

Evaluating Impact Assessment of LED projects in Makana Municipality

By

Phathiswa Esona Bottoman

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Supervisor: Prof Ronney Ncwadi

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Declaration

I Phathiswa Esona Bottoman (211285897), do hereby declare that this thesis

Submitted in fulfillment of the degree Masters in Development Studies

Is my own work and that it has not been previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

Phathiswa Esona Bottoman

**Nelson Mandela Metropolitan University
Port Elizabeth**

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ABSTRACT

Amongst other socio-economic challenges that South Africa has, unemployment still remains high; in July 2010 unemployment was at 25.3% and in July 2011 it was at 25.7%; in a space of a year it grew by 0.4% (Trading Economics, 2012). Even though South Africa has made some significant progress with its democracy; there is still significant socio-economic problems. Poverty, lack of economic empowerment among the disadvantaged groups are amongst and lack of proper education are amongst some of these pressing challenges in South Africa . More than a quarter of South Africa's population currently receives social grants (Index mundi, 2011).

The Eastern Cape Province is still faced with significant socio-economic challenges such as high unemployment rate. 74% unemployed are the economically active group as they are under the age of 35 (ECDC, 2011:22). "More than a quarter (26.4%) of households in the Eastern Cape relies on government grants as their main source of income. Nationally, the youth unemployment rate is estimated to be close to 35%, with more than three million young people out of work. Youth unemployment in the Eastern Cape averages 41.4 %. This is more than twice the adult unemployment rate (18.4%). A total of 695,175 young people have been without work every year in the Eastern" (ECDC, 2010-2011: 23). Besides, this province has a third largest number of people who are living with HIV/AIDS in the country. These statistics have a major significance on the province's economic prospects and progress (ECDC, 2010-2011:22).

The RSA Constitution 1996, the White Paper on Local Government 1998 has mandated local governments to facilitate LED. South Africa adopted LED as a way of fighting poverty and stimulating economic growth and development for local residents. LED is promoting skills development, SMMEs and tourism to encourage economic development. However the success of LED has received mixed views in that; some successes of LED were recorded in urban or metropolitan municipalities. Few successes have been recorded of LED

projects in rural municipalities. Some of the constraints of LED consist of capacity problems within the municipalities, understanding the role of LED in the municipality and lack of funding. In Makana Municipality, about 23% of households live below poverty line of (R800.00 – R9600 a year). Most of the population earns between R801.00-R1600.00 per month with 24.7%. A mere 0.6% earn R204801.00 or more compared to 12.7% with no income. Inadequate infrastructure poses as a threat to attracting and retaining investment in this municipality. In light of the above paragraphs, this thesis evaluated the impact assessment of the LED projects within Makana Municipality. The premise of this thesis is that realization and significant support of LED projects would impact positively on unemployment and poverty rate that this municipality is facing and subsequently; the burden of unemployment and poverty will be reduced in the region, province and country.

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ACRONYMS

AEDC	: American Economic Development Council
AIDS	: Acquired Immune Deficiency Syndrome
ANC	: African National Congress
ASGISA	: Accelerated and Shared Growth Initiative for South Africa
CBO	: Community Based Organizations
CO-OP	: Co-Operative
DBSA	: Development Bank of South Africa
DoF	: Department of Finance
DPLG	: Department of Provincial and Local Government
ECDC	: Eastern Cape Development Corporation
ECSECC	: Eastern Cape Socio – Economic Consultative Council
GDP	: Gross Domestic Product
GEAR	: Growth, Employment and Redistribution
HIV	: Human Immunodeficiency Virus
IDP	: Integrated Development Plan
IDZ	: Industrial Development Zone
IMF	: International Monetary Fund
LED	: Local Economic Development
NDPLG	: National Department of Provincial and Local Government
NGO	: Non-Governmental Organizations
NPO	: Non-Profit Organizations
OECD	: Organization for Economic Co-operative and Development
PGDP	: Provincial Growth and Development Plan
PPP	: Private Public Partnership
RDP	: Reconstruction and Development programme
RSA	: Republic of South Africa
SA	: South Africa
SMME	: Small, Medium and Micro – Enterprises
TB	: Tuberculosis
USA	: United States of America
WCED	: World Commission on environment and development

Chapter 1

INTRODUCTION AND CONTEXT

1.1. Introduction:

Most of the developing nations have paid interest in addressing poverty; this interest is particularly so because of continued joblessness, illiteracy and escalating ill health conditions faced by these nations. These socio-economic ills have had a negative impact in the development of these nations. Not only are the developing nations concerned, the developed nations have their concerns as well. The issue of poverty, illiteracy, health have been given profound interest by both the developed and developing nations. Consequently, the Millennium Development Goals seek to address these issues with specific targets and indicators (Nel, 2005: 1).

Both Developed and developing countries have experienced changing trends in international development system. Africa in particular has been marginalised and underdeveloped (Venter, 1994:0). In the Apartheid epoch, South Africa was in isolation from the rest of the world due political instability, questionable economic policies. South Africa's isolation within the global economic system has made it vulnerable to economic global volatilities (Rogerson, 2000: 397).

However the end of apartheid saw the end of South Africa's international isolation. Be that as it may, the legacy of Apartheid has ensured that economic freedom for this country is rather complex. Since the end of Apartheid, there have been various government led economic strategies. These strategies were all meant to deliver economic relief. However, from RDP, GEAR, ASGISA; these policies have failed in achieving economic freedom (Rogerson: 2000:397).

LED in the apartheid era was marginalised and concentrated in certain areas (Nel, 2005: 27). "The application of LED is a relatively recent phenomenon in South Africa, having become apparent in the early 1990s but gaining in credibility and acceptance by the late-1990s" (Nel, 2005:1). Literature indicates that there is still controversy with respect LED projects. In most cases LED programmes are top-down approaches instead of bottom-up approaches merely because of political reasons.

Thus, their intended focus shifts; as a blanket approach seems to be utilized instead of contextualizing each local municipality.

Due to Globalization, local municipalities have had to succumb under pressure in gaining responsibility when it comes to local economic growth (Bond, 2002:3). Besides, Rogers (2006:39) also noted that due to globalization, LED is viewed significantly in the countries of the world as a strategy in addressing sustainable development and poverty alleviation. Within the Makana Municipality, there is high unemployment rate, informal education, poor infrastructure, housing backlog, privatized land (Makana LED Strategy, 2009:1).

This study explores, assess and evaluate impact of LED projects within the Makana Municipality. It gives a theoretical background and context of LED in the internationally, South Africa and in Makana Municipality. It assesses the LED strategy of this municipality, explore the projects initiated and implemented and evaluate their impact. This chapter will also provide a socio economic background of the Makana Municipality.

1.2. Context:

Under the Apartheid epoch, South Africa was faced with racial segregation, socio-economic inequalities and political instability. These challenges are still felt and evident within the South African community. Even post-Apartheid era, the gap between rich and poor is still evident. South Africans are uneasy and bear the brunt of poor service delivery, unemployment, poverty, illiteracy, TB/HIV and other social ills. For instance in recent years, the service delivery protests have been escalating. The community of South Africa is taking to the streets in demand of better and quicker service delivery and job opportunities.

The conditions that most South Africans live in; such as poor housing, sanitation, poor quality of water, overcrowding in schools are some but many of challenges that South Africans are disgruntled about. This has led to the South African Democratic government to sought different strategies in order to accelerate economic growth and development. LED is one of the new strategies sought by this government as a way of effectively addressing past imbalances. LED is seen as an economic growth

strategy for development planning in South Africa. However, the way forward has been met with lots of uncertainties by the critics (Rogerson, 2000:397).

This more so because of unclear roles in pushing forward the mandate of LED by government. Due to Globalisation, South Africa followed the global transcend of Washington Consensus as a way of promoting economic growth as it adhered to neoliberal policies (Bond, 2002: 3). This was largely due to pressures of the global community which pushed for export-led growth. Nevertheless, it is evident that LED seeks to improve economic infrastructure and quality of life for all. Critics have lambasted on this approach because it has yielded far less anticipated results instead promoted a much more “uneven development” subsequently development of underdevelopment (Bond, 2002:3). However, crucial questions arise when one deals with the aforementioned oriented focuses of the LED strategy. This study is thus interested in exploring, assessing and evaluating impact of LED projects within the Makana Municipality.

Makana Municipality just like any other municipality in the country has an obligation of coordinating Local Economic Development (LED) programs as per both the RSA Constitution 1996 and the White Paper on Local Government 1998. In terms of section 152(1) (c) of RSA Constitution, 1996; local municipalities are obliged to promote social and economic development. Furthermore, the White Paper, 1998 clearly states that municipalities should ensure that overall economic and social conditions are conducive to create employment opportunities.

In Makana, LED is still at its infancy because of lack of funding and ambiguous nature. Even so, Makana mandated by the RSA Constitution, 1996, White Paper on Local Government 1998 The Local Government Transition Act of 1993 and its 1996 Amendment (RSA, 1993,1996c) to promote economic and social development. Therefore, this municipality has adopted LED as one of the strategies that assist municipality to combat high unemployment, illiteracy rate as well as poverty rate. This Municipality has cited Economic growth in the Makana as slow in its LED strategy. Thus LED projects are seen as a way forward in developing this municipality (Makana IDP, 2011-2012).

1.3. Aims and Objectives:

This study aims to give a theoretical background and context of LED in the internationally. To develop a contextual understanding of LED in the South Africa which subsequently will explore, assess and evaluate the impact of LED projects within the Makana Municipality.

For this study to achieve this aim, the following objectives have been identified:

- To provide a literature review of LED for the developed and developing countries
- To assess the impact of LED projects in Makana Municipality
- To provide policy recommendations.

