issues of poverty, underdevelopment and other related challenges. The goal of the Millennium Declaration was that although it represents composite commitment that recognises the inter-dependence between growth, poverty reduction and sustainable development, Goal One (Alleviate the plight of those suffering from extreme poverty – and those suffering from hunger) it refers specifically to rural development and agrarian transformation.



The Millennium Development Goals call for “cutting the prevalence of hunger to half of its 1990 levels by 2015.” Prevalence rates have been falling in most regions, but this has been too slow to achieve the 2015 target, and in many regions the number of hungry continues to grow. By 2001 only East Asia, the Pacific, Latin America and the Caribbean regions had fewer undernourished people than 10 years earlier. According to the World Development Indicators (2004:4), countries that have succeeded in reducing hunger had higher economic growth, especially in their agricultural sector and rural regions.

### 1.2.2 White Paper on Local Government (1998)

The White Paper on Local Government (1998) was developed with various policies with the view to realise the goals of the Millennium Declaration adopted and signed by the United Nations (UN) in September 2000. According to Olivier, Van Zyl, and Williams (2010), South Africa has no explicit legislative measures enacted by the RSA Parliament to give statutory effect to the MDGs. Consequently, there is no direct legally binding instrument in South African law that compels the government to implement the MDGs, nor can the government be held accountable in a court of law for alleged non-compliance with its international undertaking. The White Paper on Local Government (1998) contains developmental approaches for local government as listed below:

- Integrated Development Planning (IDP);
- Service delivery; and
- Local Economic Development (LED) and democratisation.

The LED policy “Refocusing development on the poor” elaborates on the importance of LED in addressing the developmental challenges. The other important aspect about this policy is that section 152 (1) (c) of the Constitution of the Republic of South Africa of 1996 gives powers to local government to perform its function which is “to promote social and economic development”. Therefore, LED is the government’s strategy to alleviate poverty and it is also aimed at empowering historically disadvantaged individuals economically. The LED policy further seeks to impact

positively on the redistribution process in the local municipal area and thereby improve the quality of lives of the local citizens.

### 1.2.3 LED in the Eastern Cape – the problem context

According to the Local Economic Development (LED) Information Booklet (Eastern Cape, 2008), the Eastern Cape features regularly as the province in South Africa with a chronic accumulation of socio-economic disadvantages and continues to be dependent on agriculture and food production, with some pockets of heavy industry (for example, automotive in Port Elizabeth and Buffalo City, predominant to such an extent that it creates potential vulnerability and points to the need for policies to promote diversification). Other significant sectors are service related, namely the transport, education, retail and health sectors, along with tourism. However, a large proportion of the jobs are in the low-pay, semi-skilled sectors and many households are dependent on government grants.

The reality is that even if the jobs were to become available, the vast majority of the workforce of the Eastern Cape would lack the necessary employment skills or the physical means to access the opportunities, or both. Moreover, the lack of jobs and economic opportunity in the province has been a major factor in the “brain drain” as the more skilled move in search of a better life, further diminishing its attractiveness for investors (McAlinden, 2008).

These conditions are compounded by a deeply stratified economy and labour market with restricted opportunity for those outside the “mainstream” economy to enter on equal terms. Not only is this a blight on the lives of millions, but it has an adverse effect on the potential for growth of the economy of the Eastern Cape Province. The MEC for the Department of Economic Development and Environmental Affairs (DEDEA) maintains “...*LED as a unique field of government policy that directly connects the programmes and resources of central government, both national and provincial, with combined initiative and coordinated efforts of local institutions and communities working together to address their agreed priority needs and opportunities*”. The Department of Economic Development and Environmental

Affairs (DEDEA) is the provincial institution with the central responsibility for defining and driving LED in the Eastern Cape Province.

#### 1.2.4 Provincial Growth and Development Strategy – Eastern Cape, 2004

In 2004, the Eastern Cape Government developed and adopted a Provincial Growth and Development Strategy (PGDP) to serve as a guide to the development of the province over a period of ten years (2004-2014). This growth and development plan sets out a provincial vision, targets and programmes aimed at economic growth, employment creation, poverty eradication and income redistribution with agrarian transformation and food security as one of the six pillars.

#### 1.2.5 Draft Rural Development and Agrarian Transformation Strategy – Eastern Cape 2009

Informed by the LED policy and the PGDP, the Department of Agriculture, which is now known as Rural Development and Agrarian Reform in the Eastern Cape (2009), developed a Draft Rural Development and Agrarian Transformation Strategy. This strategy has two goals and seven objectives.

According to this strategy, Goal One: is “the *transformation and development of rural areas in social, economic and ecological terms* with the following objectives:

- To implement agrarian reform programmes;
- To increase the rate of implementation of the land reform programme;
- To create decent jobs through farm and non-farm employment outside urban areas;
- To fast track the development of social and economic infrastructure; and
- Growing the agricultural sector, ensuring household food security for all and contributing significantly to national food security.”

Goal Two: is “to *create an enabling institutional environment for rural development* with the following objectives:

- To define the role to be played by the institution of traditional leadership, and
- To create the necessary institutional capacity to implement the rural development strategy” (Porteus & Nabudere, 2005); Anriquez & Stamoulis, 2007).

Reynolds (1981:12) in his design of rural development, outlined a set of proposals for “the evolution of a social contract suited to conditions in South Africa”, stressing that “The concept of development used must be treated as an integral process in widening of opportunities for individuals, social groups and territorially organised communities at local and intermediate levels, and mobilisation of human capabilities and resources for common social, economic and political benefit”. As a starting point he takes the astonishing concentration of poverty in the countryside and draws on the basic needs approach, which he sees as being akin to a political movement. It aims to strengthen the poor, the women, and the rural. ‘It seeks to define an acceptable social order in which human fulfilment is possible.’

He further points out that the basic needs approach require effective decentralisation (1981:13). The concern with everyday needs suggests that the people rather than the central planners should have a say in setting or defining basic needs, as these are essentially individual or group value judgements. Indeed, the approach advocates decentralisation and de-bureaucratisation - both threats to the status quo.

According to the Draft Rural Development and Agrarian Transformation Strategy, Eastern Cape (2009), agrarian transformation should be the main driver for rural development and in turn transformation should be underpinned by an accelerated land reform programme. The premise is that the capacity of rural areas to produce their food remains largely untapped, and the marginalisation of farm workers and dwellers remain, among other things, a challenge. The strategy has noted that land reform can occur outside agrarian transformation but a meaningful agrarian transformation, the central focus of which is on the political economy of land, agriculture and natural resources cannot occur without a *land reform* programme. This pillar prioritises land rehabilitation, an extension services recovery programme, food security linked to state procurement, agricultural production in general, and marketing and distribution.

A number of years have passed since the LED policy was adopted, and it should be commended that much has been done to implement these policies. However, there are still many communities which live below the poverty line. According to World Development Bank Indicators (2004:2), a poverty line of \$1 a day (\$1.08 in 1993 purchasing power parity terms) has been accepted as the working definition of extreme poverty in low income countries. In middle-income countries a poverty line of \$2 a day (\$2.15 in 1993 purchasing power parity terms) is closer to a practical minimum, and poverty lines may be set even higher.

The study was undertaken with the view of assessing the impact of LED, with special reference to agricultural development and food production in the OR Tambo District Municipality. It seeks to establish challenges facing the district in implementing the LED strategy and thereby seeks solutions to the challenges. The study will also look at the capacity of the district municipality in implementing LED policy with special reference to agriculture and food production in the district.

If one considers the fact that a new local government was voted into power in 2011 and the district municipality is in the process of developing a five-year strategy, the study will help the new administration to focus on the identified challenges faced in implementing the LED policy, and develop strategies accordingly.

### 1.3 Problem statement

In 2003, the OR Tambo District Municipality council resolved to drive its Local Economic Development Strategy by establishing a special purpose vehicle in the form of a development agency which was later converted to a municipal entity: the Ntinga OR Tambo Development Agency (Ntinga). Ntinga was established as an implementing agent of the district municipality to focus on:

- agriculture and food production;
- mariculture and tourism;
- social infrastructure and services;
- institutional building;

- strategic infrastructure such as rail, dams, electrification, roads (priority surfaced and rural roads); and
- any other functions delegated to Ntinga by the OR Tambo District Municipality in terms of its powers and functions.

Although the LED programmes above complement each other, the study will focus only on agriculture and food production.

### 1.3.1 Agriculture and food production in the OR Tambo District Municipality

According to the OR Tambo IDP Review 2010/11, the potential of agriculture in the district still remains largely untapped. Although **subsistence farming**, essentially maize and stock, is common throughout the area, practices remain less than effective in relation to the potential.

According to Knapp, Ross, and McCrae (1989:101), it is possible for farmers to work independently of the rest of society, providing simply for their own needs, and controlled only by the nature of the environment, available technology and freedom of choice. Here a surplus, which can be traded or sold in towns and cities, is a matter of the yield in a given year. This is referred to as the **subsistence farming** system. It is one of the most widespread forms of farming in the world and its primary aim is self-sufficiency, not the production of a surplus, although it is always welcomed and serves as the means to an improved standard of living. Furthermore, an alternative to the subsistence system is a **commercial system** where a small number of farmers work relatively large areas with the express intention of selling all their produce to a market. It is a common system throughout the developed world and also operates on managed estates in developing countries.

In February 2007, the OR Tambo District Municipality held its Grown and Development Summit (GDS) for the district, which was aimed at “stimulating debate and engage all stakeholders in a dialogue around sustainable agricultural development in the region in line with the World Summit on Sustainable Development and Poverty Eradication Strategies as well as prioritisation of Agricultural Development as guided

by the Provincial Growth Development Strategy (PGDS).” According to the District Growth and Development Summit (DGDS) draft position paper on the agricultural development of the OR Tambo District Municipality (2007:3), “...there is a huge potential for agricultural production within the region and (owing to) the fact that about 93 per cent of the of the population reside in rural areas, it is believed that it would be able to sustain its inhabitants.” The OR Tambo District Municipality’s GDS identified the following:

“crop production (grain and vegetables) since production in the region has the following advantages: (i) Good fertile soils; (ii) Favourable climate conditions; (iii) Some land availability to every household; (iv) Suitable terrain on river valleys providing irrigable land; (v) Abundant water resource along rivers for irrigation and; (vi) Huge local market and local consumption.”

The GDS also identified livestock production since “this agricultural activity has the following advantages: (i) Large tracts of grazing land; (ii) Suitable pasture species for stock grazing; (iii) Large numbers of stock owned by rural communities and; (iv) Favourable climate conditions (snow and floods not common).” “High value crops such as tea, sugar cane, cotton and canola” were also identified.”

### 1.3.2 Urbanisation rate

Global Insight estimates the percentage of people living in urban areas for each magisterial district by analysing historical trends for each magisterial district. According to Global Insight (2007), the degree of or increase in urban character or nature of the districts shows that the province still has a relatively large total population living in rural areas. Furthermore, the OR Tambo and Alfred Nzo District Municipalities have relatively small proportions of their population living in urban settlements, namely between 5.7 per cent and 7.2 per cent since 2001.

**Table 1:** Urbanisation rate

<b>Urbanisation rate</b>	<b>2001</b>	<b>2004</b>	<b>2007</b>
National Total	55.9%	56.6%	57.2%
Eastern Cape	39.2%	38.9%	39.0%
Nelson Mandela Bay Metropolitan	97.8%	95.8%	95.2%
Cacadu District Municipality	73.9%	72.1%	71.4%
Amathole District Municipality	40.5%	40.1%	40.1%
Chris Hani District Municipality	31.7%	31.8%	32.1%
Ukhahlamba District Municipality	29.1%	29%	29.2%
O.R Tambo District Municipality	7.3%	7.2%	7.2%
Alfred Nzo District Municipality	5.7%	5.7%	5.7%

Source: Global Insight (2007)

The urbanisation rate (See Table 1 above) indicates that the majority of the Eastern Cape population can be classified as non-urban, that is, living on commercial farms, in small settlements, rural villages and other areas which are further away from towns and cities than semi-urban areas.

The OR Tambo District Municipality and Alfred Nzo are the most non-urban district municipalities in the Eastern Cape with 7.3 per cent and 5.7 per cent respectively.

### 1.3.3 Demographics and socio-economic indicators in the OR Tambo District Municipality

#### 1.3.3 (i) Demographics

The OR Tambo District Municipality covers about 80 per cent of what used to be the marginalised homeland of Transkei and has five local municipalities (LMs) which are **King Sabata Dalindyebo** (Mthatha and Mqanduli); **Nyandeni** (Libode and Ngqeleni); **Mhlontlo** (Qumbu & Tsolo); **Port St. Johns** and **INgquza Hill** (Lusikisiki and Flagstaff).



According to the OR Tambo Integrated Development Programme (IDP) Review of 2010/11, the OR Tambo District Municipality is one of the four district municipalities' Integrated Sustainable Rural Development Programme (ISRDP) nodes in the Province of the Eastern Cape.

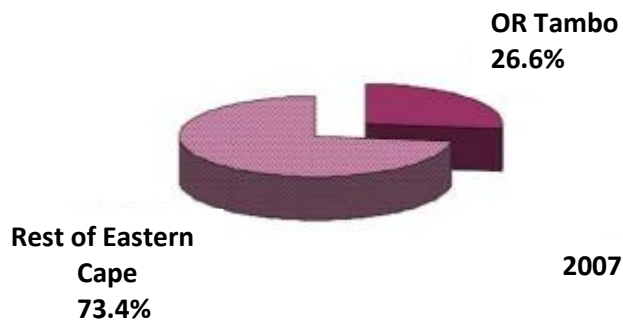
The Integrated Sustainable Rural Development Strategy (ISRDS) was developed in 2000, and was later launched as the **Integrated Sustainable Rural Development Programme** (ISRDP). The latter programme, together with the Urban Renewal Programme (URP), was established to ensure the best possible approaches and methodologies for the integration and co-ordination of government programmes to benefit the previously disadvantaged rural and urban communities. The strategic objective of the ISDRS was “to ensure that by the year 2010 rural areas would attain the internal capacity for integrated and sustainable development.”

The OR Tambo District Municipality is located to the east of the Eastern Cape Province, along the Indian Ocean coastline of South Africa. From the east to the west the district measures 170,143km, north to south 121,725km and it covers 12,857 sq km in extent. It is classified as a Category C2 municipality, indicating a largely rural character with an estimated 93 per cent of the population residing in rural areas with a consequent dispersed settlement pattern and low urbanisation rate as well as a limited municipal staff and budget capacity (OR Tambo District Municipality IDP Review, 2010/11).

Only the King Sabata Dalindyebo (KSD) local municipality is categorised as B4 (rural, mainly subsistence) reflecting limited capacity and areas characterised by small centres, limited SMMEs and market opportunities, dependence on public support and LED activities that are principally at the level of the small projects.

According to the OR Tambo IDP Review 2010/11, the population of the district stood at 1,843,135 in 2007, (growing at an average rate of 0.5 per cent per annum) which is approximately 26, 6 per cent of the total for the Province of the Eastern Cape. See chart depiction below:

**Chart 1:** Population of the OR Tambo District Municipality in relation to the Province of the Eastern Cape



Source: OR Tambo IDP Review (2010/11)

The chart above shows the total population in OR Tambo relative to the Province of the Eastern Cape (2007).

### 1.3.3 (ii) Socio-economic Indicators

According to the 2007 statistics, the district had a Gross Value Added (GVA) of R11.9 billion, which is 15.2 per cent of the Province of the Eastern Cape. Community services constitute 46.8 per cent of the OR Tambo's GVA, with trade and finance trailing at 19.9 per cent and 19.1 per cent respectively.

It is estimated that 95, 049 people were employed by the formal and informal sectors in the district which is 15 per cent of the provincial total (OR Tambo District Municipality IDP Review, 2010/11).

Unemployment was estimated at 204 650, according to the 2007 statistics, which amounts to 68.1 per cent of the total economically active population of 300 376 (OR Tambo District Municipality IDP Review, 2010/11).

The total number of individuals with an educational level of less than a matric certificate or no schooling was 847 016, according to 2007 statistics; those with tertiary education was 4 789 and those with matric were 21 719 (OR Tambo District Municipality IDP Review, 2010/11).

The Gini Coefficient in OR Tambo for 2007 was 0.64, compared to that of the Province of the Eastern Cape which was 0.67. The population group with the highest Gini Coefficient for 2007 were coloureds with a coefficient of 0.59 (OR Tambo District Municipality IDP Review, 2010/11).

It is estimated that 72.2 per cent of the population of the OR Tambo district live in poverty, compared to 62.2 per cent in the Province of the Eastern Cape and 42.9 per cent in South Africa as a whole (OR Tambo District Municipality IDP Review, 2010/11).

GDP is a measure of the total economic activity occurring in the OR Tambo district. According to 2007 statistics, the district's GDP-R was R13.2 billion (according to current prices) which accounted for approximately 8.5 per cent of the Eastern Cape's GDP (OR Tambo District Municipality IDP Review, 2010/11).

Since 2001, the GDP-R of the OR Tambo district has grown at an annual average of approximately 3.1 per cent (slightly below the provincial average of 3.9 per cent per annum; measured in constant 2000 prices) while observing 3.7 per cent between 2005 and 2006, and 3.9 per cent between 2006 and 2007.

The table below reflects the annual average of economic growth rates in all LMs (in terms of GDP) in the OR Tambo district (2001 to 2007 at constant 2000 prices).

**Table 2:** Average economic growth rates in LMs

<b>Local Municipality</b>	<b>GDP %</b>
Ingquza Hill	2.2%
Port St Johns	3.1%
Nyandeni	2.1%
Mhlontlo	1.5%
King Sabata Dalindyebo	3.7%

Source: OR Tambo District Municipality IDP Review (2010/11)

The following growth rates were observed in the OR Tambo District Municipality between 2006 and 2007 per broad economic sector (based on GVA at constant 2000 prices):

**Table 3:** Observed growth rates in the OR Tambo District Municipality between 2006 and 2007

<b>Economic Sector</b>	<b>GDP %</b>
Agriculture	1%
Mining	-7.8%
Manufacturing	0.7%
Electricity	-1.4%
Construction	25.2%
Transport	5.7%
Finance	12.9%
Community Services	3.2%

Source: OR Tambo District Municipality IDP Review (2010/11)

#### 1.3.4 Climate and environment

##### 1.3.4 (i) Hydrology

The OR Tambo district has only one large river, the Umzimvubu, and two medium-sized rivers, the Mthatha and Umthamvuna, as well as a number of smaller coastal rivers with limited catchments (OR Tambo District Municipality IDP Review, 2010/11).

##### 1.3.4 (ii) Rainfall

The district receives an annual rainfall of above 800mm, which decreases steadily as one move inland (OR Tambo District Municipality IDP Review, 2010/11).

#### 1.3.4 (iii) Temperature

The OR Tambo District Municipality has temperatures ranging from a mean minimum of 14.3 – 19.8 degrees Celsius in January and 1.8 – 13.4 degrees Celsius in July to a mean maximum of 25.5 degrees Celsius in January and 19.5 – 21.4 degrees Celsius in July (OR Tambo District Municipality IDP Review, 2010/11).

#### 1.3.4 (iv) Vegetation

The OR Tambo environment has a wide range of habitats including upland and coastal grassland, afro-montane and coastal forests, valley thicket, thorny bushveld, coastal and marine habitats (OR Tambo District Municipality IDP Review, 2010/11).

#### 1.3.4 (v) Geology

According to the Environmental Potential Atlas of South Africa (ENPAT) data, 2001, the underlying geology and geomorphology of the region are closely tied to the formation of the soils, and as such more arable and productive soils are located in the eastern and north-eastern portion of the district, covering Flagstaff and Lusikisiki (OR Tambo District Municipality IDP Review, 2010/11).

#### 1.3.4 (vi) Environment

Soil erosion is one of the major concerns in the OR Tambo district in terms of environmental degradation. It poses a number of limitations to the use of land. Hence the economic viability remains questionable (OR Tambo District Municipality IDP Review, 2010/11).

### 1.3.5 Poverty measures in the OR Tambo district in relation to the Province of the Eastern Cape

According to the Global Insight (2007), the Province of the Eastern Cape is one of the poorest provinces in South Africa. It is estimated that approximately 43 per cent of the Province can be categorised as being poor. OR Tambo and Alfred Nzo have a high percentage of their population living below the poverty line. It further highlights that the largest percentage of their population lives in poverty; the OR Tambo district is the poorest of these severely poverty-stricken districts.

Furthermore, the OR Tambo and Alfred Nzo District Councils also have the highest levels of unemployment (77 per cent and 76 per cent respectively). It has also been noted that the gap between those who are poor and the poverty threshold is wider than any other province.

According to the Statistics SA (2002), in terms of measuring rural development, 22.6 per cent of the population of the OR Tambo District Municipality had no education. Given the link between education and poverty, it remains paramount that these areas are targeted for poverty reduction. One component could be through increased access to education.

From the above it is clear that the OR Tambo District Municipality is still faced with an enormous challenge in terms of reducing poverty and unemployment levels and getting closer to achieving the Millennium Declaration Goals of (2000) of “reducing hunger by half of the 1990 levels by the year 2015” and thereby improving the lives of the inhabitants.

This study could be of benefit to the district municipality as it intends to reveal the challenges faced, develop strategies to mitigate those challenges and help in achieving the Millennium Declaration Goal of (2000), “to improve the lives of people”.

This will further decrease the levels of poverty and unemployment which in turn will improve the economy of the district as well as the lives of the inhabitants.

## 1.4 Research questions

The following research questions are posed:

- Are the LED and IDP strategies of the district municipality aligned with local municipalities (LMs) within its jurisdiction?
- Does the district municipality play a role in supporting local municipalities in their endeavour to promote agricultural LED programmes?
- What is the impact of the agricultural programmes in promoting LED in the OR Tambo District Municipality?
- What are the challenges facing the district municipality in implementing LED agricultural programmes?

## 1.5 Research objectives

The objectives of the research study is to assess the impact of LED programmes with special reference to agriculture and food production in the OR Tambo District Municipality, to identify challenges faced by the OR Tambo District Municipality in driving the LED strategy as well as to propose strategies and provide recommendations to improve efficiency and effectiveness of the programmes undertaken.

## 1.6 Research methodology

According to Palys (1997:3-4), research methodology is a procedural logic followed to conduct a scientific inquiry in order to test a key hypothesis or answer a research question to enable the researcher to predict and explain specific phenomena by amassing various scientific facts in an endeavour to “tacitly agree to the epistemic imperative – meaning a quest for truthful knowledge” (Mouton & Prozesky, 2001:4). Furthermore, the scientific facts must be reliable and valid. Palys (1997:4) writes that reliability implies that “...repeated observations of the same phenomena should yield similar results, and different observers following the same research methodology or procedures should arrive at the same conclusions.” The same source says ‘validity’ means measuring what one wants to measure. Burner (1984:4) writes that research methodology denotes the “...systematic and logical

study of the principles guiding the investigation, concerned with questions of how the researcher establishes social knowledge and how he/she can convince others that his/her knowledge is correct”.

In order for the researcher to respond to the research questions and the objectives of the study, the following research methods were followed:

#### 1.6.1 Research paradigm

Thomas Kuhn (1962; 1970) defines paradigm as the underlying assumptions and intellectual structure upon which research and development in a field of inquiry is based. (Bassey, 1990: 8) defines the research paradigm as “...(a) ?network of coherent ideas about the nature of the world and the functions of researchers which, adhered to by a group of researchers, conditions their thinking and underpins their research actions”.

In conducting the study, the researcher undertook a literature review by using predominantly secondary sources such as books, journal articles and other relevant material.

A content analysis of the nature, extent and sources of information was undertaken. These also included relevant legislation and official documents.

The researcher will present the economic profile of the OR Tambo District Municipality and its local municipalities (LMs) to assess the impact of LED in the district. The poverty analysis of the district is also presented.

The researcher used the qualitative and quantitative approaches to conduct the study. According to Neuman (2000), qualitative research methods tend to be rich in detail, sensitive to context, and capable of showing complex processes or sequences of social life. Depending on the data required, for both individuals and groups, the series of interviews ranged from open-ended focusing on thematic areas, to semi-structured. Neuman (2000) further states that open-ended questions are the most effective route towards an authentic understanding of people’s experiences.



### 1.6.2 Ethical issues

The researcher ensured that the participants agreed to participate in the study and was aware that undertaking research represents an intrusion into people's lives. The researcher requested voluntary participation in the study. Furthermore, the participants were given adequate time to consider their participation in the study (David & Sutton, 2004: 212).

Before the study was conducted, the researcher sought ethical clearance from the NMMU Ethics Research Committee (see Annexure 6).

The researcher informed the participants that information obtained from this study will be treated as confidential and that under no circumstances will it be used for other than academic purposes. Moreover, the information received from participants will not be revealed publicly (Nachmias & Nachmias, 1987).