1.4. Research methodology:

This study is based on a qualitative research methodology. The data was collected through use of questionnaires and face to face interviews with the LED officials and LED beneficiaries. Qualitative research involves an in-depth understanding of phenomenon; as such it involves detailed verbal descriptions of characteristics, cases and settings. Observation, interviews, and document reviews were used as methods of collecting data (Creswell, 1998:15).

1.5. Socio-economic background of the research area:

1.5.1. Population:-

Makana's population was recorded at 70 706 in 2007 by Quantec Research, Grahamstown accounting 81% of the municipality's population. See table 1 for specifications. Population density indicated the high level of urbanisation within the municipality. As such the local municipality is battling to meet the basic services for its people (Makana IDP, 2011-2012:28).

Table 1.1: Overview of Makana Municipality:-

Indicator	Makana Municipality
Population	70 706
Population density	16.1 (people per square kilometer)
Households	16 975

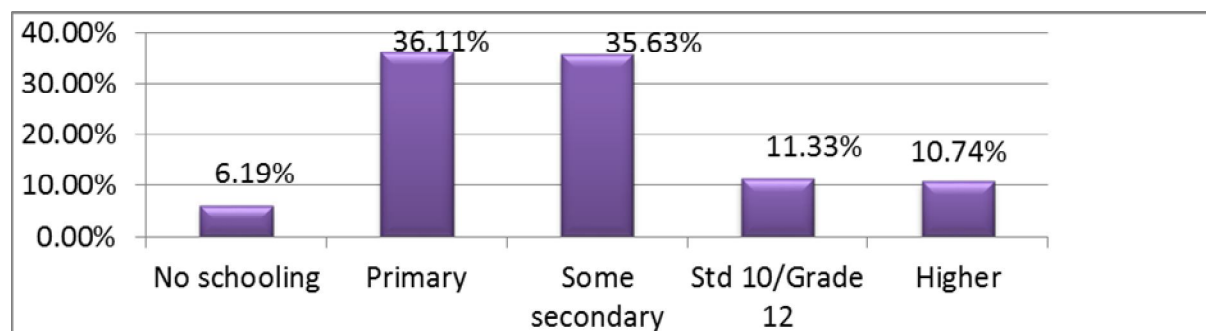
Household density	3.87 (households per square kilometer)
Area	4 379 km ²

(Source: Quantec: 2007)

1.5.2. Education:-

Education is critical for economic development; thus education levels have a direct impact on the quality of life. This is largely due to the fact that with better education levels, employment is rather easy to find and keep. However, low education levels impact on employability and quality of life. Fig 3 indicates education levels in Makana in 2007. Most of Makana residents have been to primary school standing at 36.11% as opposed to those who have no formal school 6.19%, those completed matric at 11.33% and on higher education 10.74% (Makana IDP, 2011-2012:30).

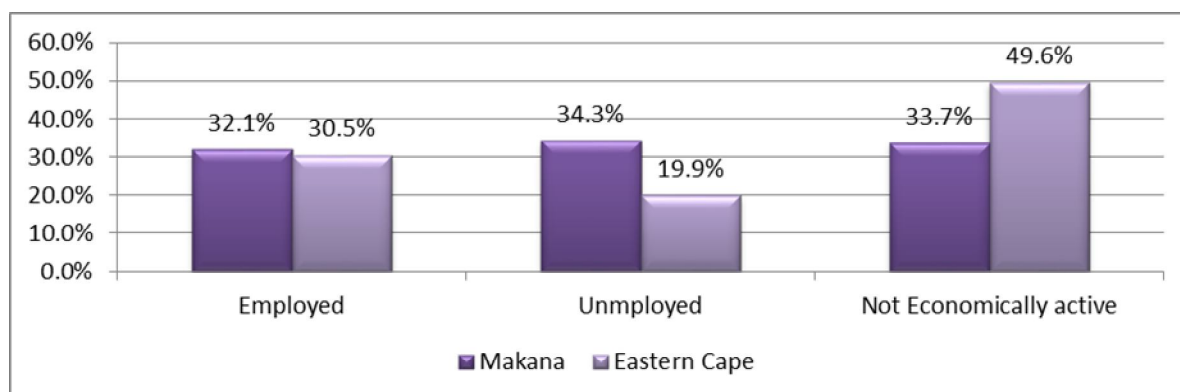
Fig 1.1: Level of education: - (Source: Quantec: 2007)



Education is a significant factor in terms of employment; education level determines one's employability, consequently, one's income level, which determines one's poverty state. Fig 4 illustrates Makana Municipality's employment status in 2007 (Makana IDP, 2011-2012:31).

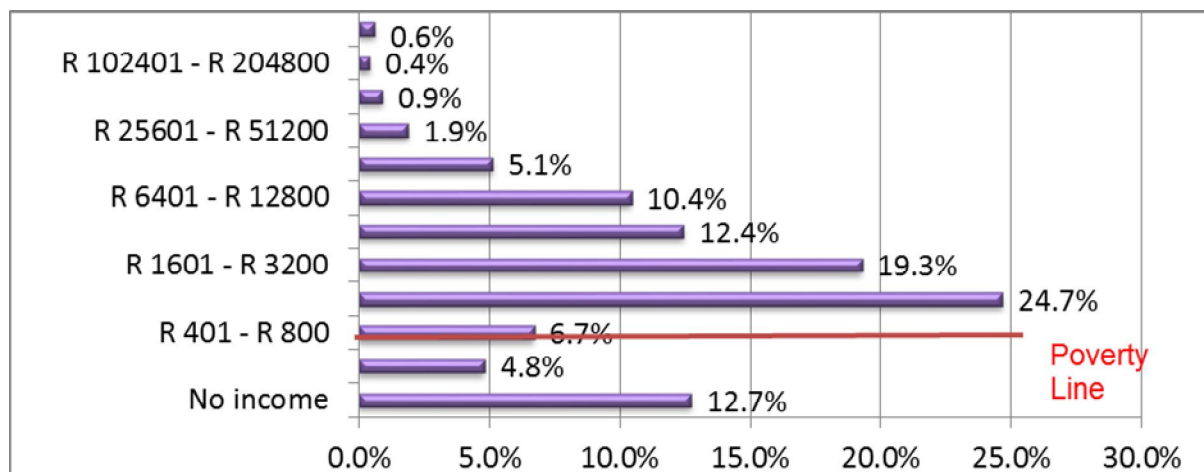
1.5.3. Employment:-

Fig 1.2: Employment status: - (Source: Quantec: 2007)



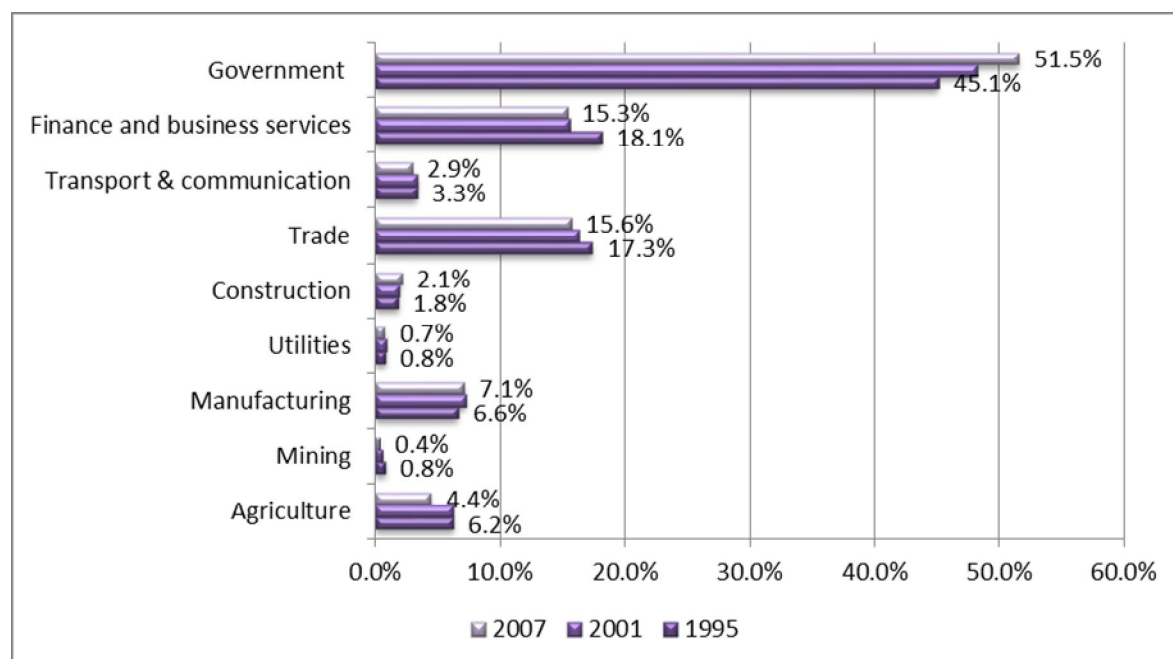
In Makana Municipality, about 23% of households live below poverty line of (R800.00 – R9600 a year). Most of the population earns between R801.00-R1600.00 per month with 24.7%. A mere 0.6% earn R204801.00 or more compared to 12.7% with no income. Fig 5 gives a clear indication of household income within the municipality (Makana IDP, 2011-2012:33).

Fig 1.3: Average household income: - (Source: Quantec: 2007)



1.5.4. Economic structure:

The main contributors of the Makana economy are government, trade and business sectors. Government as of 2007 contributed a whopping 51.5%, both business and trade at an average of 15.3% whilst mining and construction barely exist. Agricultural sector accounting only 4.4% down from 6.2% in 1995 and 2001 and the manufacturing sector at 7.1% (Makana IDP, 2011-2012:41).

Fig 1.4: Sector contribution to R-GDP 1995-2007

These demographics and profile give an overview of the Makana Municipality; as such give insight into its LED strategy and IDP. Makana's LED strategy has focused on the following programmes:

1. Strategic Partnerships
2. Infrastructure Provision And Services
3. Investment Attraction
4. SMME Promotion
5. Tourism Development
6. Leveraging of educational capital
7. Agricultural sectoral development (Makana LED Strategic Framework, 2009: 9).

Tourism, education and agriculture are the targeted action sectors that were deemed important by the municipality. In this municipality, the Tourism sector contributes a substantial to the GDP of the municipality as such is the key LED programme. This is mostly due to its historical sites, the National Arts Festival, Sci-Fest, world class schools and game reserves. Just like other small rural municipality, this municipality has focused on tourism as the main engine for LED, (Makana LED Strategy, 2009: 20, LED Report Free State, 2004:16). This sector creates employment opportunities and many projects are run in conjunction with the municipality such as the Kwam e

Makana project (Makana LED Strategic Framework, 2009: 20). Similarly, leveraging education capital is high on the agenda of this municipality because of Rhodes University and other world class schools.

Thus this municipality seeks to exploit the benefits associated with such prestigious educational infrastructure like tapping in research institutions and enhancement of business through SMMEs (Makana LED Strategic Framework, 2009: 24). Agricultural sector has been declining in Makana as seen in fig 6, however this municipality has committed itself in accelerating this sector through a bottom-up approach, encourage commercial and emerging farmers (Makana LED Strategic Framework, 2009: 28).

1.4. Organization of the Study:

This is a brief outline of this research paper; it outlines how this study will be structured.

Chapter 1 provides introduction and background to the study

Chapter 2 provides a literature review

Chapter 3 provides policy framework to advance LED

Chapter 4 provides research methodology

Chapter 5 provides empirical findings

Chapter 6 presents summary, recommendations and conclusions.

1.5. Conclusion:

This study is about the impact of LED projects within the Makana Municipality area. The interest is particularly on whether these projects achieve what they set to achieve, whether the proposed beneficiaries benefit on the projects, the sustainability of these projects. LED is a bottom-up approach focusing on local empowerment, sustainability, local self-reliance, participation. Makana has established its LED strategic framework and the IDP. There are various projects that are coordinated under the LED directorship; many have failed and some succeeded. With LED focusing on a community development approach; this study therefore

seeks to explore and assess whether these projects speak to the strategy, benefit its beneficiaries and evaluate its impact and sustainability. The next chapter discusses a theoretical literature review in order to provide a conceptual framework of the study.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction:

Sub-Saharan Africa is a poverty stricken region, as such South Africa is no different; there is high rate of unemployment, illiteracy, poor service delivery and high unskilled labour. With such poverty rates, Local Economic Development (LED) is one of the strategies that have been sought by the South African government. LED occurs when a wide range of stakeholders which include government, private sector and civil communities act in partnership in developing strategies that will increase economic growth, sustainable development and economic development through decentralisation (Edoun & Jahed, 2009:4). Thus, local government has a mandate to respond to economic challenges and improvement of quality of life in South Africa. It is clearly outlined in the LED forum report that local government should be proactive in job creation, global competitiveness and poverty alleviation (Taylor, 2002:1). Ramukumba (2012:9) also states that the objectives of LED are employment creation, poverty alleviation, economic growth and sustainability. The local municipalities thus have a role in creating sustainable employment which leads to economic growth subsequently poverty alleviation. This chapter discusses the origins of LED, the features of LED, its emergence in South Africa and its shortfalls.

2.2. Definitions of LED:

Development is often equated with growth; with trickle-down effects on the poor however, this effect is does not necessarily transpire (Reivertt-Carnac, 2009:5). The trickle-down effect is an orthodox believed by most market-led economists. But development is currently accepted as development for the people, by the people and with the people (Reivertt-Carnac, 2009:6). This means that people take initiative of and for their development by being actively involved through active participation in decision-making which in turn allows for self-reliance.

Economic Development traditionally was defined by the American Economic Development Council (AEDC) (1984:18) as “a process of creating wealth through

mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services” (Bingham & Mier, 1993: vii). However, this view of LED is rather limited as it fails to take into account the relevance of partnerships of stakeholders like public, private sector, non-governmental and non-profit organizations in the creation of wealth and how it is distributed (Bingham & Mier, 1993: vii).

Defining LED has been an issue because of the complexity of the nature of the term; this is because it was not agreeable whether LED should take a competitive or social welfare approach (Rogerson, 2010:483). Besides, even government was unsure of the nature of LED and how they fit in the concept. Thus, the role of government in LED has been confusing (Framework, 2006: 9). Rogerson (2010:483) asserts that even though the desired outcomes of LED are agreed upon, there remains no real consensus about the role of government. “A critical divide has been between those who believe local government should provide a direct solution by supporting projects for job creation and others who advocate for an indirect solution in the form of creating an enabling environment” (Rogerson, 2010: 483).

According to Swinburn, (2006:3) LED is a “process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”. LED’s purpose is to build up the economic capacity of a local area to improve its economic future and to improve the quality of life for all (Swinburn, 2006:3). (Fosler, 1991) cited in Abrahams, (2003: 188) states that LED “refers to the process of creating wealth through the organised mobilisation of human, physical, financial, capital and natural resources in a locality. The aim of local economic development ultimately is to produce higher standards of living, improve the quality of life, alleviate poverty, create more and better jobs, advance skills and build capacity for sustained development in the future”. In Rodriguez-Pose & Tijmstra, (2005:36). LED is termed a radical shift from traditional political and economic expectations (Binns & Nel, 2001:355). This point is illustrated by the two different approaches of LED; a neo-liberal pro-growth and the welfarist pro-poor approach. The pro-growth debate aims to respond to economic challenges and the pro-poor as a response to poverty (Rodriguez-Pose & Tijmstra, 2005:39-40).

And Canzanelli (2001:9) define LED as a process where local actors shape and share the future of their territory. It is a participatory process that encourages and facilitates partnership between local stakeholders, enabling the joint design and implementation of strategies, mainly based on competitive use of local resources, with final aim of creating decent jobs and sustainable economic activities.

Considering the above definitions of LED, it is clear that LED involves a process by local governments, private sector-business, NGOs, NPOs and CBOs using local existing resources in creating jobs, boosting the economy subsequently alleviating poverty. LED is rooted in building up the economic capacity of a local area in order to improve its economic future and the quality of life for all (Swinburn, 2006:1). Thus creating an enabling environment for sustainable economic growth subsequently development. It enforces public private partnership to generate employment opportunities, investment and completion (DPLG, 2006a:11).

2.3. Features of LED:

The characteristic nature of LED embodies globalization, community-based approach/ownership, sustainable development, public-private participation and partnership - self-reliance/empowerment, and governance (Ramakumba, 2012:10, Rodriguez-Pose & Tijmstra, 2005: 40). These features and theoretical frameworks are discussed below:

2.3.1. Globalization:-

It is arguable that globalization is the answer to economic growth and subsequently economic development (Köhler, 2002). Lundahl & Pienaar in (Lundahl, 2004:20) state that globalization is good if it contributes to economic development but ineffective if it hinders development. With globalization, local governments have no choice but to be locally competitive and also globally competitive in order to reshuffle and gain in economic growth and development by creating enabling environments such as prudent macroeconomic policies, legislature, infrastructure and political climate. Besides with globalization prominent in today's world; it has exposed incapacitated nations into huge income disparities (Dunning, 2003:18).

Globalization has earned various and distinct debates from academics, socialists and politics. However, Robinson (2011:20) states that globalization represents a qualitatively new epoch in the ongoing evolution of world capitalism, marked by a number of fundamental shifts in the capitalist system. These include; the transition from a world economy to a global economy, the integration of every country into a new global production and financial system, the transnational capitalist class, transnational state, appearance of inequality and domination in global society. According to Köhler, (2002) globalization is a process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies Whereas, Dunning (2003:12) states that it is connectivity of individuals and or institutions across the globe. Thus, it is geared to advance personal, institutional interests, economic, cultural and political goals.

Furthermore, globalization coerces developed nations and developing nations to have a mutual beneficial relationship in order to achieve utopian development. With globalization, commodity and factors markets are intertwined, technology has spread in all corners of the world, information, accessibility of financial systems, political systems, economic policies (Lundahl, 2004:9). However, some regions such as Africa are trailing behind when it comes to being competitive in information technology, subsequently on global economy (Rogerson, 2000:397). Globalization is criticized of marginalizing and exclusive in as much as it gives opportunities.

It is argued that these opportunities are rather limited to certain areas and others are invisible and irrelevant in the global world especially with Africa having been highly marginalized (Triegaardt, 2009: 4; Lundahl, 2004:10, Hindson & Valerie, 2005: 12). This author de Campos Guimaraes cited in Hindson & Valerie (2005:13) summarized the negative effects of globalization as “the logic of globalisation is not only a logic of integration; it is also a logic of exclusion and differentiation. Some parts of countries become linked into the world economy while others are de-linked from global flows and remain invisible or irrelevant until a war or disaster or crisis brings them briefly into the focus of national or international attention”. Even though, Africa has been largely marginalized in the global competitive world, it does not necessarily mean that African has not been largely impacted and influenced by globalization (Lundahl, 2004: 10).

Besides, (Liou, 2007:2) also argues that governments, especially local governments are interested in LED mainly because of changing domestic and international political environment and economic environment. The advancement of technology, increase in foreign investment and globalization are some of many reasons governments seek new markets for development (Liou, 2007:2). The programmes of LED promote job creation, economic growth and poverty alleviation through capacitating local resources; that is local municipalities, residents and private sector. As a result, growing local economies impact positively on the regional, provincial and national real GDP or GNP per capita and subsequently leading to economic development (Lundahl, 2004:20).