### 1.6.3 Sampling design

According to Bless and Higson-Smit (1995:87), the target population is defined as the set of elements upon which the researcher focuses and to which the results obtained by testing the sample should be generalised.

The sample of the population consists of LED directors, LED managers, LED councillors and IDP managers in the OR Tambo District Municipality and its local municipalities (LMs), as well as officials responsible for LED in the following departments: (a) the Department of Economic Development and Environmental Affairs; (b) the Department of Rural Development and Agrarian Reform and Transformation; (c) the Department of Local Government and Traditional Affairs in the Eastern Cape and (d) the Department of Social Development and Special Programmes.

In addition to those listed above, the government agency, the Ntinga OR Tambo Development Agency also forms part of the study since it is mandated to promote the development of local economies.

According to Welman and Kruger (2001:46), the size of the population makes it impractical and uneconomical to involve all the members in the population. It is thus necessary to obtain a sample of research participants that best represent the population.

The researcher used the qualitative and quantitative methods in the study. Structured and unstructured questionnaires and interviews formed part of the data collection methodology.

#### 1.6.4 Measuring instruments

The researcher used descriptive statistical analysis which is limited to percentages and frequencies of occurrence to analyse the data. Furthermore, data collected from interviews was transcribed and the responses from the participants were analysed as part of the thematic content analysis.

### 1.7 Definition of terms

It is important that the researcher defines the terms used in the study in the context in which they should be understood throughout to avoid any misinterpretation.

#### 1.7.1 Local government

Local government is that sphere of government with a mandate to ensure a local government system that is able to respond to the needs of local citizens. According to the 2011 Commonwealth Local Government Conference – Energising Local Economies (2011: 188), local government has both a leading and enabling role in local economic development (LED) that is, bringing together all the relevant stakeholders to drive forward the local economy and using its powers and responsibilities to create a positive climate for inward investment and skills development. Ismail *et al.* (1997:2) define local government as “that level of government which is commonly defined as a decentralised representative institution with general and specific powers devolved to it by a higher tier of government (central or provincial) within a geographically defined area”.

### 1.7.2 Developmental local government

The White Paper on Local Government (1998) defines developmental local government as a “...local government committed to working with citizens and groups with the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”. Furthermore, the developmental local government approach implies that a municipality has a duty to structure and manage its administration to give priority to the basic needs of the community, and promote the social and economic development of the community. According to Mpengu (2010:10), for it to be meaningful, it should target especially those members and groups within communities that are most often marginalised or excluded, such as women, the disabled and the very poor.

### 1.7.3 Accountability

Accountability is the right to obtain justifications and explanations from the public officials or private service providers responsible for the use of public resources. According to Van Niekerk *et al.* (2002:3), accountability is understood as an obligation to render an account for a responsibility that has been conferred. Accountability means that those individuals and municipalities charged with performance actions or activities are held responsible. It also places an obligation on oversight bodies to demand adequate explanations and justifications from local government officials and, where these are not provided or are unsatisfactory, to instigate corrective action, using the full extent of their constitutional/legislative powers (Holtzhausen & Naidoo, 2011).

### 1.7.4 Decentralisation

Reynolds (1981:13) point out that a basic needs approach require effective decentralisation. The concern with everyday needs suggests that the people rather than the central planners should have the say in setting or defining basic needs, as these are essentially individual or group value judgements. Indeed, the approach advocates decentralisation and de-bureaucratisation - both threats to the status quo. In essence it means giving power to individuals or groups in setting or defining their basic needs.

### 1.7.5 Municipal service partnerships

Municipal service partnerships are arrangements between local government and private sector entities aimed at addressing public infrastructure, community facilities and related services, but they are not intended to be substitute for traditional methods of direct service delivery (White Paper on Municipal Service Partnerships [MSPs], Notice 1689 of 2000). Van Niekerk (1998:32) states that such partnerships are characterised by the sharing of investment, risk, responsibility and rewards between the partners.

### 1.7.6 Integrated Development Planning (IDP)

Integrated development planning (IDP) is a process that municipalities go through to ensure that projects that the municipality undertakes are in the interest of the community they serve (South African Local Government Association (SALGA) Municipal Handbook, 2006-2011). The IDP is aimed at co-ordinating projects to avoid waste or duplication of work.

### 1.7.7 Local Economic Development (LED)

LED is a government policy that directly connects the programmes and resources of central government, both national and provincial, with combined initiative and coordinated efforts of local institutions and communities working together to address their agreed priority needs and opportunities. The World Bank defines LED as the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. Blakely (1994:16), Zaaijaer and Sara (1993), and Nel (2001) further define LED as a process in which local governments or community based groups, or both, 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 essence, it is a concerted effort involving identifying and using primary resources, ideas and skills to stimulate economic growth and development of local citizens. Its aim is to create employment opportunities for local

citizens, alleviate poverty and redistribute resources and opportunities to the benefit of all local citizens.

#### 1.7.8 Poverty

According to Thomas (2000:83), poverty means a lack of development. He further states that it is a combination of many factors such as a lack of education, nutrition, income, living conditions, and access to medical services and safe water. Coleman (2001) shares this sentiment as he defines poverty as more than the lack of income, but also as being about the lack of opportunities, denial of choices, and low achievement in health, education, nutrition and other areas of human development.

#### 1.7.9 Rural Development

Anríquez and Stamoulis (2007:2) define rural development as a development that benefits rural populations, where development is understood as the sustained improvement of the population's standards of living or welfare. The Draft Rural Development and Agrarian Transformation Strategy (2009) – Eastern Cape defines rural development as multi-dimensional and as much broader than poverty alleviation through programmes and transfers: it places emphasis on changing the environment to enable poor people to earn more, invest in themselves and their communities and contribute towards the maintenance of key infrastructure. Furthermore, a successful rural development strategy will make people less poor, rather than being more comfortable in their poverty.

#### 1.7.10 Land reform

According to the Draft Rural Development and Agrarian Transformation Strategy (2009), land reform is a government programme designed to redress the grave racial imbalance in landholding and secure the land rights of historically disadvantaged people. Furthermore, it is concerned with the rights in land, and their character, strength and distribution. Land reform largely draws its roots from section 25 of the Bill of Rights of the Constitution of 1996. In 1997 the White Paper on South African Land Policy was published. This paper states that “racially-based land policies were

the cause of insecurity, landlessness, and poverty among black people, and the cause of inefficient land administration and land use” (Department of Land Affairs, 1997:v). The land reform programme has three broad programmes, according to the South African version, namely (i) **Land redistribution**. This provides an opportunity for the poor and disadvantaged people to access land, making use of state assistance, the Settlement/Land Acquisition Grant. Its original design was in premise of the willing-buyer willing-seller basis (UNDP South Africa, 2003). In 2000 the programme was widened to include the Land Reform and Distribution Grant (LRAD) which entails a sliding scale of between R20 000 and R100 000, to land reform beneficiaries matched to their contribution. (ii) **Land Restitution**, this is a constitutionally based programme that deals with historical losses as a result of colonial apartheid policies. The Restitution of Land Rights Act 22 of 1994 is the main legal mechanism for driving the programme. (iii) **Land Tenure Reform**, this programme seeks to devise secure forms of tenure, help resolve tenure disputes, and provide alternatives for people who are displaced in the process. It is premised on the constitutional provision that states that “...a person or community whose tenure of land is legally insecure as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of Parliament, either to tenure which is legally secure or to comparable redress” (Department of Land Affairs, 1997).

#### 1.7.11 Agrarian transformation

Agrarian transformation is concerned with the class character of the relations of production and distribution in farming and related enterprises, within both local and non-local markets. Furthermore, agrarian transformation is concerned with economic and political power and wealth and the connections between them; its central focus is the political economy of land, agriculture and natural resources, (Draft Rural Development and Agrarian Transformation Strategy, 2009).

#### 1.8 Demarcation of the study

The study was confined to the OR Tambo District Municipality in the Province of the Eastern Cape, which consists of the following local municipalities (LMs); King Sabata Dalindyebo, Ingquza Hill, Port St Johns, Nyandeni and Mhlontlo. The study was undertaken with the

view to assessing the impact of LED with special reference to agriculture and food production. It sought to establish challenges facing the district in implementing the LED strategy.

## 1.9 Outline of the study

The study consists of five chapters. A brief overview of each is provided below:

### 1.9.1 Chapter 1

In this chapter the researcher indicates the scope of the study and methods used. The chapter also focuses on the introduction, the problem statement, the research question and objectives of the study. In addition, propositions of hypotheses, the research methodology, a comprehensive definition of the list of terms as well as the outline of the study are presented.

### 1.9.2 Chapter 2

This chapter provides a general overview of Local Economic Development (LED), the nature and meaning of LED, and the statutory and legal framework within which LED operates. Furthermore, it focuses on the Constitution of Republic of South Africa; the White Paper on Local Government, 2000 and the Municipal Systems Act 32 of 2000. Role players in LED as well as LED strategies will be identified and briefly discussed. Furthermore, this chapter touches on the understanding of poverty in South Africa, agriculture as economic driver as well as national initiatives for agricultural development in South Africa. Lastly, the conclusion is presented.

### 1.9.3 Chapter 3

This chapter focuses on the role of the OR Tambo District Municipality in an effort to promote local economic development with specific reference to agriculture and food production. This chapter also presents an economic profile of the ORTDM as well as a poverty analysis of the district. Data collection methods will be discussed and a

brief discussion of the sampling strategies and research tools employed are be provided.

#### 1.9.4 Chapter 4

This chapter deals with presentation and analyses of the data collected for the study.

#### 1.9.5 Chapter 5

The overall conclusion and recommendations applicable to the study are being presented. Finally, opportunities for further research are being identified.

### 1.10 Conclusion

This chapter commenced with highlighting the inheritance of the ANC-led government post-1994; the Millennium Declaration Goals, Goal one being “Reducing Extreme Poverty”; the White Paper on Local Government 1998; the LED in the Eastern Cape – the problem context; goals and objectives of the Draft Rural Development and Agrarian Transformation Strategy (Eastern Cape 2009); the problem statement; research questions; the research objectives; the research methodology; a definition of terms as well as an outline of the study were presented.

The next chapter will present a policy background and context of Local Economic Development (LED) relating to agriculture; role players within the LED will be discussed; the South African understanding of poverty, agriculture as economic driver as well as the national initiatives for agricultural development will be expounded upon.



## **CHAPTER 2: LITERATURE REVIEW – OVERVIEW OF LOCAL ECONOMIC DEVELOPMENT (LED): A SOUTH AFRICAN PERSPECTIVE**

### 2.1 Introduction

The ANC led-government has formulated and implemented significant policies and a legal basis for pro-poor local economies in a bid to rebuild the South Africa economy and state structures post-1994 elections. This chapter provides a detailed overview of Local Economic Development from the South African perspective. Various pieces of legislation as well as policies designed to promote the development of local economies are examined. Moreover, the nature and meaning of LED, including its objectives, are discussed as well as the role players involved in the LED process. In addition, the strategies and institutional arrangements for LED are identified and explained. The chapter further provides an understanding of poverty in South Africa espouses agriculture as an economic driver and lastly, discusses several national government initiatives for agriculture and rural development.

### 2.2 Understanding policy and legislative framework for Local Economic Development: A South African Perspective

The following section covers the policy and legislative framework for LED:

#### 2.2.1 Reconstruction and Development Programme (RDP), 1994

The RDP was first launched by the ANC before the 1994 elections as their policy document and was formalised after the elections as a White Paper on Reconstruction and Development. According to Adelzadeh and Padayachee (1994:3), the RDP Base Document captures six basic principles which were later summarised as “an integrated programme, based on the people, that provides peace and security for all and builds the nation, links reconstruction and development, and deepens democracy”. The central theme of the RDP was the need to reduce poverty afflicting the country’s over 40 million people, thereby redressing inequalities and injustices of the past.

According to Aliber (2003:475), the RDP highlights, amongst others, the following priorities: access to water, jobs, land, education and healthcare. Kepe (2002:15) contends that the RDP sought to integrate growth, development, reconstruction and redistribution into a unified programme, where the key goal was to provide access to basic services such as water, electricity, health and education to the poorest people.

Lyons and Smuts (1999:215) state that the RDP placed considerable emphasis on grassroots empowerment, suggesting that “development is not about the delivery of goods to a passive citizenry, but rather it is about active involvement and growing empowerment” which integrates “all levels of the state together with non-governmental organisations and community-based organisations.”

It is argued that the broad goals of the RDP can be achieved by giving more responsibility for development to local government, which is viewed as the primary level of democratic representation. The RDP stresses that “the democratic government will reduce the burden of implementation which falls upon its shoulders through the appropriate allocation of powers and responsibilities to lower levels of government, and through the active involvement of organisations of civil society” (Mpengu, 2010:16).

In the RDP document, the government continues to advocate economic growth, and puts forward a concept of sustainable economic growth as a fundamental requirement to alleviate poverty and unemployment (Chilcot, 1981:142, cited by Binza, 2009:125).

### 2.2.2 Development Facilitation Act 67 of 1995

The Development Facilitation Act 67 of 1995 was introduced for the following purposes:

- To facilitate the implementation of the RDP and projects in relation to land; and to lay down general principles governing land development throughout the Republic; provide for the establishment of a Development and Planning Commission for the purpose of advising the government on policy and laws concerning land development at national and provincial levels;

- To provide for the establishment of in the provinces of development tribunal which have the power to make decisions and resolve conflicts in respect of land development projects;
- To facilitate the formulation and implementation of land development objectives by reference to which the performance of local government bodies in achieving such objectives may be measured;
- To provide for nationally uniform procedures for the subdivision and development of land in urban and rural areas so as to promote the speedy provision and development of land for residential, small – scale farming or other needs and uses;
- To promote security of tenure while ensuring that end-user finance in the form of subsidies and loans becomes available as early as possible during the land development process; and
- To provide for matters connected therewith.

In essence, the Development Facilitation Act 67 of 1995, is a key local government planning and development instrument which laid down the general principles governing land development throughout the country.

### 2.2.3 Growth, Employment and Redistribution (GEAR), 1996

In 1996, the government closed the RDP office and the staff were deployed to other government departments. This coincided with the introduction of the Growth, Employment and Redistribution (GEAR) programme by the Department of Finance, which was not intrinsically incompatible with the goals of the RDP (Aliber, 2003). This was the third government policy document which provided an approach to address poverty. The GEAR strategy was introduced owing to pressure the government faced, the instability of the Rand and concerns over the commitment to sound macro policies. The GEAR strategy was to restore confidence and enhance credibility and the strategic vision set out in the RDP by committing government to specific macro targets, and including a phased fiscal deficit reduction plan that was a deliberate effort to improve policy coordination.

GEAR's emphasis was on fiscal restraint, controlling inflation and interest rates, and the relaxation of foreign exchange controls, much to the applause of business leadership. The GEAR strategy was launched in 1996 and its aim was job creation and economic growth through reduction in the debt South Africa was required to repay each year on loans (deficit reduction). While the GEAR strategy places a crucial higher priority on debt reduction and reducing social spending, it is questionable whether it will address the needs of the poorest (Oldfield & Parnel, 1998). According to Aliber (2001:8), the critics of GEAR (Adelzadeh, Alvillar & Mather, 1998; Bond, 2000) consider it as an inappropriate approach to solving the country's most pressing economic problems such as unemployment and poverty.

According to Lewis (2001:4), GEAR represented a deliberate effort to improve policy coordination. The development of the strategy involved participants from all key government departments (including the Reserve Bank), and was endorsed by Cabinet and introduced by the former Deputy President Mbeki as the "central compass" that would guide all other government programmes.

#### 2.2.4 Constitution of the Republic of South Africa of 1996

The South African Constitution is formulated to be a supreme law upon which all the other laws are based. Section 153 of the Constitution recognises local government as a "distinctive sphere of government that mandates municipalities to give priority to the basic needs of the community, and to promote social and economic development of the community, and participate in national and provincial development programmes". Section 155 of the constitution provides for the following categories of municipalities:

**Category A** is the metropolitan municipality which has exclusive authority to administer and make rules in its area. A metropolitan municipality can comprise a maximum of 210 councillors.

**Category B** refers to a local municipality, which shares the authority in its area with the category C municipality in which it falls. Local councils with more than seven councillors are divided into wards. A ward is a defined geographic area within a

municipality. A district or local municipality may have no fewer than three but no more than 90 councillors.

**Category C** refers to a district municipality which has authority to administer and make rules in an area that includes more than one local municipality. Within each category C municipality there are a number of smaller category B municipalities. As categories B and C share responsibility for service delivery, local municipalities, through their designated councillors, have representation on district councils. The primary task of these councillors is to represent the interests of their local councils. District municipalities play a supportive role to local municipalities (SALGA & GTZ Municipal Handbook, 2006:10).

In 1996, the Constitution of the Republic of South Africa mandated local governments to pursue “economic and social development”. This concept was taken further when the Local Government White Paper (1998) was introduced. The document introduced the notion of “developmental local 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. According to Reddy (1999:1), developmental local governments are considered to be municipalities that are development-orientated, with people as the “embryo” of such development (Parnel *et al*, 2002:4).

Furthermore, section 152 (1) (e) of the Constitution obliges local government to “encourage the involvement of communities and community organisations in the matters of local government”.

#### 2.2.5 White Paper on Local Government, 1998

In 1998 the White Paper on Local Government was formulated to further articulate the RDP and the GEAR strategies. The paper stressed “...the central responsibility of municipalities to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives”. This is based on the concept of developmental local government (Mbontsi, 2008:29). However, the document

states clearly that local government is not directly responsible for creating jobs, but 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 (Nel & Binns, 2001:10). Local economic development is about creating a platform and environment to engage stakeholders in implementing strategies and programmes that have been collectively developed by all the stakeholders involved within the locality.

The White Paper goes on to state that, “...the powers and functions of local government should be exercised in a way that has maximum impact on the social development of communities, in particular, meeting the basic needs of the poor and the growth of the local economy” (White Paper on Local Government, 1998:23).

The Department of Provincial and Local Government (DPLG) has the responsibility of ensuring that local government has the resources and capacity to carry out its mandate, and their core functions according to 2005-2010 Strategic Plans are:

- to facilitate and promote co-ordination among National Departments and Local Governments and
- to provide support to provincial and local governments in fulfilling their constitutional mandate.

Although the Constitution of 1996 places a great responsibility on municipalities to facilitate LED, under the schedule that lists the functions of municipalities, it does not include LED. This has resulted in its being interpreted as an un-funded mandate for municipalities (Mbontsi, 2008:31).

Furthermore, local government is required to take a leadership role, to build social capital and to generate a sense of common purpose in finding local solutions for sustainability.

Local municipalities have a crucial role to play as policy-makers, and as institutions of local democracy, they are urged to become more strategic, visionary and ultimately

influential in the way they operate. Building upon the strategies of the RDP, developmental local government is charged with promoting empowerment and redistribution, and delivering four significant and essentially pro-poor outcomes which are the following:

- the provision of household infrastructure and services (such as electricity; water and sewerage), with priority given to the delivery and subsidisation of at least a basic level of services to those who currently have little or no access;
- the creation of liveable, integrated cities, towns and rural areas, in which the spatial legacy of apartheid separation is addressed;
- the achievement of local economic development, in which local government can play an important role in job creation and in boosting the local economy through the provision of business-friendly services, local procurement, investment promotion, support for small business and growth sectors; and
- community empowerment and redistribution.

According to the 1996 Constitution, specific elements in promoting empowerment and redistribution include the following:

- the provision of below-cost services to the poor;
- supporting community organisations; and
- linking profitable growth and investment with redistribution and development.

In essence, the Constitution gives major development responsibilities to municipalities to ensure that the quality of life for all citizens is improved. The new role of local government includes the provision of basic services, promoting democracy and accountability and instituting processes towards eradication of poverty.

## 2.2.6 Municipal Demarcation Act 27 of 1998

The Municipal Demarcation Act 27 of 1998 was promulgated to establish the Demarcation Board which was responsible for demarcating the municipal boundaries. According to Mufamadi (2001:2), it is foreseeable that developmental local government will continue to exist in the stabilisation phase of transformation as stated in 2005 and is anticipated to conclude in 2015.

In determining municipal boundaries as provided in section 25 of the Municipal Demarcation Act (1998:18), the following factors were taken into account:

“(a) the interdependence of people, communities and economies as indicated by, *inter alia*:

- existing and expected patterns of human settlement and migration;
- employment;
- commuting and dominant transport movements;
- spending;
- the use of amenities, recreational facilities and infrastructure; and
- commercial and industrial linkages.

(b) the need for cohesive, integrated and un-fragmented areas, including metropolitan areas;

(c) the financial viability and administrative capacity of the municipality to perform municipal functions efficiently and effectively;

(d) the need to share and redistribute financial and administrative resources;

(e) provincial and municipal boundaries;

(f) areas of rural communities;

(g) existing and proposed functional boundaries, including magisterial districts, voting districts, health, transport, police and census-enumerator boundaries;

(h) existing and expected land use; social, economic and transport planning; topographical, environmental and physical characteristics of the area;

(i) the need for co-ordinated municipal, provincial and national programmes and services, including the need for the administration of justice and



- healthcare.;
- (j) topographical, environment and physical characteristics of the area;
  - (k) the administrative consequences of its boundary determination on credit worthiness; and
  - (l) the need to rationalise the total number of municipalities within different categories and of different types to achieve the objectives of effective and sustainable service delivery, financial viability and macro-economic stability.”

South African municipalities have local autonomy, that is, the right to govern (Craythorne, 1997:9). Local autonomy means the “ability of local government to make binding decisions and policy choices within a legally stipulated framework and to allocate resources and provide services other than those of the central or provincial government” (Reddy, 1999:10, cited by Binza, 2009). The extent of this right to govern is, however, subjective and limited. Furthermore, the local sphere of government must not be in conflict with national and provincial legislation (Binza, 2009:113). According to sections 151(3) and (4) of the Constitution of 1996, “a municipality has a right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation ... and the national and provincial government may not impede or compromise a municipality’s ability or right to exercise its powers or perform its functions”. According to Craythorne (1997:9-10), there is no municipality in the world that has absolute autonomy. Mandela in Parnel *et al.* (2002:35) shares Craythorne’s view by stating that municipalities are the agencies of the state, and the “arms and legs” of the national government to effectively implement reconstruction and development programmes.

#### 2.2.7 Municipal Structures Act 117 of 1998

According to SALGA Municipal Handbook (2006:4), the Municipal Structures Act, 1998 clarifies the status of municipalities and provides the framework for the establishment of municipalities in accordance with the requirements and criteria relating to categories and types of municipalities. Furthermore, it determines the appropriate division of powers and functions between district and local municipalities and regulates governance structures and electoral systems for newly demarcated municipalities.

These powers and functions are based on the Constitution of 1996 and are generally of service type in nature, but include the following LED-type foci, namely tourism, planning, public works, infrastructure development and markets.

The most important aspect of this Act is that it recognises and allows for the participation of traditional leaders within local government administration in the areas in which they reside. Furthermore, it mandates district councils to assist local municipalities falling under their jurisdiction through integrated development planning, bulk infrastructural development, capacity development and the equitable distribution of resources.

Section (7) of the Municipal Structures Act 117 of 1998 provides for the following five types of municipalities that may be established within each of the municipal categories discussed under 2.2.4 as to effectively achieve the above stated objectives:

- **the collective executive system** – the executive leadership and authority of the municipality is vested in (or exercised by) the executive committee;
- **the mayoral executive committee** – the executive leadership and authority of the municipality is vested in (or exercised by) the executive mayor who is assisted by the mayoral committee;
- **the plenary executive systems** - the executive authority of the municipality is vested in the municipal council which is the legislative and executive body of the municipality;
- **the sub-council participatory systems** – sub-councils established for parts of the municipal category are granted delegated powers to run their council affairs. This is prevalent in some of the district municipalities in South Africa. It is important to note that the governance process of the sub-council should not be in conflict with the governance of the main council of the district municipality; and
- **the ward participatory system** – In a quest to improve and sustain participatory democracy at grassroots level. The ward committees are established to deal with matters of local concern. The ward councillor then

takes these concerns to the council for its approval (White Paper on Local Government, 1998:18).

The Municipal Structures Act 117 of 1998 specifically provides for the establishment of ward committees as a structural mechanism for public participation at a grass-roots level.

#### 2.2.8 Municipal System Act 32 of 2000

The Municipal Systems Act 32 of 2000 provides for “the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of communities, and ensure universal access to essential services that are affordable to all”. It further specifies in more detail how local government is required to work, including the principle of popular participation in local governance and local-level development.

Moreover, the Municipal Systems Act 32 of 2000 provides the municipalities with a legal framework in which to plan for integrated development. The Municipal Systems Act of 2000 requires every council to prepare its own IDP, which is expected to guide them for five years. This essentially means that the IDP is linked to the term of office of the elected council. Furthermore, a newly elected council can adopt the IDP of its predecessor should it feel appropriate to do so, or develop a new IDP and take existing documents into consideration (Mbontsi, 2008:36).

The preparation of an IDP is to 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. In consultation with the local municipality, the district council must adopt a framework for integrated development planning which should, but not be limited to:

- determine procedures for co-ordination, consultation and alignment between the district and the local municipality and therefore bind them both;
- guide each local municipality in preparing the process plan;

- establish a time schedule for the planning process must be included;
- define roles and responsibilities; and
- states the guidelines to be followed to monitor the process.

According to Mbontsi (2008:32), the IDP is an interactive and participatory process. The municipality must allow and encourage public participation in its development. Hence its development takes six to nine months.

The Municipal Systems Act of 2000 requires an IDP to be a principal strategic plan document with respect to planning, management and development, and is required to contain a vision for the municipality's long term development, emphasising mostly critical development and internal transformation needs. It must also contain an assessment of existing levels of development including the 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, and it must be aligned with national or provincial sector plans and planning requirements.

The above stipulates that the LED must be fully integrated with the IDP of the municipality and be aligned to provincial and local government programme plans.

#### 2.2.9 Draft Local Economic Development (LED) Policy, 2002

The Draft LED Policy document adopts a defined 'pro-poor' stance and though not opposing conventional business-focused activities, it argues that in the light of the country's economic and social situation, overtly 'pro-poor' development interventions must be the priority for the local government to pursue.

According to Department of Provincial and Local Government (2002), pro-poor LED is also referred as "developmental LED". One of the challenges identified in this document is that there is a need to develop pro-poor LED methods which can address both poverty and entrenched inequality. In order to realise this, the draft LED policy document has identified the following goals/objectives for local governments:

- “establish a job-creating economic growth path;
- embark on sustainable rural development and urban renewal; and
- bring the poor and disadvantaged to the centre of development.”

In order to achieve the above goals/objectives, the draft LED policy document suggests that LED needs to be holistic, innovative, creative and redistributive (Nel, 2005:18).

The draft LED policy document also states that non-developmental LED as opposed to developmental LED takes place when equity is not addressed and social objectives are secondary. According to DPLG (2002:9) and Nel (2005:18), pro-poor options should entail a greater measure of redistribution carefully designed to maximise local social and economic development objectives and new investment should be directed so as to maximise integrated development to generate high quality jobs, and assure clean production processes.

The draft LED policy document advocates the following broad interventions in order to promote developmental LED:

- “foster Community-Based Development;
- promote links wealthy and poor redistribution areas;
- human capital investment;
- delivery of infrastructure and services to those most in need;
- plug leaks in the local economy – i.e. buy-local and try and prevent money leaving the area;
- retain and expand local economic activity; and
- identify a ‘lead’ LED strategy for an area” (Draft LED policy, 2000).

For the above to be achieved, the policy suggests that local government needs to focus on:

- “capacity Improvement Instruments;
- market Expansion Instruments; and

- cost Reduction Instruments” (Draft LED policy, 2000).

Institutionally, the draft LED policy document argues that municipalities should establish an LED Unit. There are defined roles which a local government can play in terms of LED. The functions of an LED Unit are to co-ordinate municipal activities, to manage the LED strategy, to monitor projects, to coordinate all stakeholders, to manage the LED budget and to create an LED data base.

#### 2.2.10 Policy guidelines for implementing LED in South Africa, 2005

During the first decade of democracy, most municipal initiatives focussed on community economic development projects, many of which proved economically unviable and had no lasting impact on poverty reduction. In particular, is the experience of the Local Economic Development Fund (LEDF) set up by the DPLG to support poverty reducing LED projects which, unfortunately, produced dismal results. Moreover, cooperation between government, local businesses and the voluntary sector was often weak or non-existent, and private and community actors felt sidelined from most government initiatives (Hindson, & Vicente-Hindson, 2005:1).

In response to the underlying challenges of growing unemployment and poverty arising from the liberalisation of the South African economy, the DPLG and the Department of Trade and Industry (DTI), in association with the South African Local Government Association (SALGA), made efforts to formulate a national policy framework for LED from early 2003.

According to Hindson and Vicente-Hindson (2005:3), some district municipalities - and even a series of contiguous ones - have a weak or declining economic base which is surrounded by a growing number of unemployed and under-employed employees, while metropolitan areas and a few smaller cities and towns have relatively prosperous economies as they are well connected into the global systems.

In 2005, the DPLG released a new policy statement on the topic of LED. This document aligns LED with the RDP, GEAR, the Micro Economic Reform Strategy and a diverse range of current government policies, including the Provincial Growth

and Development Strategies and municipal IDP, by focusing on issues of the geographical spread of activity, integration, black economic empowerment (BEE), knowledge-led growth, skills development and state responsiveness (Nel, 2005:19). Furthermore, issues of both community development and growing the economy through appropriate mechanisms and investment feature in the policy guidelines for implementing LED in South Africa. In the policy guidelines for implementing LED in South Africa, investment promotion features more prominently, as well as business retention and support for a range of enterprises and growth sectors. This is in contrast with the initial LED policy document (Nel, 2005:19; Mpengu, 2010:26).

In terms of alignment with current government thinking, it argues that there is a need to support “both” the first and second economies and work in collaboration with a range of government programmes to achieve this goal. It further argues that LED is a key mechanism to close the gap between the “two economies” (DPLG, 2005).

#### 2.2.11 National Framework for LED implementation in South Africa, 2006

The National Framework for LED (2006) was developed as a guide that seeks to advance an understanding of LED and has put forward a strategic implementation approach so that municipalities, provinces, national government, state-owned enterprises and communities may concentrate on improving local economic development. The National Framework also seeks to guide the implementation of the LED key performance indicator of the five-year Local Government Strategic Agenda through which actions were suggested (DPLG, 2005:4).

According to DPLG (2006-2011:4), the new National Framework for LED implementation breaks down the distinction between economy and society, showing how economic decision-making and action is shaped by the shared values, norms, beliefs, meanings, and rules and procedures of the formal and informal institutions of the society. The objective of the normative agenda of the new National Framework for LED implementation is to develop shared meaning and values, and strengthen the networks of social interaction.

The following are the objectives of the framework for LED implementation (2006 - 2011):

- “to shift towards a more strategic approach to the development of local economies and overcome challenges and failures in respect of instances where municipalities themselves try to manage litany of non-viable projects or start-ups;
- to support local economies in realising their optimal potentials and making local communities active participants in the economy of the country;
- to elevate the importance and centrality of effectively functioning local economies in growing the national economy;
- to wage the national fight against poverty more effectively through local level debates, strategies and actions;
- to improve community access to economic initiatives, support programmes and information;
- improve the coordination of economic development planning and implementation across government and between government and non-governmental actors; and
- to build greater awareness about the importance and role of localities and regions which globally are playing an increasingly significant role as points of investment facilitated by supportive national policies” (DPLG, 2006:7).

The National Framework for Local Economic Development in South Africa, (2006-2011) provides nine characteristics of local economies, which are as follows:

- “people who are skilled to take full advantage of economic opportunities;
- leadership to inspire confidence in the local economy and mobilise resources for further growth of the economy;
- a healthy workforce that is appropriately skilled and remunerated;
- assets which are the natural, physical, financial, human and social capital necessary for growth and development of the local economy. These assets must be harnessed for the benefit of local residents and for meeting the



country's economic growth targets. The assets can be used to attract investment needed for the expansion of local economies;

- a reliable and accessible infrastructure to enable effective and efficient social and economic transactions; and
- the local economies must not only be robust and inclusive, but must be integrated and networked with that of the provincial, national, continental and global economic dynamics and opportunities (DPLG, 2006:17).”

### 2.3 Nature and meaning of Local Economic Development

Mokale and Scheepers (2006:134) note that LED means more than economic development and poverty alleviation as it is a connoted process of improving the economic dimensions of lives of communities in a municipal area. The purpose of LED is to build capacity of a local area to improve its economic future. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. It also offers a municipality, the private sector, the not-for-profit sectors and the local community an opportunity to work together, and aims to enhance competitiveness to encourage sustainable growth that is inclusive (Malefane, 2009:160, cited by Koma, 2012).

The DPLG (2001), renamed the Department of Co-operative Governance and Traditional Affairs, captures the following principles in relation to the importance of LED for the reduction of poverty and inequality:

- prioritise job creation and poverty alleviation;
- target previously disadvantaged; marginalised communities and geographical regions to allow them to participate fully in the economic life of the country;
- involve local, national and international partnerships amongst communities, business and government to create joint ventures and build up local areas;
- be developed as an approach that is best suited to a local context involving the integration of diverse economic initiatives in a comprehensive approach to local development (DPLG, 2001).

There are a number of definitions of LED. Blakely (1994:49) states that local economic development “...is essentially a process by 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 a well-defined economic zone”. This is a widely accepted definition of LED.

According to Kesper (2004:35), development is described as sustainable economic growth accompanied by reduced levels of poverty, unemployment and inequality.

The World Bank defines LED as “the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation, and its aim is to improve the quality of life for all” (Rhodes, 2011).

Golloth and Meier (1989:17) define LED as a process requiring, *inter alia*, the formation of new institutions, the development of alternative industries, the improvement of the capacity of existing employers to improve quality, the identification of new markets, the transfer of knowledge, and the nurturing of new companies and enterprises in order to facilitate these activities. Local government and/or community groups must take on an initiating role.

Based on the widely accepted definition of LED above by Blakely (1994:49), the following could be added:

- “the first relates to **‘external’ resources**. This is in recognition of the fact that local development depends not only on local resources but also those that may be sourced nationally and globally, an issue that has become increasingly important with the interpenetration of local and global factors;
- the second point relates to **poverty and social exclusion**. These could be added because reducing and eventually eliminating them are the main development challenges in Africa, and because economic growth does not automatically reduce them, and may even be associated with increasing poverty and exclusion; and
- the third relates to **economic, social and environmental sustainability**. This dimension could be added because it needs to be emphasised that short term economic

growth is not what LED should be about, and because economic growth cannot be sustained in the long term if it is based on destruction of the natural environment and deepening social divisions and exclusion.”

Although the development strategy of local economic development has been widely practised in other countries, for example, the United States and United Kingdom, it is a relatively new phenomenon in South Africa and one which, in an era of economic crisis, needs to be evaluated in terms of its potential to help address the challenges of poverty and unemployment and simultaneously encourage growth and development. It is argued that government and local governments are often still in the first phase of policy development and application. Community initiatives, although often well established, do not receive significant policy support.

Blakely (1994:49) maintains that the key consideration in locally based economic development is the emphasis on “...endogenous development policies using the potential of local human, institutional and physical resources”. In the South African context, LED is seen as important because it is regarded as a mechanism for achieving the following:

- “the creation of jobs and new employment opportunities to alleviate poverty;
- increasing income levels, thereby enabling people to pay for services;
- broadening the tax and revenue base of municipalities;
- improving municipal services and facilities;
- the development of human resources; and
- linking the developed and underdeveloped areas” (International Republican Institute and National Business Initiative, 1998:3).

#### 2.4 Role players in Local Economic Development

In order for Local Economic Development to be effective, it must combine the efforts of various stakeholders/role players to ensure utilisation of local resources for the purposes of employment creation and poverty eradication. The following are the stakeholders/role players involved in shaping and developing LED:

#### 2.4.1 Public sector

The role of the public sector or state sector is to assist and create the conditions for local action to emerge and grow. It focuses on what the state can do to support local leaders, communities, business, NGOs, organised labour, and other stakeholders to realise their own and their collective objectives. It emphasises the need for local communities to work together with one another and with the external role players to improve their lives. The state thus plays the role of being a facilitator, net-worker and monitor (DPLG, 2006).

Section (40)(1) of the 1996 Constitution states that “in the Republic, government is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated.”

#### 2.4.2 Private Sector

According to Mpengu (2010:31), the private sector refers to that part of the economy which is for private profit and is not controlled by the state. He further states that enterprises that are part of the state are part of the public sector; private, non-profit organisations and are regarded as part of the voluntary sector. Private organisations and individuals work in collaboration with municipalities in a partnership to ensure LED projects are a success. From the support they get from municipalities, they are able to pursue their own goals and objectives.

#### 2.4.3 Community-based organisations (CBOs)

CBOs are organisations that provide social services at the local sphere within a community, as close as possible to the individuals they serve. They are non-profit organisations the activities of which are based primarily on volunteer efforts. They depend heavily on voluntary contributions for labour, material and financial support (Chechetto-Salles & Geyer, 2006:4). Organised community organisations are also a major stakeholder in LED implementation and the execution of various pieces of legislation, including the Constitution, stipulate their participation in such matters.

The leaders of CBOs are usually lay people, not doctors or government officials, although many have physicians as advisers and have a paid professional staff as well as volunteers. Funding usually comes from state governments, private donations, and local fund-raising events (<http://guidewhois.com/2011/03/what-is-community-based-organization-definition/>).

#### 2.4.4 Non-governmental organisations (NGOs)

NGOs are legally created organisations by natural or legal persons that operate independently from any government. The term originated from the United Nations (UN), and is normally used to refer to organisations that do not form part of the government and are not conventional for-profit business. In instances in which NGOs are funded totally or partially by governments, the NGOs maintain their non-governmental status by excluding government from membership in the organisation ([http://en.wikipedia.org/wiki/Non-governmental\\_organisation](http://en.wikipedia.org/wiki/Non-governmental_organisation)).

#### 2.4.5 Development institutions

International, regional, national institutions and/or organisations whose aim is to contribute towards the eradication of poverty and underdevelopment are called development institutions. Their contribution is in the form of grants to civil society organisations with a view to promoting the development and advancement of local economies, for example, the World Bank, the New Partnership for Africa's Development (NEPAD) and the National Development Agency (NDA) are such international, regional and national organisations respectively (Mpegu, 2010:32).

### 2.5 Strategies for Local Economic Development

Although local economic development (LED) strategies have their roots in the high income countries of the global north, LED has gradually emerged as a development strategy in southern hemisphere owing to several factors. Rodriguez-Pose and Tijmastra (2007:522) observe that “slow economic growth and poverty, combined with the changes on the national and international economic environment, and the effective inability of many central states to intervene at local level have provided a boost for locally based initiatives”.

The South African experience of policy development for LED and applied practices is distinguished by the emphasis accorded to local-authority-driven processes. Since the post-1994 democratic transition, there has been radical transformation in the nature and organisation of development planning in South Africa. One of the most significant shifts relates to the rise of LED planning, an integral component of place-reshaping (Grant & Dolley, 2010) and of “re-engineering local government” in South Africa (Thornhill, 2008, cited by Rogerson, 2010).

Six strategic interventions that municipalities can adopt have been identified in the LED Policy Paper: Refocusing Development on the Poor (2002:6) in order to achieve the developmental outcomes of poverty alleviation, job creation and the redistribution of wealth. These strategies will be discussed below:

#### 2.5.1 Development and maintenance of services and infrastructure

Research using state and national level data has found that infrastructure is a significant, positive determinant of economic performance (Rives & Heaney, 1995:58). Fox and Smith (1990) note that infrastructure investment decisions are often made locally, regardless of the source of funding. Immergluck (1993:311) observed that the recent economics literature does not provide a sufficient basis for stabilising “strategic infrastructure-related economic development policy” at national and local spheres. The major focus of this strategy is on the development and maintenance of services and infrastructure and is the key component of municipal service delivery. In most instances it addresses the imbalances of the past by rendering services to the communities. It is argued that if it is done properly, it can result in the provision of reliable as well as cost effective municipal service delivery, thereby boosting business confidence within a municipality. Section (96)(i)(a) of the Municipal Systems Act 32 of 2000 specifies the need for a municipal council to choose a service delivery mechanism that will “...most effectively and rapidly extend municipal services to un-serviced or under-serviced residents and communities in the municipality with the best quality service, at the lowest overall cost to the municipality, residents and consumers”. This is known as the engine of economic development, as there would be no stimulation of the economy without water, electricity, sanitation, roads and other key facilities such as health, recreation, housing

and settlements, and education facilities. Gillen and Cain (1994) share the sentiment that although consensus is lacking, most empirical studies concentrate on highways, water systems, sewer systems, and public building as the major components of infrastructure.

According to Reddy *et al.* (2003:180-181), this can create job opportunities for the poor and can stimulate economic activities that result in permanent jobs.

### 2.5.2 Retention and expansion of existing businesses

Over the last two decades, studies have documented the impact of existing businesses on job growth. Other studies have examined the impact of businesses on maintaining strong local economies through investments in the social fabric of the community. Furthermore, existing businesses are always a primary source of information about the communities they serve for companies looking to relocate. A number of studies have documented the net new job growth attributed to existing businesses. Whether these studies looked at state or national data is unknown but they concluded that job growth compared to existing businesses was the result of attraction by industries (<http://edis.ifas.ufl.edu/pdffiles/FE/FE65100.pdf>).

According to Reddy *et al.* (2003:181), the advantage of retaining businesses within the municipal area is that it also helps to attract new firms to do business in that municipal area. This is called the promotion of small, medium and macro enterprises (SMMEs).

The draft LED Policy Paper (2002:8) requires municipalities to give attention to retaining and expanding existing businesses of a municipality. This would primarily assist local businesses to improve their productivity, increase market share and graduate to higher value-added levels in the production chain. In terms of retention, the municipality is required to devise measures which would ensure firms within the area do not relocate, but rather stay and expand. Municipalities should provide support to SMMEs in respect of development of business skills, provision of business infrastructure and offering technical support through business advice centres, for example, Small Enterprise Development Agency (SEDA).

### 2.5.3 Small, Medium and Macro Enterprises

According to Blakely and Leigh (2010:265), business development is an essential component of local economic development planning because the creation, attraction and retention of business activities builds and maintains a healthy local economy. Blakely and Leigh (2010:265) write that “...one-stop business centres are relatively common components of local government”. In many instances, the one-stop centres have a small business mediation function located in the office of the mayor, the city manager, or economic development. The traditional role of a one-stop centre is an information centre designed to serve as a key contact point between business of all sectors and local government. For a one-stop advice service centre for business, the centre must contain information on all planning and development matters of interest, and be concerned with local business economic indicators and labour market statistics, local development plans, land availability, building regulations and permits, all aspects of finance, and other useful business information.

The SMME strategy is regarded as the key to the promotion of LED in that it contributes to job creation and the empowerment of the previously disadvantaged individuals. Blakely (1994:203) agrees with the assertion and states that this is the sector that has shown great employment potential in South Africa over the past few years. Therefore, municipalities are expected to provide professional advice and assistance to small businesses in the areas of management, marketing, accounting, financing, sourcing resources and problem solving.

However, it has been noted that, in most cases, municipalities are unable to provide the necessary support to the local SMMEs, and this is owing to a lack of proper management approaches, expertise and proper infrastructure. According to Government Communication and Information System (2002:22), the SMME sector in South Africa participates in the national economy through stimulating economic growth by creating jobs, enhancing poverty alleviation and promoting social stability, thus helping to redistribute wealth throughout the economy.



The White Paper on National Strategy for Development and Promotion of Small Business in South Africa (2005) assigned the SMME sector a key role for socio-economic transition. In particular, SMMEs are seen as a vehicle to the following:

- “addressing the problem of high unemployment in South Africa as they have the capacity to create employment;
- promoting domestic competition by creating market places for localities in which they can grow until they identify a need for expansion in response to demand changes, and to be internationally competitive because of their flexibility;
- redressing the inequalities inherited from the apartheid – in terms of patterns of economic ownership and restricted career opportunities for black employees;
- promoting and ensuring black economic empowerment because the majority of SMMEs are still owned or controlled by those members of society who were privileged in the past; and
- playing a crucial role in peoples’ efforts to meet basic needs in the absence of social support systems during the restructuring processes – which refer in particular to the micro-enterprise segment in South Africa and especially survivalist activities characterised by low entry barriers for inexperienced job seekers.”

Therefore, SMME support is crucial as it is the main sector that is capable of creating jobs.

#### 2.5.4 Community-based economic development

Community development trusts, community-controlled enterprises or development of co-operatives are key features of community-based economic development as mandated in the RDP. This is a concept based on developing community self-reliance.

According to DPLG (2003:39), the central objective of this is poverty alleviation and improving the capabilities of the disadvantaged in particular, and the creation of

sustainable livelihoods for communities in question. Reddy *et al.* (2003:182) state that Community-Based Economic Development focuses on combining employment, training, mentoring and enterprise development, to enhance access to, and the creation of jobs, resulting in self-sufficiency for disadvantaged communities.

Accordingly, this strategy should include the training of enterprise owners through the Department of Labour, small municipal financial support, or municipalities leveraging external funding to support income generating projects. Furthermore, the beneficiaries should be trained to manage funds and be able to create jobs for themselves. According to the LED policy, this is called pro-poor intervention, and for this strategy to make a meaningful impact, it must be combined with other relevant strategies, such as creating market opportunities for small projects which could help sustain them.

#### 2.5.5 Industrial recruitment and place marketing

The industrial recruitment and place marketing strategy is about attracting new industries to the municipality together with promoting and advertising the local area for people, business and industries to perceive the municipal areas as a desirable place to visit, stay and invest. Factories and individuals consider a number of factors before making such decisions, which include, *inter alia*, the cost of living and production, proximity to local markets for products, situational location of suppliers, accessibility to research and development institutions, access to transport networks, and most importantly, whether the municipality offers good infrastructure and services. According to Reddy *et al.* (2003:182), the availability of recreational facilities can influence such decisions, together with the quality of schools, educare centres, and social risks, such as violence and crime and health facilities.

#### 2.5.6 “Plugging the Leaks” in the local economy

*Plugging the Leaks* was developed in 2002 by the New Economics Foundation (NEF). It was initially tested over four years in thirteen low-income communities in the East Midlands of England. Since 2007 it has been tested by international partners in Brazil, Honduras, Israel, Mozambique and South Africa. It has been rated as unusually effective by international partners in various settings and contexts.

The NEF is an independent ‘think and do’ tank that explores alternatives to mainstream economics. At NEF they believe that the problem in low-income communities is not so much what is missing from the local economy, but rather how wisely people utilise what is already there (Pienaar, 2010).

This strategy uses the analogy of a local economy as a leaky bucket. It enables people to identify the in- and out-flows of cash, and find means to plug these leaks. It is based on prioritising local enterprises, and emphasises local value-addition and innovation. It looks for activities with strong multiplier effects and increases the interconnectedness of elements within a local economy. At its simplest, the local multiplier effect is the observation that the more the currency circulates in a local economy before leaving, the more wealth it creates (Heideman, 2011:88).

Typically, this strategy identifies ways to stop value leaving the locality, improves the circulation of cash within the local economy, and improves the quality of life for the residents. It also reduces the environmental footprint of a local economy as transport is reduced, and is thus a green LED approach. It tends to build community pride in a locality, and improve cooperation among businesses.

Bond (2002:11) noted that “sometimes it is crucial to stem the outflow of money from poor areas by encouraging people to buy local, supporting and building markets, funding special events and festivals, providing infrastructure using local labour and locally manufactured material, promoting employee training, and networking enterprises of all sizes in the local area.” According to Reddy *et al.* (2003:182), the strategy is to “plug the leaks”, at least by identifying and locating the leaks, and then developing means to address them.

### 2.5.7 Human Capital Development

LED Policy Paper (2002:7) and Reddy *et al.* (2003:182) contend that “...to ensure that LED brings social and economic benefits often requires investing in human capital through skills development, education and health wise”. Furthermore, the skilling of local communities is significant because it can promote higher living wages. There are explicit linkages between the promotion of living wages, human capital

development and economic development, since a well-paid, healthy and well educated workforce would be more productive.

This is a critical strategy since it focuses on human capital development and skilling the poor in the communities can increase their chances of participation in the local economy (Mpendu, 2010:38).

#### 2.5.8 Linking profitability growth to redistributive development

The Local Economic Development Policy Paper (2002:7) requires municipalities to enforce or make it a prerequisite that development planning or zoning permission in profitable geographical areas is linked to a commitment to invest in impoverished neighbourhoods. It is important that these strategies are combined in different ways to suit local conditions since the adoption of the strategy can also be influenced by the factors listed below:

- “the local context, which also includes geographical and/or physical circumstances;
- the local economy and employment structure;
- the local population and labour market; and
- social aspects, such as community safety and HIV/AIDs status” (Toolkit for Local Economic Development, 2004:45).

#### 2.6 LED Institutional Framework

It is crucial to ensure that proper institutional arrangements are set up in order for municipalities to plan and implement their LED strategies successfully and meet their development goals.

The LED Guidelines to Institutional Arrangements (2000) and the Draft LED Policy emphasise a more community-orientated approach to LED, stressing that LED should be pro-poor orientated and target previously disadvantaged persons and marginalised towns and regions. Patterson (2008:7-8) agrees with this notion and states: “...ideally, municipalities

should support local initiatives, which encourage local job creation while still responding to changes in the national and global economy.”