2.3.2. Community-based approach:-

LED differs mostly from traditional development strategies because it focuses on localized development strategy (Rodriguez-Pose & Tijmstra, 2005: 43). Local government is mandated and obliged to create an enabling environment for sustainable economic growth and improved quality of life. Thus creation of sustainable jobs is at the core of the strategy. A community-based initiative is people-centered approach thus local residents are actively involved in their own development. This therefore means that power must be decentralized and that development should begin at grassroots level. If the community is actively involved in their development, that development yields towards sustainability (Brown & Prozesky, 1996: 98).

A community-based model emphasizes participation, empowerment and grassroots approach (Gray, 1996: 11). LED's underlying and probably the core factor is that it is a strategy that seeks for community-based initiatives. Local stakeholder involvement allows for strategies that are adaptable to local conditions; besides enhance efficiency (Rodriguez-Pose & Tijmstra, 2005: 44). Local residents of the municipalities have a platform of assessing the needs and strengths of their own communities. Thus, have power to tailor a blueprint of what is needed in order to improve their quality of life, a sustained economic growth and ecological livelihood. Besides, encouraging community-based approach means that the objectives of LED are met; especially that of job creation, global competitiveness and poverty alleviation (RSA, 1997:3).

Local people have a vital role to play in LED because of their experiences, knowledge and skills. Active community participation is at core of success of LED; it is required in order to make any project beneficial. Community-based initiatives empower local residents due to their voices being taken into consideration, job creation, poverty alleviation and redistribution of local resources (Rodriguez-Pose & Tijmstra, 2005: 38). The community-based initiative encourages active participation of local residents in decision making subsequently ensuring that they economically sustainable (Lombard, 2004:227). Besides, LED approaches allow for flexibility and adaptability (Rodriguez-Pose & Tijmstra, 2005: 39). However, such participation has proved to come with its problems as there so called representatives have other interests than those of the community that elected them.

2.3.3. Sustainable development:-

South Africa has been largely criticized of following neo-liberalism strategies instead of indigenous unique and contextual strategies. The former, having said to have created the massive poverty we see today in South Africa. These strategies consequently were deemed not sustainable in various debates. For instance with GEAR introduced as a strategy that would accelerate economic growth with focus on infrastructural and industrial development, South Africa was criticized by number of critics. The critics argued that even though South Africa experienced economical growth, little effect was seen in terms of improvement of ordinary South Africans, instead major bourgeoisie companies and individuals benefitted (Triegaardt, 2009: 2). The latter has been adopted as a core factor LED; where the focus is not only 'quick fix' solutions chasing GDP rankings. Instead, the adoption of sustainable development; which allows for pro- activity is said to yield better results. Sustainable development is inclusive of economic development, ecological development and social development (Meyer-Stammer, 2006:12).

Sustainable development is also not a new term; it dates back to eighteen and nineteen centuries thinkers. During that period the main concern was the scarcity of resources compared with population growth. It became more prominent in the Brundtland formulation; the World Commission on Environment and Development (WCED) defined sustainable development as "development that meets the needs of present without compromising the ability of future generations to meet their own

needs” (Baker, 2006:20). The Brundtland formulation made four links in the economy, society and environment chain.

For sustainable development to occur, environment and social development must be taken into high consideration. Thus, community involvement is at the core functioning of sustainable development inclusive of taking into account ecological measures (Baker, 2006: 20). This means that as local governments are mandated by the Constitution, they are responsible for creating an enabling environment. This enabling environment means conditions that warrant for enhancement of long-term growth and development. Long term development then leads to sustainable development. This means that exploitation of resources, advancement of technology, infrastructure development, and institutional change are all in harmony with the environment and are not detrimental to the future generation and their needs (Baker, 2006:22).

The objectives of LED are clear that any local economic development should foster a sustainable development. Sustainable development thus requires major changes in how earth’s resources are allocated, managed and used (Geoghegan, 2011:28). Therefore, participation is cited as very important in ensuring sustainable development. Bringing together stakeholders or actors who are interested and likely to be affected by any developments lobbied for, strengthens capacities for sustainable development. Local government then has a mandate to facilitate participation in order to enhance sustainable development (Geoghegan, 2011:30).

2.3.4. Private-Public participation/ stakeholders partnerships:-

The success of LED requires all spheres, civil and sectors; this means partnerships with local communities, business and local government (Urban Research Foundation, 1994:1; Rogerson, 2009:35). However, what constitutes meaningful participation has been debatable among scholars. Geoghegan (2011: 31) states that at least for participation to be termed meaningful it should be fair and adequate in representation of a wide range of stakeholders with their interests and concerns taken into account. Public sector and the private sectors must be in partnership with the people in promoting a sustainable development. In the case of LED, government

facilitates and co-ordinates the creation of structures for participation and involvement of stakeholders; thus creating an enabling environment. However, it is not always that simple as some local government tend to have dominance and certain agendas.

LED uses local primary resources, ideas and skills to stimulate growth and development of the area. Therefore, for effective LED partnerships; sharing of resources and forging meaningful partnerships is crucial. This means that for any development to be significant, active participation and partnership must be ensured from planning, implementing, monitoring and evaluating (Lombard, 1991: 244; Hindson & Vicente-Hindson, 2005:29). So, for effective and sustainable economic development, beneficiaries must be fully engaged and responsible for their development (Lombard, 2004:15, Geoghegan, 2011:31).

A grassroots approach and pro-poor development has been widely used in all aspects of development; whether from a social, political and economic aspects. In terms of LED development is an indigenous process resulting in self-reliance and participation. Besides, sustainable development initiatives occur at community and grassroots level thus also strengthens self-sufficiency (Geoghegan, 2011:31-32).

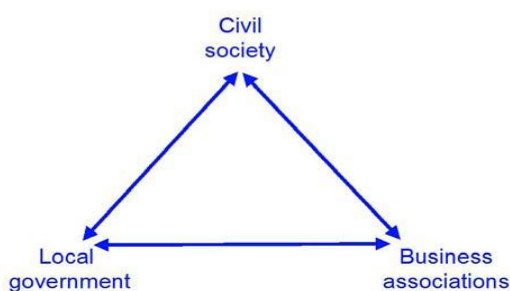
Participation, or some active role playing by intended beneficiaries, is an indispensable factor of all forms of development. It is the nature and quality of participation which largely determine the quality of a nation's development pattern. "A policy bias in favour of authentic participation correlates highly with genuine development" (Goulet, 1989: 175) cited in Taylor & Mackenzie, (1992: 240).

The nature of development should be meaningful only if it includes effective participation. This emphasizes the element of development from within which allows local residents greater control and ownership. Consequently, encourage empowerment because active participation instigates control which will ensure empowerment (Edoun & Jahed, 2009:6). LED involves a process whereby, governments, community and private sector have partnered in managing existing local resources in creating jobs, sustainable economic growth and fighting poverty (Ramakumba, 2012:10).

2.3.5. Governance:-

Successful LED is based on the efficient interaction between government, private sector and civil society; all these parties understanding their roles and conditions in promoting LED (Meyer-Stamer, 2006: 14-15; Rogerson, 2009:35-36). Within LED strategy, governance is crucial as part of creating and maintaining networks between the public and the private sectors. Good governance includes the way local government is governed, also it includes creating confidence in municipalities in order to attract external and internal or local investors (DPLG, 2006a:23). The figure below illustrates the interconnectedness in achieving good governance.

The Triangle of Governance



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Fig 2.1: Triangle of Governance

(Source: Meyer-Stammer, 2006: 14).

The governance of LED is therefore facilitated by policies and networks that exist between public and private sector. Decentralization is one of strategies sought by government to enhance service delivery. It promotes good governance, accountability, transparency, citizen participation and development (Crook, 1994) cited in (Edoun &Jahed, 2009:4). Decentralization allows for greater efficiency, local involvement in decision making, harnessing local knowledge and resources through development process. Good governance allows for development; which includes local people organizing, planning and taking action in partnership with stakeholders in improving socio-economic conditions (Edoun &Jahed, 2009:6).

In addition, good governance includes a transparent process of decision making, consultative and legal process. To attain optimum sustainable local economic growth and economic development; transparency and management of resources by and between these entities PPP should be excersized. These must be governed

efficiently and effectively. It is a multi-dimensional phenomenon; administrative governance, economic governance and political governance. Administrative governance includes policy implementation, monitoring and evaluation. Economic governance on the hand includes, micro and macro-economic decisions made by government that impact growth and development of local economy. Political governance involves policies, strategies and interventions made by decision makers (United Nations, 2007:2).

Hindson & Vicente-Hindson (2005:28) approaches the concepts of governance a bit differently but with more or less the same reference. The Hindsons, make mention of enablement- where government creates an enabling environment and provide support to private and public actors in promoting LED. It is subdivided into political, market and business and community enablement. Political enablement includes decentralization, democracy, managerial and institutional reforms. It is not only intergovernmental coordination; all stakeholders are initiators, contributors, implementers, monitors, evaluators of their development (Hindson & Vicente-Hindson, 2005: 29).

Market and business enablement involves government works towards creating a favourable environment for commercial markets instead of replacing them. Also to engage commercial markets to function efficiently and mostly work better for the poor. For pro-growth/market development approach to thrive, the state must create a supportive economic, legal and regulatory framework, identify market failures and take appropriate action where this does not entail costs that are greater than those created by the failures (Hindson & Vicente-Hindson, 2005:30).

Community enablement on the other hand includes local government capacitating local residents in facilitating and coordinating strategies; thus initiate, plan and implement their own projects according to the principles of self-determination, self-organization and self-management. Many policies in South Africa such as RDP, RSA Constitution and the Municipal Systems Act highlighted the significance of community involvement in development (Hindson & Vicente-Hindson, 2005:31).