### 2.6.1 Establishment of LED units

The LED Manual (1999:5), with reference to Institutional Arrangements, promotes the establishment of municipal LED units at district and local municipality sphere which are driven by the Department of Provincial and Local Government. The LED units are meant to address the capacity constraints at the local sphere, reflect local government priorities and seek to incorporate them into the IDP. LED units are based on the assumptions that:

- “a municipality recognises that it is politically accountable for LED’ (councillors are, therefore, the key role players in this process);
- LED strategies and projects will have to be aligned with the IDP;
- the IDP will highlight the need for coordination of municipal activities to meet LED objective; and
- budget and administrative support will be identified for LED” (Toolkit for Local Economic Development, 2004:79).

The purpose of establishing the LED unit is for:

- “coordinating the implementation of municipal activities in a manner that optimises economic development;
- developing LED policy and strategies and ensure alignment with the IDP;
- managing the implementation of LED strategies;
- managing and monitoring LED programme and projects;
- coordinating the municipality’s activities with those of other stakeholders, and other government spheres; and
- establishing partnerships and leverage funding and managing the LED Budget” (Toolkit for Local Economic Development, 2004:79).

In order to implement the strategies and projects ascribed to an LED unit, there is a need for the unit to be represented in the municipal organogram. The unit can be a separate department or part of another strategic department. In order for the unit to function effectively, it is critical that it has the necessary resources and influence. The unit is usually dependent on the capacity and budgetary constraints of the municipality. Furthermore, the structure is also influenced by the number of skill levels required of staff, the available budget, and the existence of the required facilities.

Moreover, the shape and the structure of LED institutions are influenced by specific conditions in the community and the envisaged roles of the institution. The LED Policy Document of 2000 states that LED institutions are needed at both programme and project levels.

#### 2.6.2 Community-based LED institutions

According to the Toolkit for Local Economic Development (2004:81), it is important to have an institutional arrangement that allows for participation and input at the local sphere. This institutional arrangement can take the form of partnerships or forums. Owing to the questionability of the effectiveness of informal arrangements, it is often better to have formal co-ordinating structures such as LED Forums. These LED Forums act as advisory bodies that are required to interact with a full range of stakeholders represented in the community with regard to LED.

Below are the key driving principles of the LED Forums:

- “must be inclusive and representative;
- must be participatory;
- must have a clear and transparent role;
- must meet regularly and adhere to proper meeting procedures;
- must receive feedback from project level committees; and
- must drive a common vision” (Toolkit for Local Economic Development, 2004:81)

### 2.6.3 Project-level institutions

Once a programme level LED institution has been established, its responsibility is to select the appropriate institutional arrangements for the implementation of the specific LED projects. Owing to the fact that there is a wide range of possible LED projects, it is impossible to provide details of the institutional arrangements for individual projects. However, international and local experience indicates that successful project-level institutions share certain characteristics.

The institutions chosen to manage and implement specific LED projects should:

- “match the LED objectives and strategies of the project;
- inspire confidence in the stakeholders;
- be capable of producing results;
- have sufficient staff capacity to implement the project efficiently and effectively;
- be able to mobilise sufficient resources for the project, particularly financial and human resources;
- be able to transfer skills from any outside agents involved to the municipality and community members where applicable;
- be able to minimise the potential liability of the LED programme institution, the municipality and other stakeholders if the project experiences problems; and
- monitor the progress of the project and satisfy the requirements of government legislation and commercial law” (Toolkit for Local Economic Development, 2004:81).

LED projects may be managed and driven through a number of different institutions where the municipality plays a less direct role. The municipality should seek to co-ordinate various project level initiatives, drawing them together into a coherent LED programme for the area.

## 2.7 Understanding poverty in South Africa

According to Aliber (2001:6), the single most significant factor distinguishing South Africa from other African countries is its experience of colonialism and apartheid. South Africa's historic circumstances have shaped the present configuration of poverty and opportunities along racial lines.

Furthermore, in his study in 2003, Aliber pointed out that poverty is especially prevalent in rural areas, and particularly among Africans, with the most vulnerable groups being female-headed households, disabled, elderly, retrenched farm workers, cross-border migrants, the "street homeless", AIDS orphans and households with AIDS sufferers (Aliber, 2003: 480-481).

Chambers (1983) contends that there are five clusters of disadvantage (or dimensions of poverty) that need to be considered when attempting to analyse poverty. These are "(i) *physical poverty proper* – a lack of adequate income or assets to generate income; (ii) *physical weakness* – due to under-nutrition, sickness or disability; (iii) *physical or social isolation* - due to peripheral location, lack of access to goods and services, ignorance, and illiteracy; (iv) *vulnerability* – to crisis and risk of becoming even poorer; and (v) *powerlessness* – within existing social, economic, political and cultural structures." The most important is the "*powerlessness*" because it has social, economic, and political dimensions which need to be addressed concurrently.

In spite of the political and economic advances since 1994, South Africa continues to be plagued by poverty and unemployment. Previous studies on the extent of poverty in South Africa show that almost half its population lives in poverty (Davis, 2009). The study conducted by Booysen (2001:23) using an asset index approach to measure poverty and applying it to data from an international Demographic and Health Survey (DHS) found that poverty in South Africa has increased (Booyesen, 2001:23). This is further confirmed by Meth and Dias (2004), in their analysis of the 1999 October Household Survey and the 2002 Labour Force Survey which also showed that the number of poor increased between 1999 and 2002 (Meth & Dias, 2004:62).



According to the 2003 report by the United Nation Development Programme (UNDP) South Africa, about 48.5 per cent or 21.9 million of South Africans currently live below the national poverty line which is placed at R354 per adult equivalent per month. An analysis of income and expenditure data by Du Toit between 1995 and 2002 suggests that the proportion of people living below the poverty rate declined marginally from 51 per cent to 48 per cent, but the actual numbers increased by more than one million (Du Toit, 2005:5).

In addition, South Africa continues to be characterised by significant levels of inequality and vulnerability to falling into poverty (May *et al.*, 2002:2). In 2005 the Human Sciences Research Council (HSRC) conducted a South African Social Attitude Survey (SASAS) and found that after 10 years of democratic rule, the majority of “black Africans still perceive themselves as lacking enough food and income that will meet all their household needs”. Most Whites, on the other hand, never experience a shortage of food and income and Indians and Coloureds also seldom go without food (Davis, 2006:16).

It is evident from the studies provided above that poverty and inequality have further deepened in post-apartheid South Africa and as a consequence sustained the socio-economic polarisation of the South African society where class and colour dominates whether one is poor or not.

## 2.8 Agriculture as economic driver

According to Thirlwall (2006:167), one of the most critical factors in the early stages of development is the strength of the agricultural sector because without a surplus of food production over subsistence needs, little else can be done. He goes on to say “...there will be no surplus labour, no savings and no food to feed labour working in alternative activities.” In essence this means that the agricultural sector should play a vital role in ensuring that there is enough surplus food in order to feed the labour that will be working in agriculture and those working in alternative activities.

Furthermore, the literature reviewed reveals that developing countries, including South Africa, are still extremely backward in terms of agriculture, and this could result in low productivity which is a major cause of poverty and further retards the development of the whole economy.

It should be noted that the ruling government has done much in terms of developing local economic development policies, for example the RDP, GEAR and other related development strategies as tools to eradicate poverty and under-development as discussed above.

According to the Provincial Growth and Development Plan (PGDP) of the Eastern Cape government, the province is only 20 per cent food self-sufficient and the “public expenditure on agriculture in the country as a whole, including the Eastern Cape, has continued to decline” ( PGDP of the Province of the Eastern Cape, 2004-2014:56).

The Eastern Cape Department of Agriculture (2003) launched the Massive Food Production Programme with the intention of reversing the trend of rural areas being net importers of food to being self-sufficient. Various district and local municipalities have initiated a collection of agricultural programmes as aspects of their local economic development strategies alongside the initiatives of the Department of Agriculture.

Furthermore, several other government departments, including the Department of Public Works and the Department of Health, have also embarked on various forms of agricultural programmes, such as community food gardens and Community Productions Centres.

It is more than a decade now since the demise of apartheid, but it appears that very little concrete change in rural people’s livelihoods has taken place (UNDP South Africa, 2003).

Despite the government’s laudable efforts, poverty and unemployment, the HIV/AIDS pandemic, institutional and human resources capacity development and social and physical infrastructure development continue to pose major challenges in this country. In fact, the key challenge has been to reduce inequality in all forms of its manifestation (UNDP, South Africa, Annual Workplan, 2011-2012).

Based on the Integrated Development Plans (IDP) of a number of municipalities in the Eastern Cape and including the OR Tambo District Municipality, it is fair to say that agriculture is viewed as the economic driver (Kepe, 2004).

## 2.9 National initiatives in South Africa for promoting agriculture and rural development

The Strategic Plan for South African Agriculture of 2001 has three core strategies: (i) equitable access and participation; (ii) global competitiveness and profitability; and (iii) sustainable resource management.

The objectives of the **equitable access and participation strategy** are to enhance equitable access and participation to agricultural opportunities; to de-racialise land and enterprise ownership; and to unlock the full entrepreneurial potential in the sector. Its focus will be on land reform, start-up support packages for new entrants to farming, partnership and promotion of the sector. The researcher focuses on equitable access and participation strategy.

Without access to land it would be impossible to embark on agricultural activities. According to the Strategic Plan for South African Agriculture (2001), as a first step it is important to deal efficiently with land reform to ensure rural stability and market certainty. Furthermore, “...the process of economic empowerment in South Africa agriculture starts with improved access to land and the vesting of secure tenure rights in people and to areas where these do not exist”. To deal effectively with land reform, it is important that all avenues of land access such as **restitution, redistribution** and **tenure** be given adequate attention.

Following the slow progress with the implementation of land redistribution in the first five years after 1994, the new Land Reform for Agricultural Development (LRAD) programme was designed to expand the range of support measures that will be available to previously disadvantaged South Africa citizens to access land specifically for agricultural purposes. This programme strengthens the philosophy of market-assisted land redistribution of the earlier land reform programme. It is argued that international experience has shown that market-based programmes of state-directed land redistribution tend to perform better than programmes that are operated exclusively by the public sector. This redesigned programme has the potential to speed up delivery of land because it is a unified and simple programme and is driven by beneficiaries who can use it in flexible ways according to their objectives and resources.

The South African Agricultural Production Strategy, Concept Document, 2011-2025 was developed and has the following strategic objectives:

- To improve the food security, policy and legislative framework to mitigate against high global food prices and market manipulation;
- To improve the domestic and global competitiveness of the South African agricultural sector; Create formal platforms of interaction, between government and industry, to serve as platforms of dialogue, during planning, monitoring and evaluation processes;
- To improve national coordination and management of government support services to farmers, and decentralised support services in the form of local Agricultural Development Service Centres;
- To address the decreasing production levels among the smallholder and subsistence food producers through Commodity-based experiential training and mentorship academies, as a prerequisite to government financial support; and
- To improve the government's planning capacity at national provincial and local levels, through the formulation and installation of knowledge and information management systems, e.g. decision support systems.

The strategic interventions for the South African Agricultural Production Strategy, Concept Document 2011-2025 are:

- Farmers' Development Programme/Act

The aims of the Farmers' Development Programme are to improve the entry levels of smallholder farmers into commercial agriculture, to create space for smallholder farmers to grow their business where this suits their strategies, to ensure a growing and competitive commercial sector, and to counter the effect of a growing concentration of farms, through supporting the following:

- "market development programmes with specially generated markets for smallholder farmers;
- infrastructure development programmes aimed at smallholder farmers;
- improved access to information, knowledge and training resources;

- improved planning and implementation of farming practices; and
- improved natural resource management, through spatial information management, and planning systems” (South African Agricultural Production Strategy, Concept Document 2011-2025:14).

Furthermore, the South African Agricultural Production Strategy, Concept Document seeks to stimulate rural economic growth by the stimulation of agricultural development through a commodity-based, value-chain approach to spatial planning, both at a provincial and local level. Through the Farmers Development Programme / Act, spatial planning initiatives will:

- “identify areas where key commodities (including maize, wheat, beef, dairy, sheep, fruit and aquaculture) are most suited for production at a local level, further informed by market and trade analyses;
  - use the information on the agricultural land potential to further plan for infrastructural and market development within the respective areas;
  - use Decision Support Systems (Knowledge and Information Management Systems) to support decision makers and planners of agricultural development, both within government and industry; and
  - list commodities identified for domestic production, as priority at a national and provincial level in terms of farmer support programmes offered” (South African Agricultural Production Strategy, Concept Document 2011-2025:15).
- Food Security Programme/Act

Cotula, (2008) contends that food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. It has been noted that the food security programme/Act lacks policy framework, but the strategy identifies five pillars of food security, i.e. “food availability, affordability, stability of supply, access and utilisation.” According to the South African Agricultural Production Strategy, Concept Document (2011-2025), “primary agricultural

productions clearly affects food availability, affordability and supply, as legislative framework is required to ensure the proper mitigation between all factors impacting the availability, affordability and supply of principled foods, with the objective of realising national food security, and achieving the right to food, for all.” The programme/Act aims to:

- “identify food insecure communities through knowledge and information management systems, able to provide continuous and updated analysis of the state of food insecurity at a national, provincial and local level;
- ensure qualitative and quantitative production of principled food commodities within identified food insecure communities;
- ensure that, where South Africa is unable to produce profitable, sufficient levels are imported;
- ensure that, where South Africa is able to produce food efficiently and sufficiently, the domestic market does not strain under farmers’ decision to export, and that exports are not at the expense of national food security;
- ensure the profitability of production of identified priority commodities, in this way ensuring farmers are always to gain from the production of principled food commodities; and
- to ensure that food prices and food affordability are not compromised at the expense of the above mentioned factors” (South African Production Strategy, Concept Document, 2011-2025:78)

Furthermore, an interrelated dependence between agriculture production and agro-processing clearly affects the performance of the agricultural sector as a whole, including food prices. A commodity-based, value chain is required to ensure a prosperous agricultural production sector, and to effectively mitigate against increasing food prices.

In devising the Agricultural Production Strategy, it is important that clear linkages are forged between agricultural production and agro-processing, which cover market development as well as food availability and affordability.

According to the Deputy Minister of Rural Development and Land Reform, (Rural Development and Land Reform Strategy, 2010-2013:4), "... the majority of South African citizen have their lives tied to rural life, where they feel free to practise their customs and culture in an environment conducive of an agrarian rural economy." He also draws on the democratic era post-1994 when the country had to consider reconstruction and development, and where the attention was towards improvement of the quality of life for all the citizens living in rural areas.

The negative impacts of the apartheid policies included the deterioration of the relations of land, livestock, cropping and community. The land and farming policies of the past affected the masses and discouraged rural communities which led to their loss of interest in agriculture.

The President of the Republic of South Africa in his State of the Nation Address (SONA) of 11 February 2010 highlighted the following:

The country's rural development programme will improve rural productivity, and the lives of people living in rural areas. He further touched on the following:

- "the launch of the pilot site of the Comprehensive Rural Development Programme in Giyani, Limpopo in August 2009;
- the implementation of similar programmes in seven sites across the country, benefitting 21 wards;
- the aim to have sites in 60 wards by 2014;
- the need for 60 per cent of households in these sites to meet their food requirements from own production by 2014;
- the need for better integration of land reform and agricultural support programmes; and
- an increase in the number of small-scale farmers that have become economically viable as an indication of success in this area."

Through the guidance of Lekgotla, the Department of Rural Development and Land Reform, and through the Comprehensive Rural Development Programme, the Department identified the following four outputs:

- “sustainable land reform;
- food security for all;
- rural development and sustainable livelihoods; and
- job creation and skills training, including a job creation model” (Department of Rural Development and Land Reform Strategy, 2010-2013).

The main objective of the Department of Rural Development and Land Reform Strategy 2010-2013 is agrarian transformation which means the rapid and fundamental change in the relations (systems and patterns of ownership and control) of land, livestock, cropping and community.

## 2.10 Conclusion

The post-1994 ANC led-government implemented significant policies and legal bases for pro-poor local economies in a bid to rebuild the South African economy and state structures. This chapter provided a detailed overview of Local Economic Development from the South African perspective. Legislation as well as policies designed to promote the development of local economies were highlighted and discussed. The researcher presented the meaning of LED, including its objectives; briefly discussed the role players involved in the process of LED; as well as identifying and explaining the institutional arrangements and strategies for LED.

This chapter highlighted the Local Economic Development as an important process that includes all activities in which local government and other stakeholders at local level engage to enhance growth, income and livelihoods, specifically including those of the poor. These are not restricted to local government activities, but focus on local government-initiated activities which may be carried out by a variety of actors. This presupposes that, in order for LED to be effective, various stakeholder and role players should be involved in the process. In essence, partnerships should be established with the private sector in the form of Public



Private Partnerships (PPP), NGOs/CBOs. The effective implementation of LED strategies is also important in order to achieve the objective of local government as set out in section 152 of the Constitution, thereby ensuring sustainable and shared economic growth and development.

The following chapter will focus on the role of the OR Tambo District Municipality in promoting LED, with specific reference to agriculture. This chapter will also explore the economic profile of the OR Tambo District Municipality and its local municipalities and, finally, the poverty analysis of the district will be presented.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter will focus on the role of the OR Tambo District Municipality in promoting LED with specific reference to agriculture and food production. This chapter will also explore the economic profile of the OR Tambo District Municipality and its local municipalities and finally, a poverty analysis of the district will be presented.

The researcher will further present the data from the Market Survey Report conducted for the Kei Fresh Produce Market in 2012 in the OR Tambo District Municipality. The first draft which was released on 4 October 2012 attempted to determine the market segments, total market size, the potential supplier base and the suitable value chain.

### **3.2 Permission to conduct the study**

The researcher wrote letters to the municipal managers of the OR Tambo District Municipality and its local municipalities as well as identified departments that form part of the study to seek permission for the study. The letters clearly indicated that the information obtained for the study will only be used for academic purposes. Permission was granted. Some of the letters written to the institutions and the responses from these institutions are attached as Annexure 1.

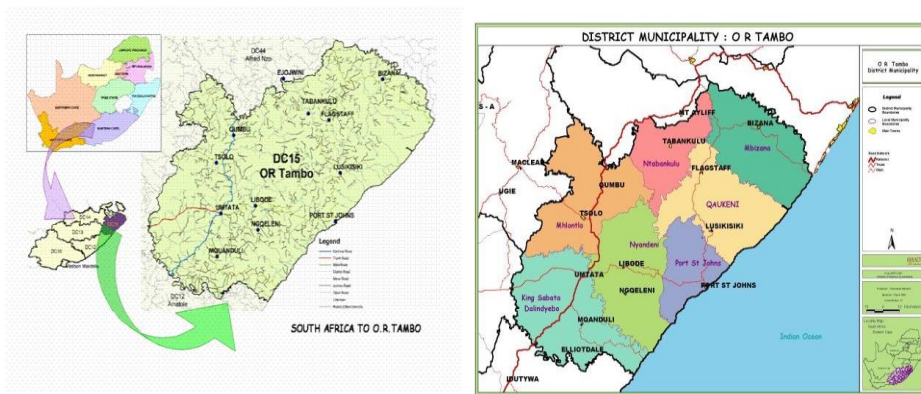
### **3.3 Economic profile of OR Tambo District Municipality**

#### **3.3.1 Locality**

The OR Tambo District Municipality is one of the largest district municipalities in the Province of the Eastern Cape. It is located to the east of the Province along the Indian Ocean of South Africa, and is bordered by KwaZulu-Natal and the Eastern Cape districts of Amatole, Chris Hani, Ukhahlamba and Alfred Nzo. It extends over 12,095.95 km<sup>2</sup> and incorporates five of the former Transkei magisterial districts into five local municipalities. This district municipality is “classified as a Category C2 municipality, indicating a largely rural character and it is estimated that some 93 per

cent of the population reside in rural areas with a consequent dispersed settlement pattern and low urbanisation rate as well as limited municipal staff and budget capacity” (OR Tambo District Municipality IDP Review, 2011/2012:40-41).

**Figure 1:** Location of the OR Tambo District Municipality as well as South Africa to OR Tambo District Municipality.



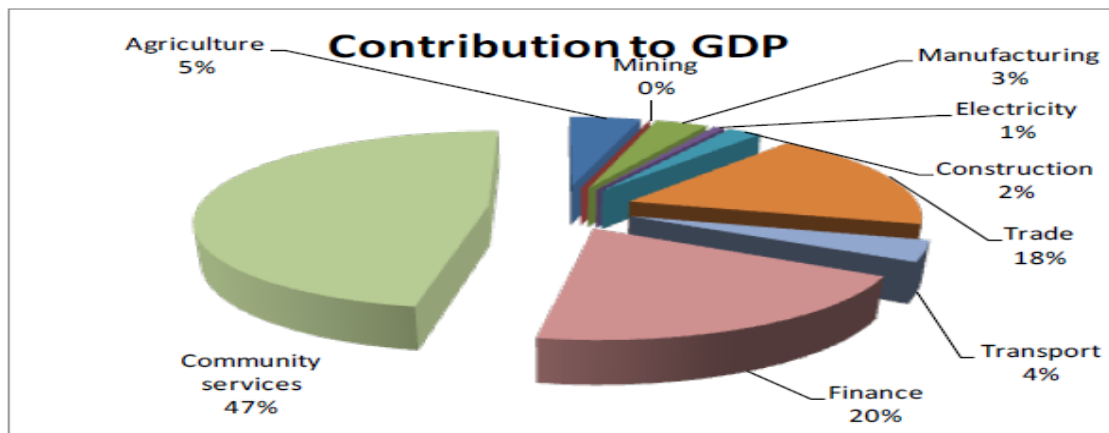
Source: ORTDM IDP Review (2011/2012)

The district hosts “a wide range of various forms of habitat which includes upland and coastal grassland, afro-montane and coastal forest, valley thicket, thorny bushveld, coastal and marine habitats” (ORTDM IDP Review, 2011/2012:40).

### 3.3.2 Contribution to GDP by sector

The chart below shows the districts’ percentage contribution to the Province of the Eastern Cape GDP.

**Chart 2: ORTDM contributions to GDP**



Source: Economic Snapshot: OR Tambo District (April 2012)

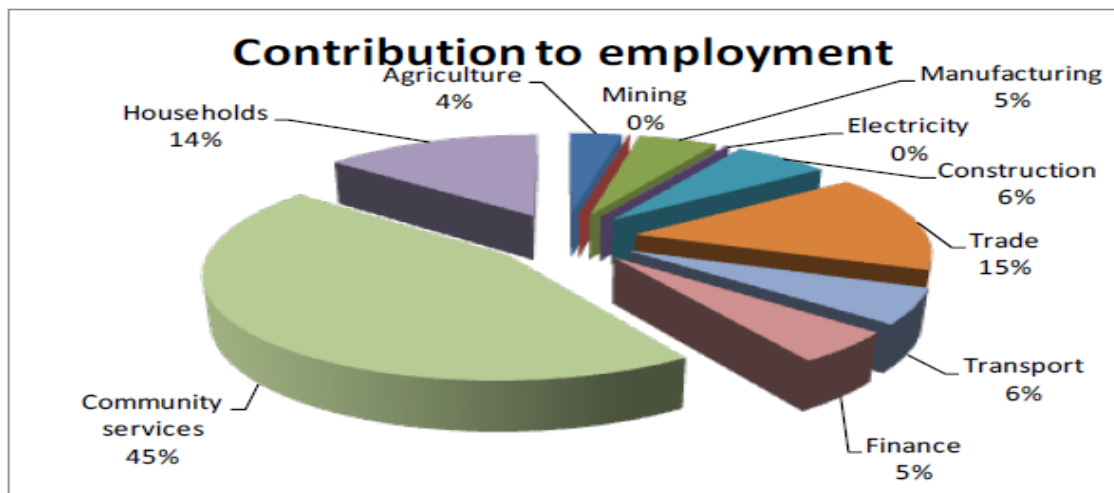
Looking at Chart 2 above, one will find that the agricultural sector contributes 4 per cent to GDP of the district, meaning that this sector is also important. Significant contributors to the districts' GDP are community services at 47 per cent, followed by finance at 20 per cent and trade at 18 per cent.

### 3.3.3 Employment statistics according to different sectors

According to the Eastern Cape Socio Economic Consultative Council (ECSECC) – Labour 2012, “the number of people employed in the formal and informal sector as per the 2010 statistics stands at 235 610 in the district”, with the community service at 45 per cent followed by trade at 15 per cent, agriculture at 4 per cent, manufacturing at 5 per cent, transport at 6 per cent, construction 6 per cent, electricity and mining at 0 per cent and households at 14 per cent. King Sabata Dalindyebo Local Municipality is a major role player in the OR Tambo District Municipality’s economy and it contributes more than any other municipality in all sectors of the district economy, with the exception of mining. The ORTDM’s IDP (2007/2008 – 2011/2012:11) states that, “what is of significance, is the important role that Mthatha plays as a single major contributor to both the secondary and tertiary sectors of the district.”

In terms of warm bodies, the agricultural sector, which includes forestry and fishing, employs 21 447 as per the 2010 statistics within the OR Tambo District Municipality.

**Chart 3:** Sector contribution to employment



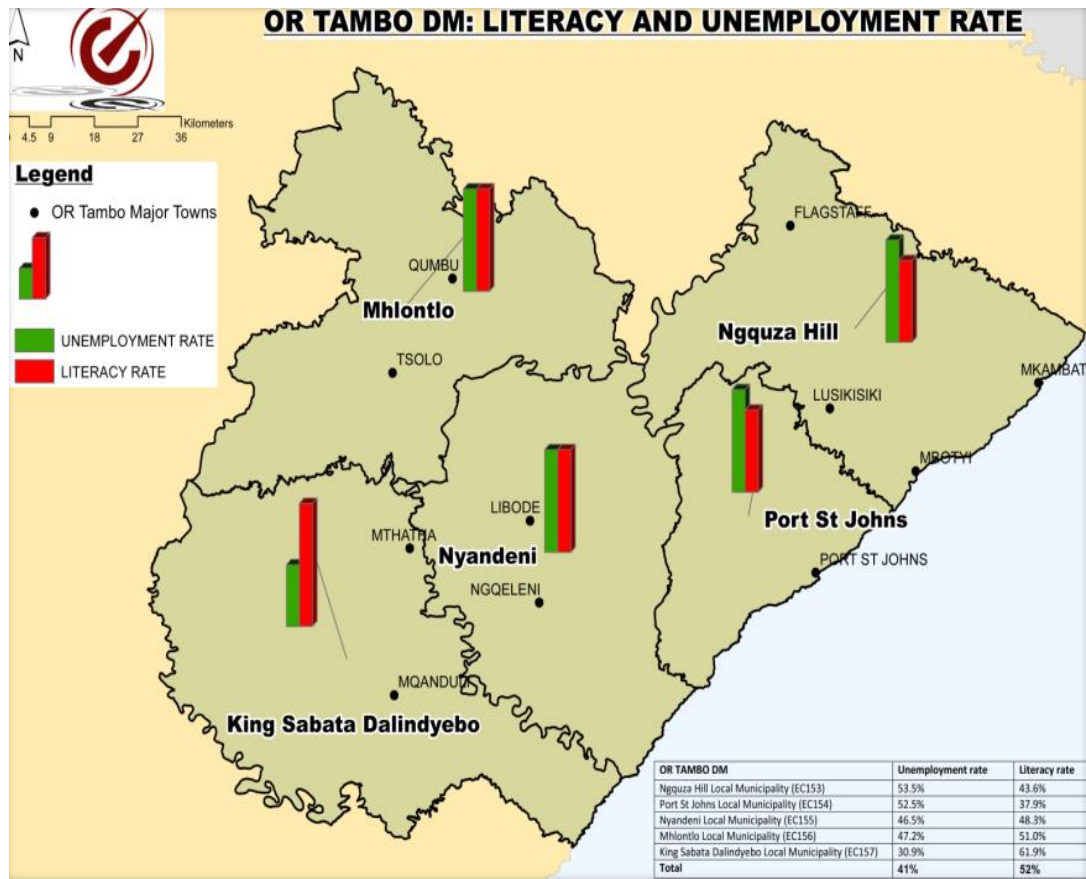
Source: Economic Snapshot: O.R Tambo District (April 2012)

The informal sector also plays a role in employment creation, although it should be noted that the “informal sector remuneration or wages are in most instances below the living wage, and therefore, does not lift individuals or households above the poverty line.”

### 3.3.3 Unemployment rate

The official unemployment rate in the ORTDM is 41 per cent and the literacy rate is 52 per cent, according to the Eastern Cape Socio-Economic Consultative Council (ECSECC) – Labour 2012).

**Figure 2:** ORTDM unemployment rate and literacy rate.



Source: Economic Snapshot: OR Tambo District – April 2012

The OR Tambo District Municipality is faced with a declining economy with “high levels of poverty, underdevelopment and infrastructure backlogs as well as reliance on the government sector.” The district municipality directed its development priorities in four areas: “(i) alleviations of poverty and unemployment; (ii) housing and social infrastructure, especially in more rural areas; (iii) tourism; and (iv) increasing municipal institutional capacity and skill as well as effective management of development.”

The agricultural sector in the economic development of the region can be classified as poor though the agricultural sector is regarded as having high potential.

### 3.4 Overview of ORTDM local municipalities

The OR Tambo District Municipality comprises five local municipalities, namely Ingquza Hill, Port St Johns, Nyandeni, Mhlontlo, and King Sabata Dalindyebo. Each of the above-mentioned local municipalities will now be briefly discussed.

#### 3.4.1 King Sabata Dalindyebo

This local municipality is made up of two towns, (Mthatha and Mqanduli) urban and rural magisterial areas and measures approximately 3027.43 km<sup>2</sup>. It is estimated that the population of KSD LM is 460 772 as per the 2012 statistics with the majority residing in rural areas. There is an unemployment rate of 30.9 per cent and a literacy rate of 61.9 per cent (ECSECC Economic Snapshot: OR Tambo District – April 2012). KSD LM prides itself on being a home of political icons such as former President Nelson Rolihlahla Mandela and King Sabata Dalindyebo. Its political history, as well as its potential in agriculture, tourism and forestry development initiatives is also a source of pride.

The KSD Local Municipality envisions a “safe, vibrant and prosperous economic hub, which is characterized by well-developed agriculture and tourism sectors with communities able to participate in the economic and social development of their areas in an active, meaningful and sustainable manner” (District Profile Eastern Cape OR Tambo District Municipality, 2005:28).

The municipality’s priorities are access roads as it is an enabler of economic growth and development initiatives, infrastructure improvement, as well as access to services.

Community services and retail are the biggest employers within the KSD LM, while the main economic opportunities are identified as tourism, agriculture and forestry.

The aim of the KSD LM is to “combat the impact of HIV/AIDS, implement a social development programme and attend to the substantial backlogs in basic infrastructure” (District Profile Eastern Cape OR Tambo District Municipality, 2005:28).

The KSD Local Municipality is the major role player in the OR Tambo District Municipality's economy and it contributes more than any other municipality in all sectors of the district economy, with the exception of mining.

### 3.4.2 Port St Johns Local Municipality

This local municipality comprises one town (Port St Johns), urban and rural magisterial areas and it measures approximately 1291.25 km<sup>2</sup>. It is estimated that the population of Port St Johns LM is 152,320 as per the 2012 statistics with the majority residing in rural areas and with an unemployment rate of 52.5 per cent and a literacy rate of 37.9 per cent (ECSECC Economic Snapshot: OR Tambo District – April 2012).

The Port St Johns Municipality envisions a “transformed, integrated municipality that subscribes to the principles of developmental local government, which provides a sustainable quality of life by creating a regional centre (Port St Johns – Gateway to the Wild Coast) that generates economic development and employment opportunities through improving basic services in rural areas and by utilising the area's natural resources and tourism potential” (District Profile Eastern Cape OR Tambo District Municipality, 2005:19).

The key development priorities for the municipality are: economic development; tourism; agriculture; infrastructure; housing; education; community facilities; sports facilities; health and welfare; protection services; the environment; institutional development and finance (District Profile Eastern Cape OR Tambo District Municipality, 2005:19).

The Port St Johns local municipality is situated on the Wild Coast and boasts immense beauty and a year-round moderate, subtropical climate. It is argued that it has a high average potential of dry land maize and a large proportion of the population sells fresh produce and vegetables (District Profile Eastern Cape OR Tambo District Municipality, 2005:19).



According to the District Profile Eastern Cape OR Tambo District Municipality (2005:19), LED initiatives are directed at poverty alleviation, job creation, agriculture stimulation, tourism, fishing which is characterised as a poorly organised potential, and the SMME development for sustainable growth.

### 3.4.3 Nyandeni Local Municipality

This local municipality is made up of two towns (Libode and Ngqeleni), urban and rural magisterial areas and measures approximately 2 474.02 km<sup>2</sup>. It is estimated that the population of Nyandeni LM is 300 117 as per the 2012 statistics with the majority residing in rural areas and has an unemployment rate of 46.5 per,cent and a literacy rate of 48.3 per,cent (ECSECC Economic Snapshot: OR Tambo District – April 2012).

The Nyandeni LM envisions “sustainable and holistic socio-economic development that promotes service delivery and ensures efficient and effective governance, anchored in democratic and transparent values for the betterment of our communities” (District Profile Eastern Cape OR Tambo District Municipality, 2005:22).

The municipality’s Integrated Development Plan (2010/2011) is based on development THRUSTS as identified and supported by partners during the District Growth and Development Summit and the subsequent District Investment Conference (Nyandeni Local Municipality IDP, 2010/2011:12).

The following are the development THRUSTS as identified: “(i) THRUST 1 infrastructure development to address basic services; (ii) THRUST 2 government programme aiming at improving government planning, performance monitoring and good governance; (iii) THRUST 3 agrarian development and transformation focusing on providing to the emerging farmers; (iv) THRUST 4 tourism development; (v) THRUST 5 Forestry development; and (vi) THRUST 6 social safety net” (Nyandeni Local Municipality IDP, 2010/2011:12)

The municipality’s aim is to create tourism-friendly nodes in Hluleka, Umtata Mouth and Mpande. The European Union is currently involved in creating tourism

enterprises along the coast. While land is arable, farming is only at subsistence level and the strategies that are in place aim to lower unemployment levels by 25 per cent by 2006 through agriculture and tourism development, promoting SMMEs and public-private-partnerships (PPPs), upgrading and maintaining all access roads by 2007, and seeking out available natural resources (District Profile Eastern Cape OR Tambo District Municipality, 2005:22).

#### 3.4.4 Mhlontlo Local Municipality

This local municipality is made up of two towns (Qumbu and Tsolo), urban and rural magisterial areas and measures approximately 2826.19 km<sup>2</sup>. It is estimated that the population of Mhlontlo LM is 460 772 as per the 2012 statistics with the majority residing in rural areas and has an unemployment rate of 47.2 per,cent and a literacy rate of 51 per cent (ECSECC Economic Snapshot: OR Tambo District – April 2012).

The Mhlontlo Local Municipality envisions “a fast-growing area committed to integrated development, sustainable use of resources, poverty reduction, service delivery at an affordable cost, skills development, better health care facilities, protection of natural environment and ensuring a crime-free society with the aim of developing a self-sustainable municipality” (District Profile Eastern Cape OR Tambo District Municipality, 2005:25).

The municipality’s development priorities are: “poverty and agriculture; water and sanitation; HIV/AIDS and health facilities; crime; zoning; soil erosion; urban and rural greening; housing; waste management; disaster management; and roads” (District Profile Eastern Cape OR Tambo District Municipality, 2005:25).

The tertiary sector of this municipality is stable and dominates areas such as Qumbu and Tsolo, with the primary sector being agriculture, which cannot meet the needs of the local communities (District Profile Eastern Cape OR Tambo District Municipality, 2005:25).

The municipality's LED projects aim to "rehabilitate the economy through tourism initiatives (natural and cultural), agriculture improvements (including possible value-adding and manufacturing) and other employment opportunities, such as brick-making, wiring and quarries." (District Profile Eastern Cape OR Tambo District Municipality, 2005:25).

#### 3.4.5 Ingquza Hill Local Municipality

This local municipality is made up of two towns (Lusikisiki and Flagstaff) urban and rural magisterial areas and measures approximately 2477.06 km<sup>2</sup>. It is estimated that the population of Ingquza Hill LM is 274,015 as per the 2012 statistics with the majority residing in rural areas and an unemployment rate of 53.5 per cent and a literacy rate of 43.6 per cent (ECSECC Economic Snapshot: OR Tambo District – April 2012).

Ingquza Hill Local Municipality, formally known as Qaukeni Local Municipality, envisions a "developmental, economically viable and responsive municipality where all communities enjoy equitable access to sustainable services" (District Profile Eastern Cape OR Tambo District Municipality, 2005:16).

The municipality's development priorities are: economic development in relation to development thrusts of institutional development; infrastructure services; social development and the environment (District Profile Eastern Cape OR Tambo District Municipality, 2005:16).

The municipality's aim was to grow its annual average GDP rate to 3 per cent by June 2009 and reduce unemployment by 5 per cent by 2009. The municipality needs to encourage tourism, public private partnerships (PPPs) and incentives to attract investment. The potential of agriculture, forestry, tourism and aqua culture are of significance and these are possibilities for the development of sustainable programmes that seek to address poverty and unemployment. The other potential sector for production and export is tea which could positively impact growth (District Profile Eastern Cape OR Tambo District Municipality, 2005:16).

### 3.5 ORTDM poverty analysis

The poverty rate within the ORTDM stands at 75.16 per cent as per the ORTDM Profile 2011 and per local municipalities, with Ingquza Hill leading at 76.99 per cent, followed by Port St Johns at 76.49 per cent, Nyandeni at 75.59 per cent, Mhlonthlo at 73.39 per cent and finally, King Sabata Dalindyebo at 63.83 per cent.

It is clear from the statistics presented above that the district municipality is still faced with very high levels of poverty and is still far from achieving the Millennium Declaration by the United Nations of September 2000 of “reducing poverty to half of the 1990 levels by 2015.” Given the relationship between literacy and poverty, it is clear that the district municipality needs to also invest in increasing the literacy rate of its population.

### 3.6 Data collection

The qualitative and quantitative methods of data collection were used by the researcher in the study.

#### 3.6.1 Qualitative method of data collection

Creswell (2002:50) defines qualitative research as an inquiry approach useful for exploring and understanding a central phenomenon. He further states that “to learn about this phenomenon, the inquirer asks participants broad, general questions, collects the detailed views of participants in form of words or images, and analyses the information for description and themes.”

The researcher used the qualitative method because, according to Neuman (2000), this research method tends to be rich in detail, sensitive in context, and capable of showing complex processes or sequences of social life.

#### 3.6.2 Quantitative method of data collection

Burns and Grove (2005:23) define quantitative research as a formal, objective, systematic process in which numerical data are used to obtain information about the world. This research method is used:

- “to describe variables;
- to examine relationships among variables; and
- to determine cause-and-effect interactions between variables.”

In this approach the researcher was concerned with numbers which represent values of variables, and these values measure characteristics of respondents.

### 3.6.3 Target population

The target population is the entire group a researcher is interested in; the group as to which the researcher wishes to draw conclusions. In this study, the target population consisted of LED directors; LED councillors; LED managers, as well as IDP managers, in the ORTDM and its local municipalities. It also consisted of LED officials from the following departments: (a) the Department of Economic Development and Environmental Affairs (DEDEA); (b) the Department of Rural Development and Agrarian Reform and Transformation; and (c) the Department of Local Government and Traditional Affairs.

In addition to the above, the following government agencies also formed part of the study: (a) the Department of Social Development and Special Programmes; and (b) the Ntinga OR Tambo Development Agency.

### 3.6.4 Sample

The sample is described thoroughly in terms of clinical and demographic characteristics in the methods section so that others can draw conclusions, apply the results, and compare one investigation with another.

According to Welman and Kruger (2001:46), the size of the population makes it impractical and uneconomical to involve all the members in the population. Hence it is necessary to obtain a sample of research participants that best represent the population.

The sample size for the study consisted of seven directors, one from OR Tambo District Municipality and five directors in each of its local municipalities as well as one regional director from the Department of Economic Development and Environmental Affairs (DEDEA) for face-to-face interviews. Furthermore, the researcher sampled three LED officials from the OR Tambo District Municipality and three LED officials from its local municipalities to respond to questionnaires.

The researcher also interviewed a manager responsible for agriculture on exclusively agricultural-related issues in the following institutions: the Department of Rural Development and Agrarian Reform and Transformation as well as the Ntinga OR Tambo Development Agency.

Two officials responsible for LED in the Department of Rural Development and Agrarian Reform and Transformation, the Department of Social Development and Special Programmes, the Department of Local Government and Traditional Affairs as well as the DEDEA were requested to complete questionnaires.

In this study both the probability and non-probability sampling methods were used by the researcher.

#### 3.6.4.1 Probability sampling technique

The probability sampling technique enables the samples to be gathered in a process that gives all the individuals in the population equal chance of being selected. The reasons for using probability sampling are the ease with which the sample is assembled and because it is considered to be a fair way of selecting a sample from a given population since every member is given the opportunity of being selected.

Another key feature of this sampling method is its representativeness of the population. In this technique, if the sample is not representative of the population, the random variation is called sampling error. In this technique simple random sampling was used by the researcher.

#### 3.6.4.1 Non-probability sampling technique

The non-probability sampling technique is commonly used in studies where the trait or behaviour being investigated occurs so rarely in the general population that it becomes impractical to use a random selection process.

The researcher used the judgemental sampling or purposive sampling. This technique was selected based on whom the researcher thought would be appropriate for the study.

One of the advantages of this sampling technique is that it saves time and cost.

#### 3.6.5 Sample: local municipalities

The researcher sampled all the local municipalities within the OR Tambo District Municipality which consists of King Sabata Dalindyebo, Port St Johns, Ingquza Hill, Nyandeni, and Mhlontlo, including the district municipality.

#### 3.6.6 Sample: respondents from the district and local municipalities

The research used the purposive or judgemental technique as the respondents were selected specifically for their knowledge of the field being studied. The respondents included LED directors, LED councillors, LED managers and IDP managers in both the district municipality and its local municipalities as they are relevant and play a leading role in LED programmes.

#### 3.6.7 Sample: service partners/stakeholders

The purposive or judgmental technique was also used to select the sample of service partners/stakeholders. The researcher identified the following crucial service partners that are relevant to the study:

- the Department of Economic Development and Environmental Affairs. Here three respondents were selected to respond to questionnaires: the regional director for a face-to-face interview and two officials responsible for LED;
- the Department of Social Development and Special Programmes. Here two respondents were selected for responding to questionnaires;
- the Department of Rural Development and Agrarian Reform and Transformation. Three respondents were selected to respond to questionnaires: the manager responsible for agricultural development for a face-to-face interview on exclusively agricultural-related issues and two agricultural officers; and
- the Ntinga OR Tambo Development Agency where two respondents were selected for a face-to-face interview on exclusively agricultural-related issues.

### 3.7 Data collection techniques and measuring instruments

The following data collection techniques were used by the researcher:

#### 3.7.1 Questionnaires

The researcher used questionnaires in order to obtain in-depth information and this also allowed the researcher to measure quantification. It was also important for the researcher to understand that a questionnaire is a tool and as such it must be user-friendly so that the reader can understand, interpret and complete it easily. There are two important concepts in questionnaire development: ‘reliability’ and ‘validity’. According to Palys (1997:4), ‘reliability’ implies that “...repeated observations of the same phenomena should yield similar results, and different observers following the same research methodology or procedure should arrive at the same conclusions.” ‘Validity’ means measuring what one wants to measure.

For the questionnaires a combination of open-ended and closed-ended questions were used: open-ended questions were used because, according to Neuman (2000), they are the most effective route towards an authentic understanding of people’s experiences.



The researcher used the questionnaire technique because of the following advantages:

- They are relatively easy to analyse;
- A large sample of the given population can be contacted at relatively low cost;
- They are simple to administer;
- Information is collected in a standardised way;
- They are usually straightforward to analyse; and
- Respondents have time to think about their answer; they are not usually required to reply immediately.

The disadvantages of using questionnaires for data collection are as follows:

- Those who have an interest in the subject may be more likely to respond, skewing the sample;
- Respondents may ignore certain questions;
- Questions may appear impersonal;
- Questions may be incorrectly completed; and
- They are not suitable to investigate long, complex issues.

#### 3.7.1.1 Distribution of questionnaires

The researcher developed two sets of questionnaires. One set was for LED officials in the following government institutions: the Department of Rural Development and Agrarian Reform and Transformation; the Department of Local Government and Traditional Affairs as well as the Department of Social Development and Special Programmes who are relevant and play a vital role in the development of local economies. The other set was for LED officials in the district municipality and its local municipalities (refer to Annexure 3).

Prior to the distribution of the questionnaires, a meeting was conducted with the municipal managers and identified respondents at the district municipality and its local municipalities. The researcher presented a brief overview of the study as well as the structure of the questionnaires. Meetings were held with managers from the

following government institutions: the Department of Economic Development and Environmental Affairs (DEDEA); the Department of Rural Development and Agrarian Reform and Transformation; the Department of Local Government and Traditional Affairs as well as the Department of Social Development and Special Programmes who formed part of the study, and a brief overview of the research as well as the structure of the questionnaire was presented.

The researcher distributed a total of 24 questionnaires to the identified respondents at their respective workplaces and the respondents were given between three to four days to complete the questionnaires. Those who did not complete the questionnaires within four days were given an extra day to do so. They were given an opportunity to e-mail completed questionnaires to the researcher. An e-mail address was provided.

### 3.7.2 Face-to-face interviews

The researcher developed two sets of structured interview questions: one set for LED directors at district and its local municipalities as well as the DEDEA, and the other set exclusively for the Department of Rural Development and Agrarian Reform and Transformation as well as the Ntinga OR Tambo Development Agency. An interview date was set during the pre-meetings with the managers of the district municipality and its municipalities as well as the following government institutions: the DEDEA; the Department of Rural Development and Agrarian Reform and Transformation; the Department of Social Development and Special Programmes; the Department of Local Government and Traditional Affairs; and the Ntinga OR Tambo Development Agency.

The researcher used structured interviews that included planned and detailed questions. The interviews were structured since all the questions were developed prior to the interview.

The interview questions also entailed closed-ended and open-ended questions. The interviewer used the interview technique because of some of the following advantages:

- They are useful to obtain detailed information about personal feelings, perceptions and opinions;
- They allow more detailed questions to be asked;
- They usually achieve a high response rate; and
- Ambiguities can be clarified and incomplete answers followed up.

The following are disadvantages of using the interview technique:

- They can be very time-consuming: setting up, interviewing, transcribing, analysing, feedback, reporting;
- They can be costly; and
- Different interviewers may understand and transcribe interviews in different ways.

Prior to the interview, the interviewees were made aware that at any given time they were at liberty not to respond to questions which they felt might compromise their situation.

### 3.7.3 Measuring instruments.

The researcher used descriptive statistical analysis which is limited to percentages and frequencies of occurrence to analyse the data. Furthermore, data collected from interviews was analysed as part of the thematic content analysis. The researcher presented the data from the Market Survey Report conducted for the Kei Fresh Produce Market in 2012 in the OR Tambo District Municipality with the first draft presented on 4 October 2012 which attempted to determine the market segments, total market size, the potential supplier base and the suitable value chain.

### 3.8 Conclusion

In this chapter the researcher explored the economic profile of the OR Tambo District Municipality and presented an overview of its local municipalities as well as the poverty analysis of the district.

In this study both the qualitative and quantitative methods of data collection were used with the aid of questionnaires and interview techniques. The data collection methods as well as the sampling techniques were used. The samples of municipalities and identified institutions that formed part of the study were also discussed. The target population consisted of seven directors in the district municipality and its local municipalities and one regional director from the DEDEA. Furthermore, the researcher presented the target population from the following government institutions: (i) the DEDEA; (ii) the Department of Rural Development and Agrarian Reform and Transformation; (iii) the Department of Social Development and Special Programmes; (iv) the Department of Local Government and Traditional Affairs; (v) the Ntinga OR Tambo Development Agency. Lastly, measuring instruments were discussed briefly.

The following chapter deals with the presentation and analyses of the data collected for the study.

## **CHAPTER 4: EMPIRICAL RESULTS**

### **4.1 Introduction**

This chapter will focus on the presentation of the data collected for the study, and an analysis of the responses from the respondents will be presented. The researcher considered the research objectives as presented in Chapter 1. The first section deals with the biographical information of the respondents and the second section will provide an analysis of the responses from LED managers/officials, IDP managers/officials and LED councillors from the district municipality and its local municipalities as well as officials responsible for LED in the Department of Economic Development and Environmental Affairs. The third section deals with the analysis of data from the following government institutions who participated in the study: the Department of Social Development and Special Programmes; the Department of Local Government and Traditional Affairs; as well as the Department of Rural Development and Agrarian Reform and Transformation. The fourth section will provide qualitative data analysis collected through interviews with LED directors from the district municipality and its local municipalities, the Department of Economic Development and Environmental Affairs. The last section will provide a qualitative analysis of the exclusive interviews with the Department of Rural Development and Agrarian Reform and Transformation as well as the Ntinga OR Tambo Development Agency.

In assessing the impact of LED with specific reference to agriculture, the researcher presented data from the Market Survey Report conducted for the Kei Fresh Produce Market in 2012 within the OR Tambo District Municipality with the first draft released in 4 October 2012 which attempted to determine the market segments, total market size, the potential supplier base and the suitable value chain.