2.4. International overview of LED:

North America and Europe are said to have set much of the scene in terms of labour market initiatives by local governments (Robbins, 2010:532, Rogerson, 2000:400, Mitchneck, 1995:152). The former Soviet Union local governments have been influencing urban and regional development (Mitchneck, 1995:151). LED has received much attention in the countries of the North; however, the South countries have also been largely impacted. Consequently, are now emphasizing the significance of local economic development driven by local governments (Nel, 2000:1004). Unlike, the South; the North has emphasised more on investment, big projects and big business support for their development (Nel, 2000:1006).

In North America for instance; LED has focused on entrepreneurial activities (Nel, 2000:1007). Both the North America and Europe have emphasized much of what (Rogerson, 2000) calls market-led approach (Rogerson, 2000:399). As the Framework, (DPLG, 2006a:4) also states that LED was associated with inter-locality competition; attracting mainly industrialization. However, there has been a noticeable change in their approach to a bottom-up, development from below, decentralization, and endogenous approach (Nel, 2000:1006, Rogerson, 2010:481). This new approach emphasizes localism, empowerment, sustainability, and self-reliance (Rogerson, 2000:399). This means that LED can only be achieved if local people engage in initiatives that foster economic development with other relevant stakeholders and local authorities through active participation and understanding their roles (Nel, 2000:1006).

According to Swinburn, (2006) has given these programmes as essentials in achieving the goals of LED.

- Improving the local business investment climate
- Investment in hard strategic infrastructure
- Investment in sites and premises for business
- Investment in soft infrastructure
- Encouraging local business growth
- Encouraging new enterprise
- Promoting inward investment
- Sector (and business cluster) development
- Area targeting/regeneration strategies

- Integrating low income or hard-to-employ workers

2.5. South African LED overview:

The emergence of LED in the South has been that of a development strategy as was in the North. The continued slow economic growth and constantly rising poverty rates have thus led to investment in locally based initiatives. Nel, (2000: 1004) reported that other factors that further exacerbated the situation are “debt crisis, the inability of states to intervene at local level, massive currency devaluation and the series of natural and political shocks”. With lack of interest by external investors, inward approach was adopted on the foundation and principle of self-reliance (Nel, 2000: 1005).

South Africa is somehow spearheading the process of LED within the Southern Africa region and the Africa continent at large (Rogerson, 2000: 397). In South Africa, government uses municipalities to drive LED and therefore focus primarily on growing local economies, thus local people to steer and create sustainable economic growth. LED is one of major strategies that will encourage economic development and poverty alleviation. Besides, it also encourages municipalities to create an enabling environment to foster macro-economic growth (DPLG, 2004).

For local economic development to occur, municipalities should improve processes and procedures that the business world is subjected to. By having processes in place, will allow for both external and internal investors to engage and invest in local development. This therefore means that local municipalities should encourage local business through SMMEs, business development enterprises where advice, support and resources are encouraged (World Bank, 2002:5).

2.6. Conclusion:

Literature review gives the researcher a pint of reference as it creates a conceptual framework for the study. LED has become a widely practiced policy in most countries; its history of development is in North America and Europe. It has modest and mixed outcomes in the countries of the South. Studies vary in South Africa in terms of success or failure of LED. It is thus imperative that features of LED be understood as they give light in terms of what LED constitutes of.

The next chapter will discuss the policy framework to advance LED in South Africa. It is important to discuss this chapter as it gives clear foundation of LED in South Africa. It impacts in this study as the policies and legislation discussed in this chapter is the basis of LED in South Africa.

CHAPTER 3:

POLICY FRAMEWORK TO ADVANCE LED IN SOUTH AFRICA

3.1. Introduction:

The aim of this chapter is to present a policy framework which regulates LED in South Africa. The chapter begins by providing historical economic policies of South Africa. This is followed by a discussing the context of LED in South Africa. The second part of the chapter presents the practice and the challenges of LED in South Africa. Concluding remarks are provided towards the end of the chapter.

3.2. South African Historical Economic Policies: Promoting economic and social development:

In the Apartheid era South Africa was in isolation from the rest of the world due its political unrest, questionable economic policies. The Comprehensive Anti-Apartheid Act of 1986 was launched against the Apartheid government (Edgar, 1990:20). Apartheid government pushed for Keynesian style policies which allowed the State to have major control over all societal aspects (Nel, 2000: 1009). Unemployment levels have been skyrocketing in South Africa in the Apartheid era and post-Apartheid. In the Apartheid era people were employable on the basis of colour; being White gave advantage. Blacks were concentrated in unskilled jobs with low wages, whilst Whites were in high paying positions (Khan, 1989:16).

Marais, (2010:519) also states that LED activities in this era were mainly attributed to industries, place-marketing, land development, infrastructure development of which they were primarily beneficial to the poor whites. In this period, local governments were only mandated on municipal services and were limited on any economic activity (Nel & Binns, 2001:355). However the end of apartheid saw the end of South Africa's international isolation (Rogerson, 2000:397).

After the end of an era, the new South African democratic government had a challenge of reconstruction, restructuring and rebuilding a free South Africa where all people from all walks of life experienced a free and fair South Africa. They were faced with changing the existing geographical inequalities, distorted economic policies, poverty, illiteracy and TB and HIV/Aids related illnesses. To do this, this government proposed these economic policies. These policies are discussed in the following sub paragraphs:

3.2.1. RDP:-

The RDP policy was formulated in 1994 and its focus was on political, economic and social consolidation. RDP was ANC's ideology of "better life for all" (ANC, 1994). RDP's main priority was to restore South Africa's economic and fiscal health to enhance rapid economic growth. RDP reprioritised spending towards social development, and was predicated on the key mandates of meeting basic needs, developing human resources, building the economy and democratising state and society. (Faulkner & Loewald, 2009:10). It is thus not surprising that within RDP policy, references were made on LED. RDP focused more on local based initiatives and community –based development. In order to achieve development, this policy pushed for empowerment and active involvement of communities in their own development (ANC, 1994).

However, RDP faced many challenges especially in achieving social objective but made much progress towards reconstructing the public finances. Its failure was largely to insufficient growth. Consequently, robust change and enhancement of major macroeconomic variables had to be adopted (Faulkner & Loewald, 2009:11).

3.2.2. GEAR:-

1996 saw an emergence of a new policy; GEAR and its aim was to provide framework to attaining macroeconomic stability as a basis for economic growth. "The strategy focused on accelerating fiscal reform (including a faster fiscal deficit reduction programme to contain debt service obligations), further tariffs reform, public sector restructuring (including the disposal of non-strategic assets), continued reorientation of expenditure towards service delivery to the poor and more consistent

monetary policy (in order to prevent a resurgence of inflation)” (Faulkner & Loewald, 2009: 11).

GEAR was necessary for South Africa as a strategy to entice and keep the international investors. Thus it was a reassurance strategy that South Africa can play in the global capital world just like the rest of the developed nations. However, it was not only for the investors, South African economy was boosted. The role of government was to facilitate market-led economic growth through trade liberalisation and infrastructure development i.e. IDZ, COEGA, SDI. This strategy was grounded within the neoliberal economic theories and policies. It was a macroeconomic framework that focused more on fiscal discipline and global competitiveness (RSA, 1996, DoF, 1996). Subsequently GEAR adopted growth-oriented initiatives. Critically, GEAR was more focused on GDP growth through competitive market models but it failed to really tackle social and environmental development. Thus growth that became imminent was really that of short term glory (Nel & Binns, 2001:356).

3.2.3. ASGISA:-

2006 saw the launch of ASGISA as a result of government’s commitment to halve unemployment and poverty by 2014. Its focus was to halt unemployment and improve skills development. There was a growth averaged of about 3 per cent during the first decade of freedom; since 2004 growth tended to exceed 4% per year, reaching about 5% in 2005. This growth was largely due to sound economic policies, positive domestic sentiment, and a favourable international environment. (Mlambo-Ngcuka, 2006: 1). Prudent macroeconomic policies have contributed to an economy capable of both sustaining and accelerating the growth trajectory. ASGISA “sought to mobilise coordinated government action and investment to enable the economy to reach growth levels at above 7 per cent, which was seen central to commitments to halve unemployment by 2014” (Robbins, 2010:543). However, just like the other two policies, ASGISA seems to have died a silent death.

3.2.4. New Growth Path:-

2010 saw an introduction of New Growth Path; aiming at accelerated job creation. Despite improved growth, the economy remained one of the most inequitable in the World. Due to the inequalities that were created by the Apartheid regime in the mid-00s, 40% of the national income went to the richest 10% of households. Subsequently, there was an increased rate of joblessness. The New Growth Path strategy has prioritised robust job creation. Therefore it has aimed at reducing unemployment levels in the country by 10 percentage points by 2020, down from the current rate of 25 per cent (Newgrowth policy 2010:8). It focuses on six fixed priority areas to job creation: infrastructure development, agriculture, mining, manufacturing, the "green" economy and tourism.

President Zuma announced a bold initiative and strategy that New Growth path will accelerate job creation and investment attraction. This policy seeks to have 5million jobs by the year 2020 (New growth policy, 2010:8). Stiglitz has mentioned that this path speaks to the ILO decent work agenda in terms of its four strategies (ILO, 2011). Besides, according to Adam Habib it seeks to reduce economic inequalities because the current economic inequalities put South Africa at risk (Habib, 2010).

The New Growth Path has been criticised of failing to take role of public sector seriously, introduction of public healthcare and education training opportunities (ILO, 2011). The critics of this new strategy by the South African government, is seen as absolute apathy. The critics argue that the state has no capacity to initiate and administer large-scale structural changes in the economy (Archer, 2011). Others have criticised the government of living a life of developed nations instead of living and realising the economic and employment crisis with African eyes (Power, 2011).