### **4.2 Biographical information**

Below is the biographical information of all the respondents from the district municipality, local municipalities and respondents from the DEDEA who participated in the study.

#### 4.2.1 Gender

Information supplied by the respondents from the district municipality and its local municipalities as well as the DEDEA showed that males constitute 47 per cent whilst females constitute 53 per cent of the respondents. This means that females dominate the LED and IDP leadership within the ORTDM although it should be noted that this does not represent the entire population working in the LED and IDP departments.

#### 4.2.2 Qualifications

The data showed that 59 per cent of the respondents from the district municipality and its local municipalities as well as LED Officials from the DEDEA per cent have degrees, 24 per cent have diplomas, 12 per cent have post graduate degrees or diplomas while 5 per cent have a secondary education.

From the above it is clear that the district municipality and its local municipalities are aware of the developmental state requirements that people responsible for promoting and ensuring the realisation of the developmental agenda must have relevant and appropriate qualifications as well as the skills and expertise.

#### 4.2.3 Work position

Work positions differed from municipality to municipality with some having IDP and LED officers while others have IDP and LED managers. It is important to note that though the other target respondents were LED councillors from each municipality, only 33 percent of the respondents from this target population responded out of six municipalities. This is attributed to the lack of capacity which was revealed by some officials during the pre-meeting for the study.

### 4.3 Responses from municipal officials and the DEDEA on IDP and LED

The researcher analysed the questionnaire responses from municipal officials and respondents from the Department of Economic Development and Environmental Affairs (DEDEA) who

participated in the study. The questionnaires are attached as Annexure 2 – Questionnaire for Municipal Officials and DEDEA.

#### 4.3.1 Section B: Municipal IDP

Out of 20 questionnaires distributed to the district municipality and five of its local municipalities as well as the DEDEA, only 17 questionnaires were returned. The response rate was 85 per cent of the target population. The following information was revealed:

- 88 per cent of the respondents strongly agreed with the assertion that the council has formulated the strategic vision for the municipality while 12 per cent agreed.
- 100 per cent of respondents strongly agreed with the assertion that the municipality's council strategic vision is captured in the Integrated Development Plan of the municipality.
- 82 per cent of the respondents strongly agreed that the municipality's Integrated Development Plan reflects the municipal's council vision of long term development, 12 of the respondents agree whilst 6 per cent remained neutral.
- 71 per cent of the respondents strongly agreed that the municipality's IDP emphasises the most critical development, internal and external transformation needs, and 24 per cent agreed whilst 6 per cent were neutral.
- 71 per cent of the respondents strongly agreed that the municipality's IDP reflects an assessment of the existing level of development in the area, which includes an identification of communities which do not have access to basic services and 23 per cent agreed, whilst 6 per cent disagreed.
- 59 per cent of the respondents strongly agreed that the municipality's IDP reflects the council's development priorities and objectives for its term in office, which includes its economic development aims, internal and external transformation, and 29 per cent agreed whilst 6 per cent were neutral and 6 per cent disagreed.

- 71 per cent of respondents strongly agreed the adopted IDP reflects the municipality's financial plan, which includes budget projection for the next five years, and 12 per cent agree, whilst 6 per cent were neutral, 6 per cent disagreed and 6 per cent strongly disagreed.

#### 4.3.2 Section C: Municipal IDP

Below is what was revealed by respondents with regards to municipal IDP:

- 82 per cent of the respondents strongly agreed that the local community together with other stakeholders within the municipality's area participated in the IDP formulation process, and 12 per cent agreed whilst 6 per cent disagreed.
- 76 per cent of the respondents strongly agreed that the municipality's IDP reflects the local economic development strategies, and 12 per cent agreed whilst 12 per cent were neutral.
- 70 per cent of the respondents strongly agreed that the municipality's IDP addresses the socio-economic needs of the community, and 18 per cent agreed whilst 12 per cent were neutral.
- 47 per cent of the respondents strongly agreed that the municipality's IDP addresses the agricultural needs of local farmers, and 18 per cent agreed whilst 35 per cent were neutral.
- 71 per cent of the respondents strongly agreed that the municipality's IDP has prioritised certain needs which are most basic to the local community, and 23 per cent agreed whilst 6 per cent were neutral.

#### 4.3.3 Section D: Municipal LED

Below is what was revealed by respondents with regards to municipal LED:

- 100 per cent of the respondents agreed that there is a positive relationship between LED and community participation.



- 94 per cent of the respondents agreed that the municipality has developed an LED strategy whilst 6 per cent were unsure.
- 100 per cent of the respondents agreed that the socio-economic needs of the communities in the area are captured in the LED strategy of the municipality.
- 82 per cent of the respondents agreed that the agricultural development has been prioritised in a stride to fight poverty and food security whilst 18 per cent said this was not the case.
- 88 per cent of the respondents agreed that the short term LED targets have been set and 12 per cent were unsure.
- 65 per cent of the respondents agreed that the LED unit responsible for LED has been established and well-resourced and 29 per cent said this was not the case whilst 6 per cent were unsure.
- 71 per cent of the respondents agreed that programmes to promote agricultural LED programmes in the area are in place that ensures the development of local economies and 17 per cent said this was not the case whilst 12 per cent were unsure.
- 82 per cent of the respondents agreed that CDWs have been employed with the context of strengthening community participation whilst 18 per cent were unsure.
- 47 per cent of the respondents agreed that capacity building programmes for municipal officials responsible for the implementation of agricultural LED programmes are in place and 29 per cent disagreed whilst 24 per cent were unsure.
- 100 per cent of the respondents agreed that the municipality has established partnerships with other institutions including government departments with the view of promoting local economic development with specific reference to agriculture.

#### 4.3.4 Challenges identified by municipal officials and DEDEA officials

Below are the challenges identified by municipal and DEDEA officials:

- level of education often becomes a challenge when providing training to project beneficiaries;
- political interference;
- lack of interest to participate by intended beneficiaries as they would want to be paid a stipend;
- access roads to funded LED programmes;
- lack of support from ward councillors at times;
- lack of technical support and after care;
- lack of infrastructure and equipment;
- lack of capacity such as business management skills of beneficiaries;
- lack of financial resources;
- lack of ownership of programmes by some community members resulting in poor attendance of proposed initiatives;
- poor agricultural infrastructure such as fencing of the fields;
- no access to markets;
- access to land through land claims;
- lack of irrigation schemes;
- not enough budget for agricultural development;
- lack of capacity-building interventions for farmers;
- inadequate project management skills to monitor farming projects;
- lack of mentoring on existing farming programmes;
- majority of arable land is not fenced;
- aging population of farmers and lack of participation in agricultural initiatives by the youth and women;
- limited funding for LED programmes; and
- infrastructure to support LED programmes, for example road networks, bulk water infrastructure.

#### 4.4 Responses from institutions that form part of the study

The responses from the following government departments' participants were analysed: the Eastern Cape Department of Local Government and Traditional Affairs, the Department of Social Development and Special Programmes as well as the Department of Rural

Development and Agrarian Reform and Transformation. The questionnaires are attached as Annexure 3 – Questionnaire for Officials in other Government Institutions.

#### 4.4.1 Section B: LED

The respondents' understanding of Local Economic Development (LED) is presented below with reference to question one:

Full, complete sentences?

- Income generation and livelihood support services/programmes created from local available resources;
- The contribution that is made by local activities to contribute in developing the economy of that particular region;
- The framework which brings together all relevant stakeholders interest into cooperative arrangement as partners focused on the development of local areas;
- Growth of the local economy, the empowerment of the local community to enable the community to have certain level of independency and self-sufficiency; and
- The economy driven by the communities using available resources within the community with the purpose of benefiting the local people/markets.

It was revealed that 100 per cent of the respondents agreed that there is a relationship between community/stakeholder participation. Some of the respondents highlighted that:

- sharing of information, skills, knowledge, interventions, experiences from different stakeholders and individuals can help develop local economy; and
- LED must be informed by community needs and community participation becomes paramount as this promotes ownership and involvement in local economic development initiatives.

Below are some of the programmes that these institutions have in place to promote and ensure development of local economies:

- Comprehensive agricultural support which deals with the issue of addressing infrastructure development as well as dealing with food insecurity; and
- Capacity-building initiatives and involvement in SMME development.

The analysis showed that 83 per cent of the respondents in relation to capacity-building programmes for officials responsible for LED stated that there are programmes in place while 17 per cent hold the view that there are no capacity-building programmes within their departments. Some highlighted budget constraints.

Below are some of the capacity-building programmes that were highlighted by some of the respondents:

- Funding of projects such as poultry;
- Comprehensive agricultural support programme (CASP), which deals with the issue of infrastructure development and also addresses food security;
- Sustainable livelihoods;
- Land care – natural resources management; and
- Infrastructure development programmes.

67 per cent of the respondents agreed that there are capacity building programmes for official responsible for LED whilst 33 per cent said there are no capacity building programmes in place. The 33 per cent who said there are no capacity building programmes highlighted the lack of a budget.

Below are some of the capacity-building programmes which were identified by the respondents:

- Community development workshops;
- Project management; and
- Extension recovery plan (ERP).

The responses revealed that 83 per cent of the respondents agreed that they have established relationships with other institutions with a view to promoting local economic development with specific reference to agriculture whilst 17 per cent of the respondents did not respond.

- The respondents who have established relationships with other institutions said these relationships are managed through a Memorandum of Understanding (MOU);
- With regard to support provided by other institutions to municipalities in implementing agricultural LED programmes, some respondents highlighted that the Department of Rural Development and Agrarian Reform and Transformation supplies extension officers who provide the necessary technical advice, provision of farming inputs as well as skills development;
- Respondents from the Department of Social Development and Special Programmes provide funding for locally based agricultural LED projects in their effort to promote local economies within local communities; and
- Respondents from the Department of Local Government and Traditional Affairs with regards to support provided to municipalities is that they are a link between the communities and the relevant partners.

There is participation in IDP formulation by 100 per cent of the respondents and their role is to coordinate with relevant stakeholders and communities.

A total of 83 per cent of the respondents believed that the implementation of agricultural related LED programmes is average, 16 per cent believed it is good while 1 per cent of the respondents believed that it is poor.

#### 4.5 Interview responses from LED Directors of the district municipality and its local municipalities and DEDEA

The researcher conducted interviews with the LED director of the OR Tambo District Municipality and LED directors of its local municipalities as well as the regional director of the Department of Economic Affairs and Environmental Affairs (DEDEA) (see Annexure 5 for interview questions). Interviews produced, *inter alia*, the following responses:

- The directors are conversant with the concept of LED;
- They understand that there is a positive relationship with community participation on LED;
- All the directors interviewed revealed that a unit/section responsible for LED has been established although 70 per cent believe that the unit/section is under resourced in terms of a budget and the capacity of other LED officials as some have short courses;
- In relation to the role played by the Provincial Government in promoting agricultural LED programmes, the directors of the municipalities highlighted partnerships with the following government institutions: the DEDEA; the Department of Rural Development and Agrarian Reform and Transformation which promotes food security and infrastructure development such as fencing of fields; the Eastern Cape Development Corporation (ECDC) and the Eastern Cape Rural Development Agency (ECRDA) which are involved in agro-processing programmes;
- The Department of Economic Development and Environmental Affairs (DEDEA) and the municipalities understand that there is a need to develop LED strategies aimed at addressing development challenges in their localities and the relevant details of the strategy is to focus on agriculture and food security, forestry, tourism, SMMEs and Cooperatives' development;
- In relation to ensuring the accountability of LED officials, the directors together with the LED officials, have developed a Service Delivery and Budget Implementation

Plan (SDBIP) and are also required to report weekly, monthly and quarterly based on the SDBIP;

- All the municipalities indicated that they do have community development workers who mobilise and liaise with communities and the municipalities on matters such as profiling of ward economic information and monitoring or inspection of project progress; and
- In relation to involvement of local communities in the municipal affairs, that is the budget and IDP process, they involve them through mayoral Imbizos, IDP road shows and community forums.

Below are some of the programmes or mechanisms identified by the interviewed directors in relation to the promotion of local economies:

- Agriculture and agro-processing;
- Establishment of LED agency which is mandated with the implementation of LED programmes;
- Creation of cooperatives working together with Small Enterprise Development Agency (SEDA);
- Provision of capacity-building programmes and training for SMMEs; and
- Outreach programmes aimed at communities.

#### 4.6 Interview responses from the Department of Rural Development and Agrarian Reform and Transformation as well as the Ntinga OR Tambo Development Agency

The researcher conducted exclusive interviews with key personnel in the Department of Rural Development and Agrarian Reform and Transformation and the Ntinga OR Tambo Development Agency which had been mandated by the District Municipality to implement the agriculture and agro-processing programmes (refer to Annexure 4 for interview questions). Interviews produced, *inter alia*, the following responses:

- In relation to the subsistence farmers targeted for development to commercial farmers, respondents indicated that indigent rural subsistence farmers as well as small scale

farmers are the targets. These farmers are those engaged in maize production, vegetable production, beans and livestock production;

- The reason for targeting those farmers is to ensure food security, income generation and that some of the farmers have been practising farming throughout their lives;
- In relation to the development of the farmers, it was revealed that the development is still in its initial stages as most farmers' level of literacy is very low, making it difficult when the skills development programmes are provided;
- In relation to programmes that are in place to provide technical and entrepreneurship training for farmers, respondents highlighted the following programmes a cooperatives development programme, a livestock improvement programme, vegetable production as well as maize production;
- In providing the necessary infrastructure for commercial farming, respondents from the Ntinga OR Tambo Development Agency identified irrigation systems which have been provided to vegetable-producing farmers. It was indicated that they are facilitating fund raising for the construction of beef fattening facilities as well as the construction of maize silos for farmers involved in maize production. The Department of Rural Development and Agrarian Reform and Transformation identified, *inter alia*, fencing of arable fields, dams, animal handling facilities and poultry housing facilities which is driven by the Comprehensive Agricultural Support Programme (CASAP) that looks after the agricultural infrastructure;
- Respondents identified the following institutions for financial assistance and credit facilities: the Eastern Cape Rural Development Agency; Mafisa; Old Mutual who is funding female farmers and is called Masisizane; and the Independent Development Trust which provides cooperatives support grants;
- In relation to the extension service rendered to farmers, respondents identified training and coaching for farmers which are technical in nature as well as institutional arrangements for the sustainability of the projects;



- In terms of the effectiveness of extension services provided to the farmers, two of the respondents believe that they are fair and one believes that they are good. They also highlighted that there is still much ground work that needs to be done, especially skills development and funding of the programmes;
- In relation to programmes to develop extension officers with up-to-date agricultural development programmes, respondents highlighted personal development plans and relevant training needs as well as development programmes offered by the University of Fort Hare. They also identified Extension Recovery Plan for officers which is a national programme and these are also done through the skills audit and skills gap analysis;
- Workshops are conducted for extension officers in order to ensure that they are aware of government policies;
- Respondents cited that the Kei Fresh Produce Market (KFPM) in Vulindlela Heights was set up in order to market the agricultural produce of local farmers. Sale pens are also used to market local farmers livestock;
- In relation to rural farmers who practise communal grazing for livestock, respondents cited the need to have veld management systems and the construction of beef fattening facilities to prepare livestock for the market;
- In relation to OR Tambo District Municipality's expansion of the agricultural sector to ensure food security for all, respondents cited a Participatory Agricultural Resuscitation Programme (PARP) which is funded by the district municipality. However, the limited budget remains a challenge;
- In relation to the development of socio-economic infrastructure within the district, respondents believe that the district municipality has inadequate funds to pursue this; and
- Respondents believe that traditional leadership plays no role in adding value to the development of agriculture in their areas of jurisdiction. An example given by one of the respondents was that some farmers are forced to harvest their crop before time

owing to people allowing their livestock to damage their produce. This could be prevented if the traditional leadership imposed strict controls over the livestock movement.

One can infer from the above that a number of initiatives have been undertaken to promote agricultural and food production but it is clear that these programmes are ineffective owing to a lack of funds.

#### 4.7 Impact of LED in the OR Tambo District Municipality with specific reference to agriculture and food production

In answering the question raised earlier on in the study in assessing the impact of LED with specific reference to agriculture and food production in the OR Tambo District Municipality, and conducting an objective impact assessment, the researcher presented the findings from the Market Survey Report based on the first draft which was presented on 4 October 2012 at the Kei Fresh Produce Market (KFPM) in the KSD LM under the OR Tambo District Municipality jurisdiction.

##### 4.7.1 Background of the ORTDM KFPM

The KFPM was established between 2002 and 2004 through a presidential grant and was commissioned as one of the 18 national fresh produce markets of South Africa in 2004. This was the initiative of the former Eastern Cape Department of Agriculture, the then Presidential Project Team, local farmers, the OR Tambo District Municipality and the KSD LM. Its basic mandate, amongst others, is to ensure accessibility of affordable fresh produce in the OR Tambo District Municipality and provide market access to the local farmers.

##### 4.7.2 Background to market survey of the ORTDM KFPM

The Ntinga OR Tambo Development Agency as the implementing agency of the LED programmes of the OR Tambo District Municipality contracted Insendlu Business Companion to conduct a market survey in the district and its neighbouring districts to

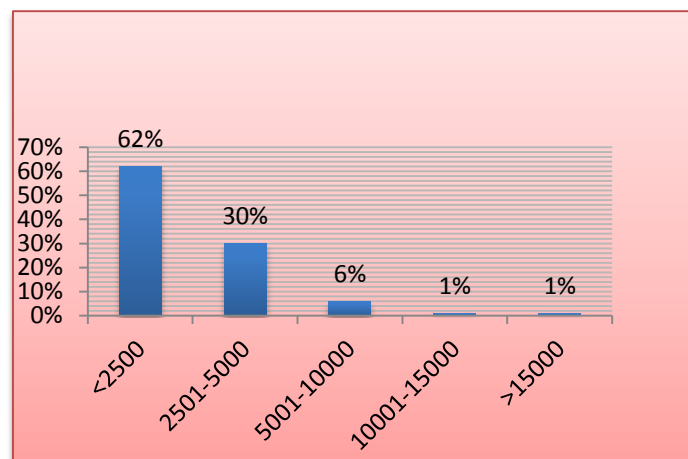
determine the market segments, total market size, the potential supplier base and the suitable value chain. The study also sought to identify potential satellite market sites in the various local municipalities within the district, to take the market to the people and to gauge the perceived level of satisfaction within its current client base.

The sample size was 396 interviews with 31 farmers, 19 retailers, 44 hawkers and 302 consumers.

The market survey is relevant to the study conducted by the researcher in assessing the impact of LED with specific reference to agriculture and food production within the OR Tambo District Municipality. Although the survey was in-depth as it also included various types of vegetables and fruit, the researcher only presents survey results that show the buying power of hawkers, retailers' monthly turnover and the supply base of vegetables, fruit and meat for both hawkers and retailers.

#### 4.7.2.1 Hawkers' buying power of vegetables

**Chart 4:**



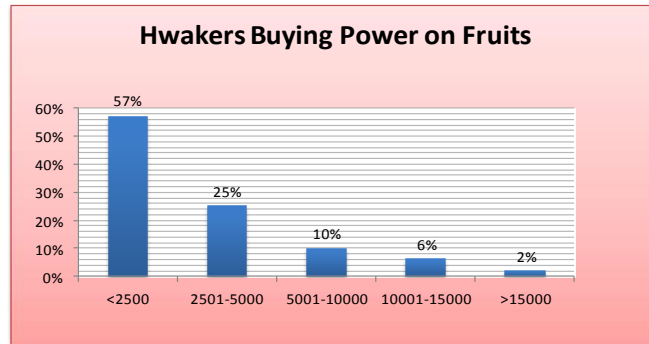
Source: KFPM Market Survey Report 2012

Chart 4 above indicates that 62 per cent of the hawkers interviewed purchase inventory worth R2 500.00 and below in value per month. The hawkers cited the lack of financial resources to order stock. Hawkers who purchase inventory of R2 500.00 to R5 000.00 totalled 30 per cent and hawkers who purchased inventory of R5 001.00 to R10 000.00 totalled 6 per cent, while

hawkers who purchased inventory worth R10 001.00 to R15 000.00 and R15 001.00 and above each totalled 1 per cent.

#### 4.7.2.2 Hawkers' buying power of fruit

**Chart 5:**

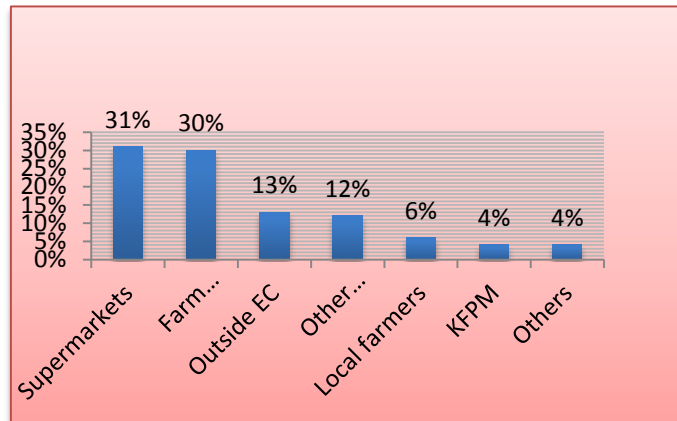


Source: KFPM Market Survey Report 2012

Chart 5 above indicates that 57 per cent of most hawkers interviewed purchase inventory worth R2 500.00 and below in value per month. The hawkers cited the lack of financial resources to order stock. Hawkers who purchased inventory worth R2 500.00 to R5 000.00 numbered 25 per cent, hawkers who purchased inventory worth R5 001.00 to R10 000.00 numbered 10 per cent and hawkers who purchased inventory worth R10 001.00 to R15 000.00 numbered 6 per cent, while 2 per cent of hawkers purchased inventory worth R15 001.00 and above.

#### 4.7.2.3 Hawkers' source of fruit supplies

**Chart 6:**

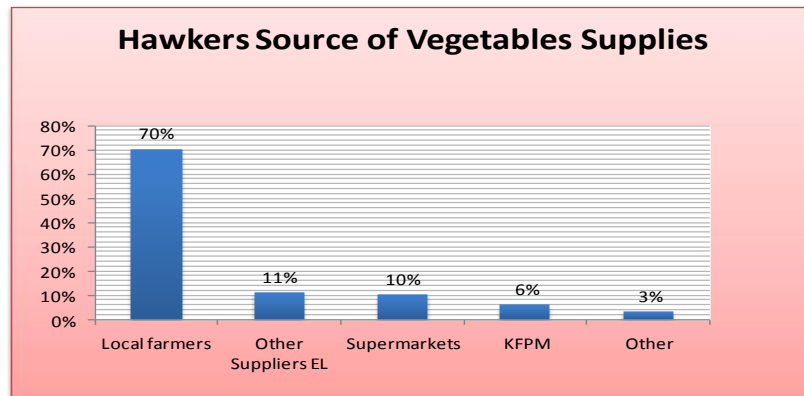


Source: KFPM Market Survey Report 2012

Chart 6 above indicates that 31 per cent of hawkers buy their wares at local supermarkets. Farm delivery trucks that sell to road sides of local towns enjoy a good market share of 30 per cent of fruit and most of them came from outside the Eastern Cape Province. Suppliers outside the Province of the Eastern Cape provide 13 per cent of supplies to hawkers in the OR Tambo District Municipality. Various suppliers in east London and the KFPM provided 12 per cent of the supplies and local farmers enjoy a small market share of 10 per cent combined. It should be noted that approximately 97 per cent of the produce at the KFPM comes from outside the OR Tambo District Municipality.

#### 4.7.2.4 Hawkers' source of vegetables supplies

**Chart 7:**

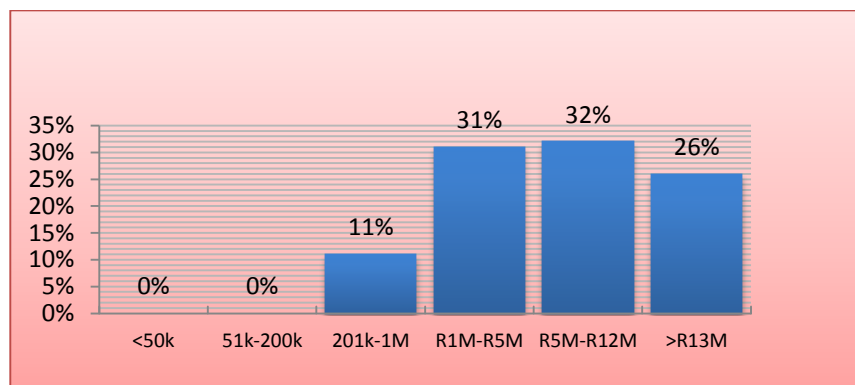


Source: KFPM Market Survey Report 2012

Chart 7 above indicates that local farmers provide 70 per cent of vegetable supplies to hawkers, 11 per cent of supplies come from East London, 10 per cent from local supermarkets and the KFPM enjoys only 6 per cent of the market share which is from suppliers outside the OR Tambo District Municipality.