3.3. Contextualising LED in SA:

South African Constitution included LED as a municipality mandate rather responsibility (RSA, 1996a: 1331(3)). Thus municipalities are facilitators of the LED programme. This does not mean that municipalities are the drivers and engines of LED, but with all the connections from all relevant stakeholders; LED should thrive (DPLG, 2006a:15). Besides, it is also noted in the White Paper on Local

Government, (1998) that; “Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities”. Consequently, LED encourages for creation of conducive environment to engage all stakeholders both from public and private sector in ensuring for sustainable livelihood (White Paper on Local Government, 1998).

The Local Government Transition Act 209, of 1993 also mandates metropolitan municipalities to take an active role in promoting local economic development by formulating local integrated development plan (RSA, 1993a & 1996b). The Local Government Municipal Structures Act 1998(83) (3) also states that district municipality must seek to achieve integrated, sustainable and equitable social and economic development of its area (RSA, 1998a). The 2000 Act has outlined the core components of IDP of which section 26(c) speaks to LED (RSA, 2000a). South African LED is strategically linked with the municipality’s IDP as such in order to for LED to activities and strategies to be achieved; they should be co-ordinated within the context of the municipality’s IDP. Thus, to avoid duplication, LED planning should be interlinked with and to the IDP (DPLG, 2000a: 29). Rural Development Framework also sees LED as a strategy for rural governments (Nel, 2000:1011).

IDP is a process by which municipalities prepare a five year strategic plan but reviewed annually in consultation with local stakeholders including local community (Local Municipality Systems Act, Act 32 of 2000). Thus, IDP is intended to promote intergovernmental planning (from National, Provincial and Local governments). The IDP is thus illustrative of how the municipalities will achieve job creation, sustainable development, stakeholder partnerships, infrastructure development and services rendered to residents of the municipality (DPLG, 2000a).

In the National framework for LED: Stimulating and Developing Sustainable Local Economies (2006: i) it is argued that “all economic development takes place at the local level and Local Government must influence the shape and direction of local economies if the national economy is to attain the goals set for it and if it is to grow and create a better life for all its residents”. This policy has outlined the way forward in its context; it has taken into consideration the issues of public and private

partnerships; as such encourages networking with the private sector for more investments to benefit local people. This means that a more inward investment attraction is lobbied for (National framework for LED: Stimulating and Developing Sustainable Local Economies, 2006:5, Nel & Binns 2001:355).

The NDPLG LED programmes provide support in the following areas:

- Development and review of national policy, strategy and guidelines for LED,
- Provision of direct and hands on to provincial and local government,
- Management of Local Economic Development Fund,
- Management of and Technical Support for Nodal Economic Development planning,
- Facilitation, coordination and monitoring of donor programmes and
- Assistance with LED capacity-building processes

3.4. Practice of LED in SA:

Robbins, (2010:531) argues that unemployment has been a continuous hurdle for South Africa for decades. South Africa has led the process of LED through advancing the processes of globalization (Rogerson, 2000:397). The developing country Policy makers tend to focus on knowledge-based economies often of developed nations. Rodeny et al, (2003:13-135) cited in (Pillay, 2010:25) states that developing nations might follow the developed nations blue-print; however, context is a bigger factor. Thus, the development of developing nations is still dependent on the diversity of the country and its people's buy in. Therefore, in the post-Apartheid era South Africa engaged in many policies of note economic policies in order to foster poverty alleviation, reducing inequality and increase employment in the country.

Due to structural adjustments imposed by the IMF and the World Bank as well as other global demands, South Africa had to enter the global web (Triegaardt, 2009:2). The ANC government prioritised the poor with poverty alleviation strategies; some including RDP. This new government committed to the Copenhagen declaration of reducing poverty World Summit for Social Development in 1995, South Africa is also committed to the MDGs (Triegaardt, 2009:2).

Thus, it is not surprising that with the current employment crisis, globalization that the current government saw it beneficial to focus on developmental local government. LED became a trademark of the post-apartheid era as it allowed for local authority to play prominent role in local economic development, poverty alleviation, and creation of employment (Nel & Binns. 2001:355, Rogerson, 2000:401). The initial thinking of LED in South Africa was influenced by the British and Australian and USA research (Nel 2000: 1009). However, that philosophy has changed into adopting South African led initiatives, thinking and context. Nel (2001: 1009) states that; the post-apartheid government is in agreement that community based initiatives are significant in fighting poverty, unemployment, and promoting economic growth and development.

Accordingly, South Africa adopted LED as a way of fighting poverty and stimulating economic growth and development for local residents. LED is promoting skills development, SMMEs and tourism to encourage economic development (Rogerson, 2000: 399, Gibb, 2004: 6). Besides, SMMEs are given accolade as a strategy in poverty alleviation (Gibb, 2004: 57).

Rogerson (2000: 399) states that LED in recent international debates has come up with two paths: market-led business approach and market-critical approach of community development. The market led approach is concerned with creation of an enabling environment for local economies to adjust to macroeconomic reforms. The main emphasis of the market-led business approach is individual self-reliance, sustainable growth, entrepreneurship, competitiveness, reducing unemployment and expansion of markets. On the other hand, market-critical approach is more concerned with local self-reliance, sustainability, empowerment and participation.

Gibb (2004:8) argues that local self-reliance is a matter of survival because national governments are unable to promote development because of neo-liberal policies and strategies that often do not work for developing nations as they did for the developed nations. LED fosters a grassroots or bottom-up approach (Rogerson, 2000:399). Besides, a bottom-up approach is primarily concerned with 'people' as such significant in development. The decentralisation and devolution of economic and social development to local government is in line with active participation to both

policy formulation and implementation at local level with 'the people' Ababio & Mahlatsi, (2008: 343-344) cited in (Pillay, 2010: 35).

Even though South Africa local governments have been mandated by the RSA Constitution and Acts; it was only in 2006 that the first strategy was introduced with clear guidelines and objectives (Rogerson, 2010:482). LED in South Africa is driven by the local municipalities as indicated in the White Paper and mandated in the RSA Constitution (Rogerson, 2010:481). Poverty levels have been high for decades now in Africa and South Africa is no exception. This crisis is exacerbated by increasingly by high levels of unemployment. It is argued that the major motivation for LED was and is high levels of unemployment in the country (Robbins, 2010:532). But, others claim that the rise of LED was due to limited success of state controlled regional planning (Marais, 2010:518).

Even so, LED has been given a platform and has yet to prove its effectiveness. This is largely due to mixed outcomes of LED. The successful projects are mostly concentrated in large urban municipalities (Marais, 2010:517). Besides, even these successful projects in these cities are seen as more of competitive nature rather than 'for the people'; pro-poor. But the SA government has made a commitment by introducing the aforementioned policies and strategies in order to create more jobs and halt poverty.

Thus, LED cannot work in isolation in achieving this mandate. Local government has been challenged with a major responsibility to promote LED as mandated by the Constitution and the said legislature. LED in South Africa has taken a pro-poor orientated approach mainly because of its focus on poverty alleviation, job creation and investor attraction (Robbins, 2005:24). Pro-poor growth is seen a way of achieving the MGD goal 1 of eradicating poverty and halving people living on \$1 a day by 2015 (OECD, 2006:46). Pro-poor development is seen in various policies and strategies of SA (Nel, 2005:3, 5). For an example Ingwe, Ndlambe, Ethekwini municipalities have taken a strategy of adopting a pro-poor LED (Robbins, 2005 & Gardyne, 2005). In Ndlambe municipality the pro-poor LED took on a direction of sustainable community based projects (Nel, 2005: 13). Some of the pro-growth initiatives involve Centres of production consumption, information-processing and

corporate decision-making, and reception of central government funds (Khanya aicdd, 2006: 20, Rogerson, 2000: 401).

Unlike, the framework sees it; it is generally argued that LED cannot be a one size fits all strategy; each municipality will do it differently; depending on its size and location. (Ababio & Mahlatsi 2008: 344) cited in (Pillay, 2010:24) “each locality may develop an approach that is best suited to its local context”. The larger municipalities mostly metros tend to go for the market-led approach (LED Report Free State, 2004:15). These municipalities are focused more on global competitiveness whilst the smaller rural municipalities are more focused on job creation, employment opportunities and eradicating poverty (Nel, 2005: 8, 13). Rogerson (2010:486, 2000:401) also states that DPLG’s one size-fits all approach can never work, instead a focus on originality. Besides, he adds on that most municipalities are barely coping, thus insisting on LED for others is just a disaster. Failure to understand size, locality and capacity is seen as one of limitations of the policy (Nel, 2000:1018).

The small and rural municipalities LED often takes ‘projects’ based initiative as indicated on their IDPs (Van Heijden, 2008: 12) cited in Rogerson (2010:483). These municipalities are often concerned with farming projects and cooperative which are often on the agricultural venture for an example; Ndlambe Municipality, Sutterheim district, (LED Report Free State, 2004:15). This is largely to lack of resources and funding for LED. Besides, the strategy is not clear on how to promote LED especially within the small rural municipalities (Rogerson, 2010:483, LED Report Free State, 2004:16).

Currently, RSA local authorities are focused on tourism as the main engine for LED, other programmes such as industrialisation, agriculture, SMMEs, training and education sharing the piece of the pie (Khanya aicdd, 2006:20, Ramakumba, 2012:9). Pro-poor development will be achievable through local tourism and LED, the pro-poor approach includes local resources and skills used in order to bring about economic growth, development and poverty alleviation (Ramakumba, 2012: 10). However, this differs from place to place; environment differs therefore, municipalities that have fertile land; often use it for agriculture for crops, others grazing others have rich mineral and natural resources as such the focus will mainly be in that sector. Place-marketing has a received much attention because tourism is

seen as a major growth area, recorded at 72% (LED Report Free State, 2004:16). The large metros have focused on urban renewal projects – upgrading of buildings, parks, stadiums and roads, business tourism and promotion, and malls (Nel, 2000:1013). In the low-income townships; small business initiatives, private investment, community-based projects and information unit have been established (Nel, 2000:1014).