#### 4.7.2.5 Size of sampled retailers in terms of monthly turnover

**Chart 8:**

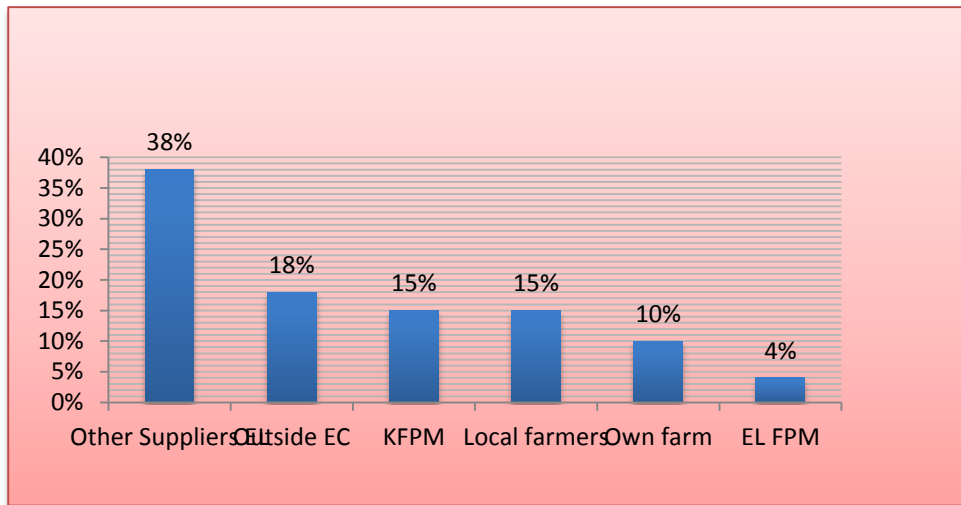


Source: KFPM Market Survey Report 2012

According to chart 8 above, 58 per cent of retailers sampled are big businesses with a turnover of more than R5m per month, 37 per cent are medium-sized with a turnover of up to R5m per month and corner shops that have a turnover of R1m and below number 11 per cent.

#### 4.7.2.6 Retailers' source of fruit supplies

**Chart 9:**

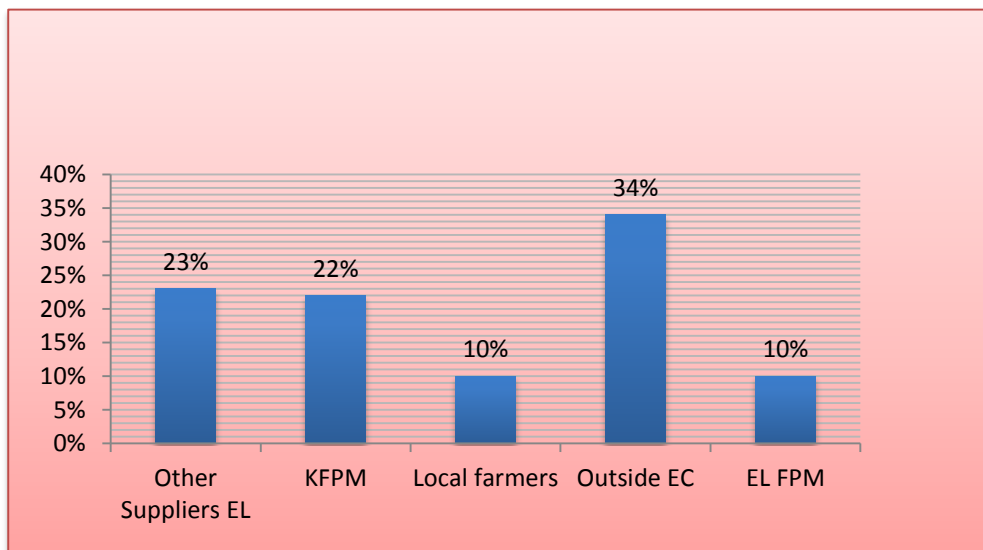


Source: KFPM Market Survey Report 2012

Chart 9 above indicates that 38 per cent of fruit supplies came from suppliers in East London, followed by suppliers outside Eastern Cape at 18 per cent, with the KFPM and local farmers at 15 per cent each and those who have their own farms number 10 per cent. Lastly, the East London Fresh Produce Market supplies 4 per cent.

#### 4.7.2.7 Retailers' source of vegetable supplies

**Chart 10:**

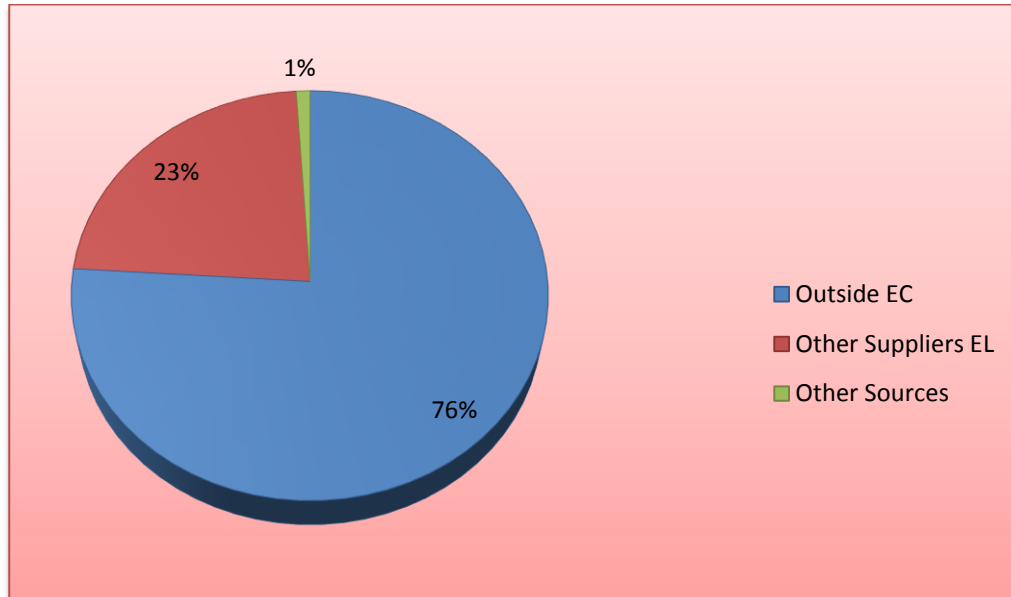


Source: KFPM Market Survey Report 2012

According to chart 10 above, suppliers outside the Eastern Cape enjoy 34 per cent of the vegetable supplies, followed by suppliers from East London at 23 percent, the KFPM at 22 per cent and local farmers and East London Fresh Produce Market (EL FPM) at 10 per cent each.

#### 4.7.2.8 Retailers' source of beef supplies

**Chart 11:**



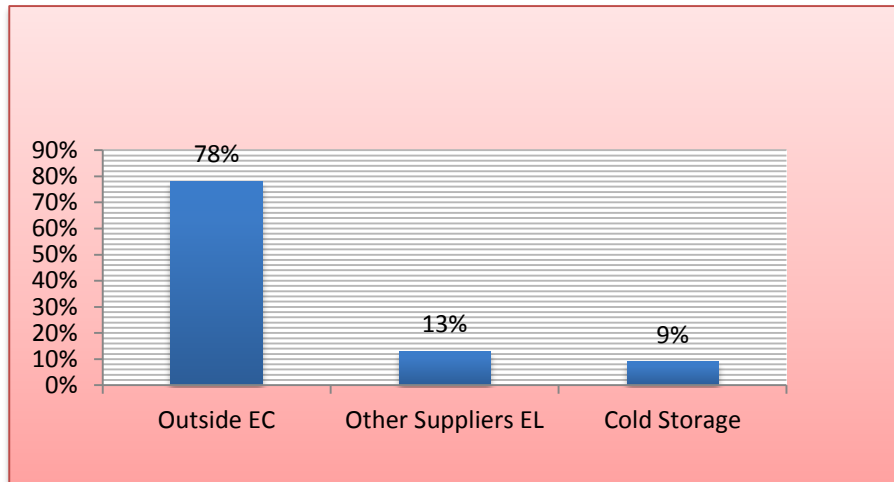
Source: KFPM Market Survey Report 2012

Chart 11 above indicates that the beef suppliers outside the Eastern Cape enjoy 76 per cent of the market share, suppliers in East London enjoy 23 per cent of the market share while other sources supply a mere 1 per cent of the total.



#### 4.7.2.9 Retailers' source of chicken supplies

**Chart 12:**

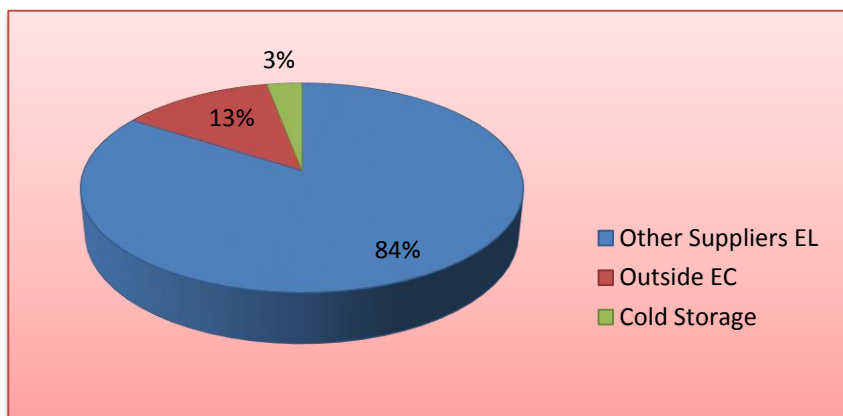


Source: KFPM Market Survey Report 2012

Chart 12 above indicates that suppliers outside the Eastern Cape Province supply 78 per cent of the chicken requirements in the district, followed by other suppliers in East London supplying 22 per cent of chicken requirements while the cold storage in Mthatha supplies only 9 per cent of the chicken requirements. It should be noted that even the cold storage in Mthatha sources its chicken outside the OR Tambo District.

#### 4.7.2.10 Retailers' source of pork supplies

**Chart 13:**



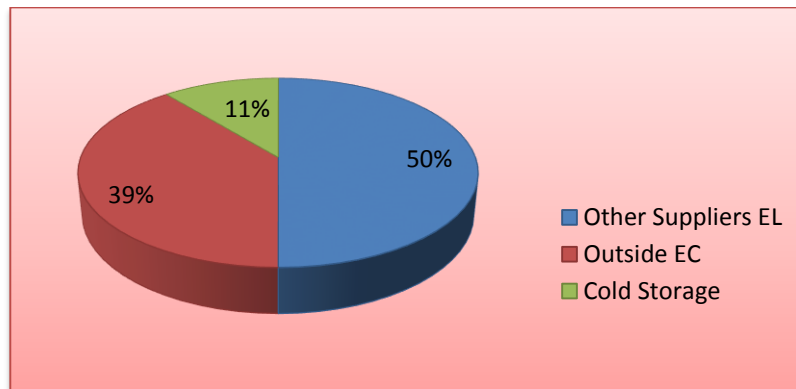
Source: KFPM Market Survey Report

Chart 13 above indicates that suppliers outside the Eastern Cape enjoy 84 per cent of the pork market, followed by suppliers in East London at 13 per cent

and the cold storage in Mthatha captures the remaining 3 per cent of the market. The Cold Storage in Mthatha also sources its supplies outside the OR Tambo District.

#### 4.7.2.11 Retailers' source of fish supplies

**Chart 14:**

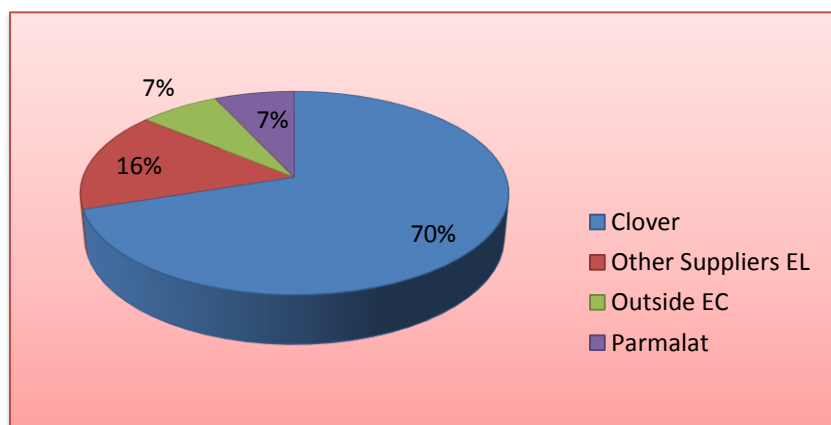


Source: KFPM Market Survey Report 2012

Chart 14 above indicates that suppliers in East London enjoy 50 per cent of the fish market, followed by suppliers outside the Eastern Cape at 39 per cent while the cold storage in Mthatha captures 11 per cent of the fish supplies.

#### 4.7.2.12 Retailers' source of dairy supplies

**Chart 15:**



Source: KFPM Market Survey Report 2012

Chart 15 above indicates that Clover in Mthatha supplies 70 per cent of the dairy product requirements, followed by suppliers outside the Eastern Cape

and other suppliers in East London at 16 per cent each. Lastly, Parmalat in Mthatha supplies 7 per cent of the market share.

From the foregoing assessment based on the KFPM Market Survey Report of 2012 as discussed under point 4.7 above, “impact of led in the OR Tambo District Municipality with specific reference to agriculture and food production”, the study shows that the OR Tambo District Municipality is heavily dependent on farmers outside the district municipality for agricultural supplies, and what is also interesting is that even the Eastern Cape Province’s farmers lag far behind in terms of agricultural supplies within the district.

## CHAPTER 5: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

The purpose of this study was to provide a basis to reflect on the challenges currently facing the OR Tambo District Municipality in implementing LED programmes. The background to local government transformation process was outlined and the overall plan for local government transition was mapped out. The study also highlighted how the OR Tambo District Municipality seeks to further the vision of developmental local government as enshrined in the Constitution of the Republic of South Africa of 1996.

This chapter will focus on discussions and draw conclusions which are based on the research findings in the OR Tambo District Municipality with respect to the implementation of LED programmes.

### 5.2 Conclusion

The following conclusions can be drawn from the impact assessment of the LED programmes in the OR Tambo District Municipality:

The OR Tambo District Municipality is one of the poorest district municipalities in the Eastern Cape Province and it is largely rural. This district municipality is also characterised by a high unemployment rate and low literacy levels, which is why the district suffers from high levels of poverty. Below are the major key issues that the researcher identified in the district:

- The OR Tambo District Municipality's implementation of LED programmes can be regarded as poor which could be attributed to, *inter alia*, an inadequate budget as identified by most of the interviewed directors of the district municipality and its local municipalities, the regional director of DEDEA and representatives from the Department of Rural Development and Agrarian Reform and Transformation as well as agricultural officials from the Ntinga OR Tambo Development Agency. Most of the directors interviewed highlighted the fact that LED is an unfunded mandate;

- Poor planning and coordination during IDP formulation and LED strategy development as well as budgeting for LED programmes is of concern. This has resulted in the district municipality's LED units focusing on small-scale projects of which their impact is given little consideration;
- A lack of agricultural infrastructure remains a serious challenge facing the district municipality, as was highlighted by most respondents. These include, amongst others, a lack of fencing of arable land, a lack of dams for irrigation schemes, a lack of silos to keep harvested maize, a lack of farming equipment, and a lack of markets;
- Although the district municipality and its local municipalities have done much to ensure that the institutional arrangements for the implementation of LED programmes are in place, there is still the challenge of coordination amongst the involved stakeholders during the LED implementation. One of the directors cited that there are too many role players who have their own LED programmes;
- The lack of skills amongst the local farmers and project beneficiaries is also a challenge. Although training is provided, it remains unclear whether the training is effective;
- Low productivity and a lack of markets for local farmers is also a challenge. This is attributed to the lack of land, low quality agricultural produce and the lack of project ownership by cooperatives and communities that benefit from these projects;
- Land claims on identified arable land is also a challenge for the district municipality;
- Conflicts amongst communities and project beneficiaries were also highlighted as a challenge in agricultural development initiatives;
- Small farmers have developed an entitlement syndrome. They believe that the government should provide everything; and
- There is limited science and technology use in resource-poor areas.

Whilst the Constitution of 1996 has given a mandate to municipalities to “promote social and economic development” in their local areas, the study concludes that without clear policy guidance, the collaboration amongst the role players, including the three spheres of government on LED as well as the promotion of partnerships with the private sector, the municipality will not be able to achieve its mandate of making a positive impact on the lives of the people.

### 5.3 Limitations of the study

A number of factors restricted the focus of the study. The researcher only assessed the impact of LED with specific reference to agriculture and food production and not all the project beneficiaries were interviewed as a random selection of participants was employed. Furthermore, the researcher could not involve all the role players in LED owing to time constraints and financial resources. However, despite these limitations, the study yielded valuable data in relation to the challenges that are facing the OR Tambo District Municipality in implementing agricultural LED programmes.

### 5.4 Recommendations

LED remains critical in addressing the socio-economic challenges facing municipalities and ensures that communities realise the local government goals of “a better life for all.” LED is a process by which the public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment creation in a locality. Its purpose is to build the economic capacity of the local area in order to improve its economic future and the quality of life for all.

According to Thirlwall (2006:167), one of the most critical factors in the early stages of development is the health of the agricultural sector, because without a surplus of food production over subsistence needs, little else can be done. Furthermore, “...there will be no surplus labour, no savings and no food to feed labour working in alternative activities.” In essence this means that the agricultural sector should play a vital role in ensuring that there is enough surplus food in order to feed the labour that will be working on farms and the labour working in alternative activities.

The literature reviewed shows that developing countries, including South Africa, are still extremely backward in terms of agriculture, and this could result in low productivity which is a major cause of poverty and further retards development of the whole economy. Agriculture remains the key economic driver for the OR Tambo District Municipality owing to vast tracts of arable land within the district.

The IDP is a mechanism for identifying community needs for coordinated government response which requires both national and provincial government departments to recognise and relate to the IDP. The IDP should influence the whole of government planning, resourcing and the implementation of high impact projects in the rural economy.

The existence and maintenance of a good relationship between government and the community in service delivery can help increase opportunities for employment, opportunities for citizens to participate in decisions that affect them, as well as the promotion of partnerships between the state and society and ultimately afford citizens a sense of ownership of development programmes.

The issue of commitment of multiple stakeholders at different levels can help ensure the effectiveness of LED programmes. Of critical importance is the review of monitoring and evaluation which is a tool for effectively learning and building commitment of all the stakeholders involved in the implementation of LED programmes.

The following are some of the recommendations which are more specific for the purpose of ensuring the positive impact of LED agricultural programmes within the district:

- The district municipality should prioritise agriculture development to ensure food security for all. This can be achieved by vigorous development of the already existing local farmers and strengthening of monitoring and evaluation of the current programmes;
- Although the livestock improvement programmes are in place as highlighted by all the respondents from the Department of Rural Development and Land Reform and Transformation as well as the Ntinga OR Tambo Development Agency officials, it is

clear that these programmes are ineffective owing to inadequate funds and a lack of coordination amongst the role players to actively implement them. Here, the involved role players need to ensure that the business development plan is jointly done, including the budget preparation for such programmes, and to ensure that they are realistic and informed by the IDP and agricultural LED strategy of the district;

- Most of the directors interviewed highlighted that land claims were hindering the development of the agricultural sector in the OR Tambo District. Here land reform programmes such as Land Policy, Redistribution, Land Restitution and the Land Tenure Reform Programme should be fast-tracked in order to break the barriers to agricultural development;
- The district municipality should strengthen the initiated programme to revive agricultural activity, which is called the Primary Agriculture Resuscitation Programme (PARP) in other communities that are currently not benefiting from this programme;
- In order to address the agricultural infrastructure backlogs, the district municipality should work very closely with the Comprehensive Agricultural Support Programme that looks at such issues as the fencing of arable fields, construction of dams, animal handling facilities and irrigation schemes. This will have positive economic spinoffs and will help in job creation for local communities;
- Measures to assess customer satisfaction need to be developed. These could include customer satisfaction surveys which would enable the municipality to better understand the impact of its development programmes on the lives of communities;
- Although the district municipality has constructed the KFPM for local farmers to market their agricultural produce, the Market Survey Report of 2012 shows that 65 per cent of consumers and hawkers surveyed are unaware of the KFPM. The district municipality should ensure that the KFPM is advertised in local newspapers, on community radio stations and on billboards erected at strategic locations;
- Project beneficiaries lack skills such as project management and financial management, to name just a few. The district municipality should ensure that training



programmes provided to the project beneficiaries are sourced from accredited service providers and refresher courses should be continuously provided;

- A lack of commitment by project beneficiaries has also been identified by the number of respondents who participated in the study. The district municipality should ensure that continued coaching and mentoring is provided as this will help raise the level of commitment of the project beneficiaries;
- The district municipality should develop strategies that will help market the municipality to potential investors while retaining current businesses. This can be achieved by ensuring that infrastructure such as road networks and telecommunication which are of critical importance to the development of the region is significantly improved in an effort to make the area attractive to potential investors;
- The district municipality should also ensure that it establishes fully-fledged LED units with the required capacity and necessary skills and strengthen partnerships with other role players in Local Economic Development;
- Veld management policy needs to be developed in order to manage the grazing patterns for livestock and be communicated to the livestock farmers to ensure proper management of grazing fields;
- In relation to conflict amongst communities and project beneficiaries, the Department of Local Government and Traditional Affairs should play an active role in resolving these conflicts;
- Resuscitation of the already existing irrigation schemes should also be given priority by the district municipality; and
- Most of the local farmers highlighted a lack of funding for their projects. It is critical for the municipality to assist these farmers in business plan development in order for them to have bankable business plans to which the funding institutions can buy in. In most instances SMMEs lack this skill. This should be further accompanied by monitoring and evaluation of the performance of funded projects.

## 5.5 Recommendations regarding future study

In this study the researcher focused on the impact assessment of LED with specific reference to agriculture and food production in the OR Tambo District Municipality. The researcher recommends that a study on how to unleash the full potential of agriculture in the OR Tambo District Municipality be conducted. This study can be extended to the whole of the Province of the Eastern Cape as it is evident from the KFPM Market Survey Report of 2012 that even farmers within the Eastern Cape Province lag far behind in terms of agricultural supplies in the region.

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**Annexure 1**  
**(Letter written to the**  
**institutions and responses**  
**from the institutions)**

Old Broadcast House Complex  
2A Sissons Street  
Fortgale  
Mthatha  
5099  
01 August 2012

The Municipal Manager  
O.R Tambo District Municipality  
Nelson Mandela Drive  
Myezo Park  
Mthatha  
5099

Dear Mr. H.T Hlazo

**RE: REQUEST FOR PERMISSION TO CONDUCT THE RESEARCH IN YOUR  
MUNICIPALITY**

I am Mbuyiselo Theophilus Nongogo, a student at Nelson Mandela Metropolitan University (NMMU) currently doing Masters in Business Administration (MBA) degree. I am currently working on my Research Project with the area of focus being **Local Economic Development with special reference to agriculture.**

In light of the above, I humbly request your permission to conduct a research in your Municipality. I further advise that information obtained from this research will be treated as strict and confidential as possible and under no circumstances will this research be used for any other reason other than for academic purposes. The participants may withdraw from the study at anytime.

I thank you very much for your time and look forward to hearing from you soon.

Yours truly,

Mbuyiselo Theophilus Nongogo (Mr.)  
Tel. 047 531 0346 (w)  
Cell: 084 291 2750  
Fax: 086 571 2750



## O. R. TAMBO DISTRICT MUNICIPALITY

**OFFICE ADDRESS:**  
O.R. Tambo District  
Municipality House  
Nelson Mandela Drive

**POSTAL ADDRESS:**  
Private Bag X 6043  
UMTATA 5100



**TEL:** (047) 501 6400  
(047) 501 7000

**FAX:** (047) 532 6518

**E-mail:**  
ayanda@ortambodm.org.za

---

**03 October 2012**

**Mr. M. Nongogo**  
**Old Broadcast House Complex**  
**2 A Sissons Street**  
**Fort Gale**  
**Mthatha**

Dear Sir

**RE: REQUEST FOR PERMISSION TO CONDUCT THE REASERCH**

1. Receipt of your letter dated 01/08/12 is hereby acknowledged and has reference,
2. This is to Grant you the permission to conduct your research on LED with special reference to Agriculture.
3. A letter assisting you or facilitating your interaction with affected parties will be written.
4. This office, further wishes you all the success in your project and gratitude for choosing and having confidence in this Municipality. It is hoped that your research will benefit this organisation.