In as much as funding for LED activities is somehow very challenging as most municipalities struggle to fund LED in South Africa; there are funding models in place (Nel & Binns, 2001: 360). Besides most municipal officials argue that LED is an 'unfunded mandate' (Rogerson, 2010: 491). In South Africa, there have been some funding initiatives such as the DBSA LED Fund, which was introduced by government as provision for pro-poor projects with poverty alleviation focus (Marais, 2010:519, Rogerson, 2010:491). Some of funders for LED in South Africa; the Municipal Infrastructure Grant (DPLG, 2004: 3, 50), the local and regional economic development fund of DEDEAT, donor funding from NGOs or public grants, local government own revenue and equitable share (Patterson, 2008; Sibisi, 2009) cited in (Rogerson, 2010:491). Some departments that fund such initiatives include DTI, Social Development, Public works and Water Affairs and Forestry (Khanya-aicdd, 2006: 18).

With South Africa having a high prevalence of TB/HIV prevalence, LED is bound to be affected. SA is the third highest in the world after India and China with TB prevalence. Co-infection rate stands at 70% (RSA b2012-2016: 9). South Africa's infected population makes 10.6% (5.38mil) of the SA total population and 17.1% of the global burden (STATSSA, 2011:5, RSAa 2012-2016: 16). Most infected are economically active between the ages 16.6%. So what does this mean for LED? Illness, death and staff low morale lowers productivity; with regards to TB/HIV more money spent on health subsequently have less to spend on goods and services. This pattern might result in decrease in turnover and reduced workforce. Subsequently, LED is affected and so is the economy of the country (DEDa, 2007:7).

The issue of crime as well has an impact in the success or failure of LED programmes. South Africa is one of country with high crime statistics; subsequently community members, SMMEs, tourism industry, investors and economic progress

are adversely affected by these incidents. A safe environment will increase investor attraction, place-marketing and community happiness (DEDb, 2007:6).

3.5. Challenges of LED in South Africa:

The success of LED programmes in SSA region is limited; Nel states that SSA often use LED strategy mostly in social development while economic development is somewhat not really focused on. Consequently, these programmes “often become local development, more than true local *economic* development” (Rodriguez-Pose & Tijmstra, 2005:39-40). Hinderson, (2003) cited in (Rodriguez-Pose & Tijmstra, 2005: 41) concurs that the results especially those of job creation and economic growth are unsatisfactory and beyond par resulting in ineffective LED.

However, challenges are also noted by the then Minister Mufamadi Minister of Provincial and Local Government there are still some unclear definitions or expectations (DPLG, 2006a: i). Besides, Bond (2002:3) also argues that LED in South Africa is still faced with conflict in understanding the concept. Thus, the understanding of development in the African sense and context is complex. The South African LED has been criticized of adopting the international way of development as such fails to acknowledge the differences of South Africa as a third country.

Subsequently adopting a western style of development and planning which produces unrealistic, unachievable and ineffective projects and goals (Bond, 2002: 3). However, SA has continued to follow neoliberal policies regardless of contradicting social, political and economic values. Development is contextual as such should be owned, initiated by local people. People must be allowed to have their own developmental approach (Frankel, 2005:247). This reasoning has thus brought about the question of whether LED is pro-poor, encouraging economic development or simply developing uneven development (Bond, 2002: 3). Besides, Marais, Botes & Mosotoane (2002) cited in Davis, (2006: 17) argued that, projects that were funded by the LEDF; only a few of them were successful. Instead most of them collapsed as soon as the funding ended; this means that these projects were not so much of a sustainable nature (Marais, 2010:519, Rogerson, 2010: 482).

The LED policy encourages the use of partnerships in implementing LED projects but has not given clear guidelines to local municipalities on how they need to be done. The roles of different stake holders are not defined (Nel & Binns, 2001:360). Most of failed LED projects have done so because of drivers of LED taking for granted the local people as just labourers instead of owners and initiators of projects (Rogerson, 2010:487). Besides, it is argued that the results of LED despite funding models and policy initiatives, the results yielded have been modest (Nel et al, 2009:230). The significance of people-centred approach does not come across clearly as such the beneficiaries tend to be dictated upon. Thus NGO, NPO, CBOs and private sector are merely taken as partners within local government programmes instead of contributors and owners of initiatives (Nel & Binns, 2001:360). As such are supply-led instead of demand-led initiatives (Marais, 2010:517).

The question of partnerships is subsequently questionable because mostly, most LED projects that thrive; do so on the basis of being led by the private sector as they bring funds. Thus, projects tend to be prescriptive in nature because the funders expect their monies to be utilized to serve their needs. Besides, the constant red tape often puts off investors and private sector (DPLG, 2008a). The issue of funding for LED is very challenging. Most municipalities struggle to fund LED and yet it needs vast levels of funding if it is to be a success (Nel & Binns, 2001: 360, Nel, et. Al, 2009:231).

Constraints to the success of LED also include poor capacity by the municipalities; lack of resources, skills, poor support from national and provincial departments (Nel, 2000:1017, Rogerson, 2010:485). LED has not been taken seriously by many local government officials as such never really made a political agenda (Rogerson, 2010: 489). Besides, even within the local municipalities, LED is somehow isolated and not integrated with the departments. Subsequently, there is lack of monitoring and evaluation to establish the performance of LED interventions (Rogerson, 2010:487). Yet the LED strategy cuts across all departments and is an integral part of IDP (Malefana & Mashakoe, 2008:477). Besides, the policy has prescribed a 'one-sized fits all' approach yet other municipalities have better advantages than others. Most rural municipalities are still dealing with the imbalances of the past, infrastructure backlog, under spending, bankruptcy (Nel, 2000:1018).

3.6. Conclusion:

To sum up, in South Africa, LED has evolved significantly in the post-apartheid regime. It has been a growing feature and a standard practice for economic development of the country. South Africa re-entered the global world after 1994. Consequently was affected by the effects of globalization. SA government has followed neoliberal policies in developing its economy; notably GEAR. This direction was largely due to the global pressure as well as high unemployment rate of the country.

The development of LED in South Africa has thus followed the traditional theories of LED. It was further mandated by the RSA Constitution that municipalities should promote social and economic development. This responsibility is an obligatory one; it was also established in the White Paper on Local government of 1998. There have since been some Acts and Framework that speaks to the social and economic development by local authorities by promoting LED projects. The framework for LED is a comprehensive policy.

LED in South Africa, in as much as it has followed traditional theories; it has taken context into account. Consequently, it fosters for a bottom-up approach that is sustainable, encourages active and involved participation, and forges self-reliance, ownership and partnership with various stakeholders. For LED to succeed, these stakeholders include: NGOs, NPOs, and CBOs, Private sector, Business and community members at large should mutually work together. It promotes global, national, regional and local competitiveness, inward investments, place-marketing and tourism, pro-poor growth and poverty alleviation. LED is thus a strategy that could be more progressive, proactive and reactive in SA; this strategy should be led and driven by the municipality but owned by the different local stakeholders. LED then enhances economic growth and reduce poverty.

However, the success of these projects has been rather disappointing to say the least considering the number of local municipalities in the country. However, there have been some constraints in the implementation of LED; firstly the issue of its meaning, secondly, funding, thirdly support and capacity, fourthly resources, fifthly

the issues of scaling, sixthly the issue of small rural municipalities versus large metropolitan cities, and lastly, the lack of monitoring and evaluation.

The next chapter discusses the research methodology that this study undertook. The chapter provides a clear outline of the research design of this study. The methods of collecting data, data collection tools and data analysis methods are also discussed.

CHAPTER 4:

RESEARCH METHODOLOGY

“Knowledge is after all, constructed through how we investigate and examine the world” (Kitchin & Tate, 2000:6).

4.1. Introduction:

This chapter provides a description of research data methods that were used in assessing the impact of LED projects in Makana Municipality. Babbie and Mouton, (2001:647) define research methodology as the methods, techniques and procedures employed in the process of implementing the research design; taking into account the principles and assumptions that underlie its use. This means that research methodology is a blueprint or plan of the intended research in line with its objectives. Research methodology focuses on research process and the kinds of tools that were used (Babbie & Mouton, 2001: 75). This research used qualitative methods of research. This simply because the research in question, sought to understand the impact LED projects have within the municipality of Makana.

4.2. Research Methodology:

Qualitative research involves an in-depth understanding of phenomenon; as such it involves detailed verbal descriptions of characteristics, cases and settings. Qualitative research uses interviews, document review and observations as methods of collecting data (Creswell, 1998:15). In a qualitative study, the researcher might develop theory while collecting data; as such building theory from data. Grounded theory allows for flexibility and that data and theory interact (Neuman, 2011:174). Besides, qualitative approach is inductive in nature thus trying to construct a theory from data. For this research to meet its objectives, appropriate research techniques and are used.

This research study follows a qualitative research approach because it allows for open-ended way of giving or expressing views (Henning, 2004: 5). Thus, this type of approach allowed the researcher to explore the in depth and richness of the

phenomena or approach. Besides, Bloomberg & Volpe, (2008:10) also argue that qualitative research is based on critical perspective and is a broad study of social phenomena. It is further argued by Strauss & Corbin, (1990: 17) that qualitative research is not influenced by statistical procedures or quantification. Subsequently, the research question chosen by the researcher was not highly influenced by statistics, but sought to assess the impact the LED projects within Makana Municipality and on community. In light of the above, qualitative research gives a platform to a new information that verifies or nullifies research hypothesis. Thus, a qualitative research is inductive in its nature.

This study seeks to understand the impact of LED projects within the community of Makana. Thus it looks at any impact whether perceived as good or bad or as intended or not intended impact. As such, the chosen method allows unique experiences of the respondents in relation to the question. The research paradigm embedded in the research is that of interpretive knowledge. In light of what has been said, this study can be classified as an exploratory and interpretive research because it is not scientific based but more subjective in nature thus relying on the perceptions of the insiders.