Good Luck.

Yours in service delivery

  
\_\_\_\_\_  
H.T. Hlazo  
Municipal Manager

# KING SABATA DALINDYEBO MUNICIPALITY



Phone: 047 5326132  
Fax : 0866564877  
christalleg@ksd.org.za

Planning, Social & LED Directorate  
Munitata Building, Room 231,  
Sutherland Street  
Mthatha 5095

19 SEPTEMBER 2012

NELSON MANDELA METROPOLITAN UNIVERSITY


TO WHOM IT MAY CONCERN

**RE: PERMISSION TO CONDUCT RESEARCH IN THE KSD MUNICIPALITY BY MBUYISELO THEOPHILUS NONGONGO**

This is to confirm that the abovementioned has been given permission by the King Sabata Dalindyebo Municipality, to carry out research on **Local Economic Development with special reference to agriculture**.

We trust that you find the above in order.

Yours in development

  
R.B. MNQKOYI  
DIRECTOR: PSED

## INGQUZA HILL LOCAL MUNICIPALITY

PROVINCE OF THE EASTERN CAPE

135 Main Street  
PO BOX 14  
Flagstaff  
4810  
TEL 039 252 0131/61  
Fax No: 039-252 0279



TEL 039 253 1568/1096

66 Main Street.  
PO BOX 7  
LUSIKISIKI  
4820

Enquiries: O. Pantshwa

Date: 02 August 2012

Mr. M.T Nongogo  
**Old Broadcast House Complex**  
2A Sissons Street  
Fortgale  
**Mthatha**  
5099

Dear Sir

**RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH: INGQUZA HILL LOCAL MUNICIPALITY**

Your letter is hereby acknowledged receipt of dated 01 August 2012 requesting permission to conduct the study in our Local Municipality.

Ingquza Hill Local Municipality hereby wishes to advise that the Municipal Manager has given his permission to your request to conduct the research on **Local Economic Development with specific reference to Agriculture and Food Production.**

You are requested to make contact with Mr. Pantshwa who is the Director to set up an appointment with his Department for you to undertake your studies.

Ingquza Hill Local Municipality would like to take this opportunity to wish you success in your studies.

Yours truly

*electronic signature*

**M. Fihlani**  
Municipal Manager

INGQUZA HILL LOCAL MUNICIPALITY



Uphuhiso Lwabantu Kuqala

**POSTAL ADDRESS**  
P.O. Box 31  
Qumbu  
5180



**PHYSICAL ADDRESS**  
96 L.Mabindla Avenue  
Qumbu  
5180

Ifoni/Tel: 047553 7000  
Email: [pmhloki@mhlontloim.gov.za](mailto:pmhloki@mhlontloim.gov.za) or [dlt119ec@yahoo.com](mailto:dlt119ec@yahoo.com)  
Imibuzo/Enquiries: Pat Mhloji

Ifax/Fax: 0475530015  
082 7722 452  
06 August 2012

**OFFICE OF THE MUNICIPAL MANAGER**

Mr. M.T Nongogo  
Old Broadcast House Complex  
2A Sissons Street  
Fortgale  
Mthatha  
5099

Dear Sir

**RE: REQUEST FOR PERMISSION TO CONDUCT THE RESEARCH IN MHLONTLO LOCAL MUNICIPALITY**

Receipt of your letter dated 01 August 2012 is hereby acknowledged.

It is with pleasure to advise you that the permission to conduct a study in our local municipality has been granted by the Municipal Manager. You are therefore advised to make contact with Mr. Zipete who will be assisting you in your study.

Mhlontlo Local Municipality would like to take this opportunity to wish you the best in your studies.

Regards,

Y.N. Ndima

Municipal Manager



**PORT ST JOHNS**  
MUNICIPALITY  
ERF 257 - Main Street  
Port St. Johns - 5120

29 August 2012

Mr. Mbuyiselo Theophilus Nangogo  
Old Broadcast House Complex  
2A Sissons Street, Fortgale  
MTHATHA  
5099  
Dear Sir

**RE: PERMISSION TO CONDUCT RESEARCH**

Your letter dated 1<sup>st</sup> August 2012 bears reference to the abovementioned matter;

We as the Port St. Johns Municipality are honoured by your request and therefore duly grant you the permission to conduct the research. Agriculture is one of our economic drivers and we should be in a position to assist.

Our Manager for Local Economic Development, Mrs. Elizabeth Lope Quist is available per appointment through her secretary Ms. Veliswa Mdepha on 0475641208/1308 or on her email [vmdepha@gmail.com](mailto:vmdepha@gmail.com); for you to get all the information needed for your research.

Our Town Planner Mr. Olwethu Madikizela, can also be of assistance on town planning issues and is available on 0475641208.

We wish you all the best in your research.

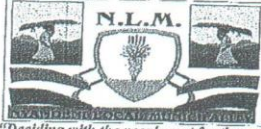
Yours in service

*pp Ed Quist*  
Ncedile Jakuja  
Municipal Manager

ALL CORRESPONDENCE MUST BE DIRECTED TO THE MUNICIPAL MANAGER, N. JAKUJA  
Tel: 047 564 1207/8, Fax: 047 564 1208, e-mail: [njakuja@psjmunipality.co.za](mailto:njakuja@psjmunipality.co.za)  
PO BOX 2 PORT ST JOHNS - 5120 • WWW.PSJMUNICIPALITY.CO.ZA

# NYANDENI LOCAL MUNICIPALITY

**PHYSICAL ADDRESS:**  
Municipality Building  
Nomandela Drive  
LIBODE  
**POSTAL ADDRESS:**  
Private Bag X 504  
LIBODE  
5160



Tel : 047 5555 000  
047 555 0161 POWER B.N.

Fax: 047 555 0073

Email:  
nyandeni@nyandenilm.gov.za

**FROM** : MUNICIPAL MANAGER  
**TO** : ETHICS COMMITTEE  
NELSON MANDELA METROPOLITAN UNIVERSITY  
**DATE** : 08 OCTOBER 2012  
**SUBJECT** : LETTER OF CONFIRMATION

Sir/Madam

This serves to confirm that Mbuyiselo Theophilus Nongogo was granted a permission to conduct a research in our Municipality focusing on Local Economic Development with special reference to agriculture.

The people who participated in this research were:

Mr.G.N.Cekwana  
Senior Manager: Planning and Development  
Ms.Z.Masumpa  
Manager: Local Economy and Rural Development  
Mr.N.Meingana  
Manager: IDP  
Cllr.B.V.Ndamase  
Portfolio head: Local Economy and Rural Development

Hoping that you will find this in order.

Yours in Developmental Local Government

.....  
Mrs.N.Nomandela  
Municipal Manager

.....  
Date

Old Broadcast House  
2A Sissions Street  
Fortgale  
Umtata  
5100

Postal Address  
P.O. Box 1134  
UMTATA, 5099



Tel : (047) 531 0346  
Fax : (047) 531 4121

e-mail : kholekas@ntinga.org.za

13 August 2012

Mr Nongogo  
Old Broadcast House Complex  
2A Sissions Street  
Fortgale  
Mthatha  
5099


Dear Mr Nongogo

**RE: REQUEST FOR PERMISSION TO CONDUCT THE RESEARCH AT NTINGA OR  
TAMBO DEVELOPMENT AGENCY**

This letter serves to acknowledge your letter that you submitted to my office for conducting your research focusing on Local Economic Development.

You are given permission to conduct such research with relevant employees at Ntinga, at their available time. I would really appreciate if you can submit to me the final results of your research.

Yours in Service Delivery

  
.....  
M.H.Y. Zungula  
CEO



Enquiries: M. J. Mboto  
Cell: 073 186 9167

Date: 29 August 2012

The Supervisor  
Nelson Mandela Metropolitan University

Dear Sir/Madam

**Re: Confirmation of Research Permission & Interview Conduct**

This serves to confirm that Mr Mbuyiselo Theophilus Nongogo was granted permission to conduct a research on Local Economic Development at the region.

The interview with the Regional Director and other implementing officials was conducted as agreed and went very well. This office appreciates the professionalism and manner in which the interviewer conducted the interview process and wishes him success in his studies.

Finally, the region will ensure that the recommendations of the study are considered for implemented.

Regards

  
.....  
**Mzukisi J. Mboto**  
Regional Director







Province of the  
**EASTERN CAPE**  
SOCIAL DEVELOPMENT &  
SPECIAL PROGRAMMES

10<sup>th</sup> Floor – Botha Sigcau Building – Private Bag X6000 – MTHATHA – 5099 – REPUBLIC OF SOUTH AFRICA  
Tel: 047-53142284 • Fax: 047-5324554/5312471 • Email address [nomsa.titus@socdev.ecprov.gov.za](mailto:nomsa.titus@socdev.ecprov.gov.za) Website: [www.socdev.ecprov.gov.za](http://www.socdev.ecprov.gov.za)

---

Date: 28 August 2012

Mr. M.T Nongogo  
**Old Broadcast House Complex**  
2A Sissons Street Fortgale  
**Mthatha**  
5099

Dear Madam

**RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH: IN OUR DISTRICT**

We hereby acknowledged receipt of your letter dated 16 August 2012 requesting permission to conduct the study in our district.

The Department of Social Development hereby wishes to advise that the District Manager has given you a permission to conduct a research on our local community projects (Area) **with specific reference to Agriculture and food Production.**

The Department of Social Development would like to take this opportunity to wish you a success in your studies.

Yours truly,

Mrs. Titus

District Manager



O.R. TAMBO DISTRICT: SENIOR MANAGER'S OFFICE  
4<sup>th</sup> Floor, Office No. 438, Botha Sigcau Building, Private Bag X 5002, Mthatha, 5099.  
REPUBLIC OF SOUTH AFRICA Website: www.agr.ecprov.gov.za  
Tel: +27(0)47 502 7720/631 0268. Fax: +27(0)47 532 5386. nobuzwe.mkabile@agr.ecprov.gov.za

## MEMORANDUM

### CONFIRMATION OF A STUDY ON LOCAL ECONOMIC DEVELOPMENT DONE BY MR. NONGOGO M.T. AT KSD LOCAL MUNICIPALITY

#### SUPERVISOR FOR NONGOGO M.T.

##### 1. PURPOSE:

1.1 The memo serves to confirm that Mr. Nongogo M.T. has performed a study on local economic development with special reference to agriculture in KSD local municipality

##### 2. DISCUSSION:

2.1 Mr. Nongogo M.T. came to the department to ask permission and assistance for him to conduct his research on local economic development with special reference to agriculture.

2.2 Permission was granted to him and also officials were identified to assist him with his research.

3. The department would like to thank your institution for the research done in our district because it also helps our officials and we are also hoping that the study will benefit the district. I hope you will find this in order.

Dr. Nombekela-Madiba  
Senior Manager: O.R. Tambo District

Date: 30-11-2012



"Prosperous and sustainable livelihoods"



Province of the  
**EASTERN CAPE**  
LOCAL GOVERNMENT  
& TRADITIONAL AFFAIRS

Office of the Superintendent-General  
Tyamzashe Building · Phalo Avenue · Private Bag X0035 · Bhisho · 5605  
Eastern Cape · REPUBLIC OF SOUTH AFRICA  
Tel: +27 (0)40 609 5657 · Fax: +27 (0)40 639 2163 · website: www.ecprov.gov.za/lgta/

Mr. M. T. Nongogo  
Old Broadcast House Complex  
2A Sissons Street  
Fortgale  
Mthatha  
5099

Dear Mr. Nongogo

**RE: REQUEST FOR PERMISSION TO CONDUCT A STUDY RESEARCH IN THE  
DEPARTMENT OF LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS**

Receipt of your letter on the 26<sup>th</sup> September 2012 requesting permission to conduct a study research in the Department of Local Government and Traditional Affairs is hereby acknowledged.

It is with pleasure to inform you that a permission to conduct a study research in my Department is hereby approved. You are required to make contact with the LED and IDP sections for assistance in this regard. It must however be understood that an interaction with the Department and utilization of such information should only be for academic purposes.

The Department of Local Government and Traditional Affairs would like to take this opportunity of wishing you success in your studies.

Yours faithfully

S. Khanyile  
Superintendent General  
Department of Local Government and Traditional Affairs  
Date: 11/10/2012



*Ikama kizigqambileyo!*

## **ANNEXURE 2**

**(Questionnaire for LED officials in the district municipality and its local municipalities as well as DEDEA)**

## NMMU Business School

My name is Mbuyiselo Theophilus Nongogo (student number: 20628073), a registered student at Nelson Mandela Metropolitan University currently doing the Masters Degree in Business Administration (MBA). I am currently working on a Research Project with my area of focus being **Local Economic Development (LED)** with special reference to agriculture within the O.R Tambo District Municipality.

I humbly request your assistance with the completion of the following questionnaire, which should not take more than 10 – 15 minutes of your time to complete. This is highly appreciated as it will assist the researcher in reaching the objectives of the study. Furthermore, the information obtained from this Questionnaire will be treated strictly confidential and under no circumstances will it be used for any other reason other than for academic purposes. It should be noted that in order for the researcher to conclude the study, it is important that the voluntary respondents complete all the questions. I further encourage the respondents to answer honestly.

### SECTION A – BIBLIOGRAPHICAL DATA

**Please show your response by crossing the appropriate box with an [X]**

**1. Gender**

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

**2. Highest qualification obtained/passed**

Diploma	Degree	Secondary Education	Post-graduate diploma/degree
---------	--------	---------------------	------------------------------

**3. Organisation / Institution Represented**

--

4. Position held

--

**SECTION B: THE MUNICIPAL INTEGRATED DEVELOPMENT PLAN (IDP)**

The statements in the questionnaire below refer to your municipality. Using the scale as indicated in the questionnaire table; circle the number that you the respondent best represent your response.

<p>1. Strongly disagree</p> <p>2. Disagree</p> <p>3. Neutral</p> <p>4. Agree</p> <p>5. Strongly agree</p>	STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE
1. The council has formulated the strategic vision for the municipality.	1	2	3	4	5
2. The municipality's council strategic vision is captured in the Integrated Development Plan (IDP) of the municipality.	1	2	3	4	5
3. The municipality's IDP reflects the municipal's council vision of long term development.	1	2	3	4	5
4. The municipality's IDP emphasises the most critical development, internal and external transformation needs.	1	2	3	4	5

5. The municipality's IDP reflects an assessment of the existing level of development in the area, which includes an identification of communities which do not have access to basic services.	1	2	3	4	5
6. The municipality's IDP reflects the council's development priorities and objectives for its term in office, which includes its economic development aims, internal and external transformation.	1	2	3	4	5
7. The adopted IDP reflects the municipality's financial plan, which includes budget projection for the next 5 years.	1	2	3	4	5

**SECTION C:**

Using the scale as it is indicated in the questionnaire table below, circle the number that you, the respondent best represent your response.

(Please circle one number from the scale of 1 – 5 for each statement in the table below)

<p>1. Strongly Disagree</p> <p>2. Disagree</p> <p>3. Neutral</p> <p>4. Agree</p> <p>5. Strongly Agree</p>	STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE
1. The local community together with other stakeholders within the municipality's area participated in the IDP formulation process.	1	2	3	4	5
2. The municipality's IDP reflects the local economic development strategies.	1	2	3	4	5
3. The municipality's IDP addresses the socio-economic needs of the community.	1	2	3	4	5

4. The municipality's IDP addresses the agricultural needs of local farmers.	1	2	3	4	5
5. The municipality's IDP has prioritized certain needs which are most basic to the local community.	1	2	3	4	5

#### **SECTION D: THE MUNICIPAL LOCAL ECONOMIC DEVELOPMENT (LED)**

**Please mark the appropriate answer with an (X).**

1. There is a positive relationship between LED and community participation.	Yes	No	Not sure
2. The municipality has developed an LED strategy.	Yes	No	Not sure
3. The socio-economic needs of the communities in the area are captured in the LED strategy of the municipality.	Yes	No	Not sure
4. Agricultural development has been prioritized in a stride to fight poverty and food security.	Yes	No	Not sure
5. Short/medium term LED targets for the municipality has been developed.	Yes	No	Not sure
6. An LED unit responsible for LED has been established and well resourced.	Yes	No	Not sure
7. Programmes to promote agricultural LED programmes in the area are in place that ensures the development of local economies in the municipal area.	Yes	No	Not sure
8. Community Development Workers (CDWs) have been employed with the purpose of strengthening community participation.	Yes	No	Not sure
9. A capacity building programmes for municipal officials responsible for the implementation of agricultural LED programmes are in place.	Yes	No	Not sure



<p>10. The municipality has established partnerships with other institutions including government departments with the view of promoting local economic development with specific reference to agriculture.</p>	<p>Yes</p>	<p>No</p>	<p>Not sure</p>
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Briefly state the challenges that you encounter in implementing agricultural LED programmes.

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**I THANK YOU FOR YOUR ASSISTANCE, TIME AND CONTRIBUTION IN COMPLETING THIS QUESTIONNAIRE**

# **ANNEXURE 3**

**(Questionnaire for LED & IDP officials from  
other institutions)**

## NMMU Business School

My name is Mbuyiselo Theophilus Nongogo (student number: 20628073), a registered student at Nelson Mandela Metropolitan University currently doing the Masters Degree in Business Administration (MBA). I am currently working on a Research Project with my area of focus being **Local Economic Development (LED)** with special reference to agriculture within the O.R Tambo District Municipality.

I humbly request your assistance with completion of the following questionnaire, which should not take more than 10 – 15 minutes of your time to complete. This is highly appreciated as it will assist the researcher in reaching the objectives of the study. Furthermore, the information obtained from this Questionnaire will be treated strictly confidential and under no circumstances will it be used for any other reason other than for academic purposes. It should be noted that in order for the researcher to conclude the study, it is important that the voluntary respondents complete all the questions. I further encourage the respondents to answer honestly.

### SECTION A – BIBLIOGRAPHICAL DATA

**Please show your response by crossing the appropriate box with an [X]**

**1. Gender**

Male	Female
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**2. Highest qualification obtained/passed**

Diploma	Degree	Secondary Education	Post-graduate diploma/degree
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**3. Organisation / Institution Represented**

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4. Position held

**SECTION B: LOCAL ECONOMIC DEVELOPMENT (LED)**

1. What is your understanding of Local Economic Development (LED)?

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2. In your opinion, is there any relationship between LED and community/stakeholder participation?

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3. In your institution, what programmes do you have in place with a view to promote and ensure the development of local economies?

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4. Does your institution have any capacity building programmes for official responsible for LED?

Yes	No
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If yes please indicate what programmes you have?

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If not, why?

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5. Have established any relationships with other institutions with a view to promote local economic development with specific reference to agriculture?

Yes	No
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If yes, explain how are the relations managed?

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6. What support do you provide to municipalities in the implementation of agricultural LED programmes?

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7. Have you participated in the IDP formulation process of the OR Tambo District Municipality?

Yes	No
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If yes, what role did you play?

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8. How would you rate OR Tambo District Municipality in implementing agricultural LED programmes?

Poor	Average	Good
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9. What challenges do you encounter in implementing agricultural LED programmes?

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10. What measures do you think need to be taken into consideration to ensure optimal implementation of agricultural LED programmes?

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You are free to make any comments with regard to LED in the OR Tambo District Municipality.

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**I THANK YOU FOR YOUR ASSISTANCE, TIME AND CONTRIBUTION IN  
COMPLETING THIS QUESTIONNAIRE**

## **ANNEXURE 4**

**(Interview Questions for Department of Rural  
Development and Agrarian Reform and  
Transformation as well as Ntinga OR Tambo  
Development Agency)**



**You are kindly requested to participate in this interview. All information given will be treated with confidentiality and anonymity and will only be used for the purpose of this study.**

**SECTION A: AGRICULTURAL DEVELOPMENT**

1. Which subsistence farmers are you targeting to develop to commercial farmers?

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2. Why are you targeting such farmers?

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3. What progress has been made with the process?

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4. Explain which programmes are in place to provide technical and entrepreneurship training for the farmers.

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5. What are your department's activities or plans in providing necessary infrastructure for commercial farming? For example, irrigation systems (dams), silos, feedlots and other related equipment etc.

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6. What financial assistance and credit facilities are available to the disadvantaged farmers?

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7. Which extension services are rendered to the farmers in your department?

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8. How do you rate the effectiveness of such services and why?

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9. How do you rate the competence of extension officers?

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10. Do you have programmes in place to develop the extension officers with up to date agricultural development issues?

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11. How often do your extension officers attend such refresher courses?

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12. How do you ensure that your extension officers are aware and understand government policies?

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13. Are there provincial marketing strategies so that the farmers can undertake marketable enterprises and establish markets for their products/produce?

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14. Which land acquisition policies are in place for emerging farmers and which type of land ownership will they have?

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15. Since rural farmers practice communal grazing for livestock, how are you going to commercialise livestock farming in rural villages?

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16. Do you think ORTDM grows the agricultural sector to ensure household food security for all?

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17. Is the development of socio-economic infrastructure adequate in the district?

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18. Is the role played by the institution of traditional leadership adding value to the development of agriculture or effective?

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## **ANNEXURE 5**

**(Interview Sheet for LED Directors in the  
district municipality and its local municipalities  
as well as DEDEA)**

**You are kindly requested to participate in this interview. All information given will be treated with confidentiality and anonymity and will only be used for the purpose of this study.**

1. What is your understanding of Local Economic Development (LED)?

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2. In your opinion, is there a relationship between LED and community/stakeholder participation? Please explain.

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3. Does your municipality have an LED strategy in place? If not, why? If yes, provide the relevant detail.

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4. What programmes or mechanisms do you have in place to promote and ensure the development of local economies in your municipality (especially in rural areas)?

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5. In your municipality, do you have a unit/section responsible for LED?

Yes	No
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If not, why?

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If yes, how many officials are employed in the unit/section?

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6. Do these officials have the required skills/expertise to promote and implement LED?  
Please explain.

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7. How do you ensure accountability of these officials?

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8. Do you have Community Development Workers, (CDWs) in your municipality?

Yes	No
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If yes, please explain the role they play in promoting the LED.

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If not, why?

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9. Does your municipality have any capacity building programmes for officials responsible for the implementation of LED programmes?

Yes	No
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If yes, which programmes?

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If not, why?

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10. How do you involve local communities in municipal affairs (i.e. budget and IDP process)

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11. In the 2010/11 financial year, how much has been budgeted for and allocated to LED?

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12. In your opinion, do you think this budget is adequate? Please explain.

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13. Is there any role played by the Provincial Government and other institutions in promoting agricultural LED programmes? Please explain.

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14. What challenges do you encounter in implementing agricultural LED programmes?

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15. What measures do you think need to be taken into account to ensure optimal implementation of agricultural LED programmes?

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You are free to make any comments with regard to agricultural LED programmes in your municipality.

**I THANK YOU FOR YOUR ASSISTANCE, TIME AND CONTRIBUTION IN  
COMPLETING THIS INTERVIEW**

**Annexure 6**  
**(Ethics clearance – Form E)**



Nelson Mandela  
Metropolitan  
University  
*for tomorrow*

FORM E

**ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES**

Please type or complete in black ink

FACULTY: Business and Economic Sciences

SCHOOL/DEPARTMENT: NMMU Business School

I, (surname and initials of supervisor) RAGA, K + GREENEWALD, W.P.

the supervisor for Nongogo M.T with student number: 20628073 a candidate for the degree of Masters in Business Administration with a treatise/dissertation/thesis entitled: Assessment of Local Economic Development in the O.R Tambo District Municipality: Agriculture and Food Production

considered the following ethics criteria (please tick the appropriate block):

	YES	NO
1. Is there any risk of harm, embarrassment or offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1 Are subjects/participants/respondents of your study:		X
(a) Children under the age of 18?		X
(b) NMMU staff?		X
(c) NMMU students?		X
(d) The elderly/persons over the age of 60?		X
(e) A sample from an institution (e.g. hospital/school)?		X
(f) Handicapped (e.g. mentally or physically)?		X
(g) Socially/economically disadvantaged?		X
3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X

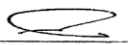
4. Will the participant's privacy, anonymity and confidentiality be disclosed/revealed?		X
4.1 Are you administering a questionnaire/survey that:		
(a) Collects sensitive/identifiable data from participants?		X
(b) Does not guarantee the anonymity of the participant?		X
(c) Does not guarantee the confidentiality of the participant and the data?		X
(d) Will be distributed electronically (e.g. online via email/web link)?		X

Please note that if ANY of the questions above have been answered in the affirmative (YES) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty Ethics Co-ordinator.


and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

  
SUPERVISOR(S)

14 AUGUST 2014 15 August 2013  
DATE

PO 1180   
HEAD OF DEPARTMENT

19/8/2013  
DATE

  
STUDENT(S)

14 AUGUST 2013  
DATE

Please ensure that the research methodology section from the proposal is attached to this form.