As earlier highlighted, a qualitative study allows for critical and interpretive approach; this approach allows participant's ideas, beliefs, values etc (Henning, 2004: 19). As well as all kinds of data, sources and analysis in order to ensure validity (Henning, 2004: 20). Hence, (Strauss & Corbin, 1990:20) also attributes that an interpretive approach does not rely on one dimension but acknowledges that a phenomenon is multidimensional therefore needs to be understood as a whole instead of linear terms. Besides, an interpretive approach is not influenced by a positivist approach; which in its nature which only verifies scientific and logical methods of research. Social sciences is quite different from natural science because social science allows for perceptions of which are mostly subjective.

4.2.1. Target population and sampling method:-

Population is “the abstract idea of a large group of many cases from which the researcher draws a sample and to which results from a sample are generalized” (Neuman, 2011:241). Target population is understood as a targeted area focus; this

means that it could be people that represent or are in line with the research question and can assist in meeting the objectives of the study. This study's target population includes Makana Municipality LED officials and IDP officials.

The sampling method that this study will use is non-probability sampling; because the units of analysis are being obtained deliberately in such a manner that the sample obtained maybe regarded as being representative of the relevant population (Welman & Kruger, 2001: 47). In this study purposive or judgmental sampling was used because the researcher specifically selected respondents that were informative on the subject. Besides, non-probability method is mostly used when respondents are unknown and cannot be individually identified or randomly selected as per probability sampling. Thus, judgmental or purposive sampling was used by the researcher as it took into cognizance; the most appropriate candidates who provided the best and probably accurate information in order to achieve the objectives of the study at hand.

This type of sampling is said to be useful mostly if the researcher is trying to develop something which little is known about (Kumar, 2005:178-179). Purposive sampling allows for selection of respondents that have a unique view, occupy important roles or portfolios in answering the research question (Remler & Van Ryzin, 2011:63). Besides, the researcher has a specific purpose in mind (Neuman, 2011:213). Also in order to get more information to further complete the study, not only LED officials were interviewed but also some partners and some beneficiaries of the LED projects were part of the study.

In addition, snowball also known as chain sampling was used in this study as this form of sampling gives the researcher an opportunity to explore and use networks. As such a snowball sampling was used because of its referral nature. Consequently, the researcher interviewed the identified persons in collecting more data. Hence, Makana Municipality LED officials were asked to identify the LED partners and LED beneficiaries in Makana Municipality in order for them to also be part of the sample (Kumar, 2005:179; Remler & Van Ryzin, 2011:63). Accordingly, the objectives of this study were achieved. Besides this sampling method is useful in "studying communication patterns, decision making or diffusion of knowledge within a group" (Kumar, 2005:179).

4.3. Data Collection Instruments/Tools:

4.3.1. In-depth semi-structured interviews:-

Field interview involves asking questions, listening, being interested in what is said and even not said; all these must be recorded especially what was said in the interview. The interviewer takes into cognizance participant's feelings, thoughts or insights during the interview process. Thus, the interviewer's presence, how questions are phrased, constructed and delivered is very crucial part of the interview process (Neuman, 2011:44; Kumar, 2005:123). In order to achieve the objectives of this study and answer the sub-foci, interviews were held with necessary key local economic development personnel. Thus, as mentioned prior, convenience or purposive sampling was used.

Semi-structured interviews were used in this study because the interviewer wanted some control and a predetermined set of questions. However, the study allowed for flexibility and explorations. This study in particular used in-depth interviews; this type of interview allowed the researcher to understand the respondent's perspectives. It used a set of open-ended questions, with some probes here and there (Remler & Van Ryzin, 2011:63). Besides, face-to-face interaction was vital in this study in order to clarify any vagueness or ambiguities (Kumar, 2005:124). Open-ended type questions were mostly used; loose-question approach as Thomas, (2003:63) puts it; allows the interviewer to elicit respondents interpretation of every general.

Therefore, semi-structured interviews were used as one of the research methods; which allowed for a more flexible approach rather than a standardized and prescriptive approach. The questions that were used were however relevant to the study in question. Open-ended questions were more appropriate in informing the researcher of what is sought of the research question. Therefore, it permitted for emerging systematic, thematic patterns. Besides, a thematic content analysis was used as a method of data analysis. As said; an interpretive paradigm was used, thus open-ended questions were appropriate in this study as they allowed the respondent to provide their interpretation (Babbie & Mouton, 2001: 233). Besides, interviews allowed the researcher to obtain detailed information in terms of respondents perceptions of issues related to LED. Also they allowed for ambiguities to be

clarified, also they allowed for greater response and semi-structured interviews allowed for respondents and interviewer to go back and forth if need be.

4.3.2. Document review:-

Documentary analysis is a method of data collection that makes use of pre-existing information or data in order to verify the existing information and or to give new information (Heaton, 2004:39/5-6). Information extracted from sources like books, journals, reports, strategic frameworks and legislature, secondary data, tables and archival documents will be used in this research (Babbie, 1992). The primary sources included the IDP, LED strategy, Annual reports and other economic development reports within Makana and Cacadu district. These documents were used to understand broadly the concept of LED. Existing documentation that govern the LED processes reviewed; such documents include Makana Municipality's LED strategic plan, Makana Municipality's IDP, PDGP, Makana Municipality LED annual reports. These documents were used as part of collecting data and as part of gathering information. As such this type of data collection also allowed for identification of information gaps, draw lessons to be learnt and add new information or verify existing data.

4.4. Conclusion:

This chapter has discussed the research methodology that this study seeks to address; that is impact assessment of LED projects within Makana Municipality. Qualitative methods will be used. The sampling method that will be utilized in addressing the said topic is non-probability sampling. This sampling method will use purposive or judgmental sampling method as well as snow bowling sampling method. Semi structured interviews and document review or analysis will be used as the methods of data collection. The next chapter discusses the empirical findings of the interviews conducted and the implications of the results.

Chapter 5

PRESENTATION OF EMPIRICAL FINDINGS

5.1. Introduction:

The aim of this chapter is to present the results of the surveys. The chapter is divided into three sections. The first section presents responses from the officials and the second section presents responses from the beneficiaries. The last section presents the implications of the study. Concluding remarks are provided towards the end of the chapter.

5.2. Responses from the LED officials and IDP Manager in Makana Municipality:

5.2.1 The profile of the respondents:-

An interview was conducted with the LED officials in the LED unit and IDP unit of Makana Municipality. The aim of the interviews with the LED officials was to gain some insight into how they understand the LED processes. The interviews were held face to face with the officials in different sessions.

The respondents consisted of two females and three males. The LED unit consisted of a director and three managers whilst the IDP unit consisted of one manager. All respondents had formal qualification from institutions of higher learning. The qualifications of the respondents were MBA, MA in Social Work, BCom in economics, National Diploma in Tourism, Honours in Agricultural economics and BTech in Public Management. Their period of employment in their respective positions varies from four months to five years respectively.

The job specifications also vary according to their deployment. The LED Director oversees the LED Directorate. She is one of five directors in Makana Municipality; her job entails strategic planning, interventions, staff development and budget management. The SMME, Trade and Investment Development manager provides SMME support, through coordinating government programmes that benefit SMMEs, facilitate access to information and project management. The Tourism and Heritage

development manager provides Tourism support through strategic planning, developing policies and marketing Grahamstown and the greater Makana Municipality as a tourist hive. The Agriculture manager gives agricultural support through facilitating access to services for small emerging farmers. The IDP Manager does the strategic planning, monitoring and evaluation of thereof, community development and community participation.

5.2.2 Understanding economic development:-

Since LED falls within the scope of economic development it was important to find out how the LED officials understood the concept of economic development. There were mixed views when it came to their understanding of economic development. Most respondents seem to understand economic development as growth. Some respondents understood economic development in terms of economic boom achieved through sectors contributing to the GDP of the region or country. On the whole there was a general consensus that economic development is about growth and improving standard of living through a reduction of unemployment.

The main highlight in their responses was that economic development encourages business initiatives where people are developed in their business initiatives in order to ensure sustainability and job creation. The respondents further intimated that in the centre of economic development is the role of the municipality. Makana municipality therefore, should have policies that allow for an environment that is conducive for business development and ensure infrastructure development.

5.2.3 Understanding LED:-

LED was generally understood as economic development only at local level. The responses were clear that Local economic development is economic development at local level initiated and owned by local people. Thus the role of the municipality, particularly the LED directorate' role is that of creating an environment that is conducive by improving infrastructure, attracting investors through investment policies. Thus in an environment that is conducive with a developed infrastructure, attracting investors ultimately leads to creation of jobs for local people. LED therefore is seen as a vehicle which brings various local stakeholders in developing, facilitating and promoting local initiatives together in order to ensure development that is locally

owned. It was also prominent that LED involves competitive advantage in terms of available resources, namely best schools and tourism interest in Grahamstown.

5.2.4 The role of LED:-

The respondents understood the role of LED as that of creating an environment that is conducive in order to ensure improvement in economic growth within the municipality. Furthermore, the respondents saw LED as a strategy of creating a sustainable environment through unlocking development opportunities. This includes human resource development and forging meaningful strategic partnerships. The respondents intimated that LED is regulated through various pieces of legislation such as the RSA Constitution 1996, the Local Government Municipal Structures Act 1998, and the White Paper on local government 1998. LED strategies are aligned with the national, provincial and local tiers of government through policies such as the PGDP and the IDP.

5.2.5 Understanding the IDP:-

The respondents were asked to explain how they understood IDP. The participants understood IDP as a 5 years strategic plan of the municipality that is reviewed on annual basis due to new challenges that may emerge or changed priorities. Some participants saw IDP as a municipal bible or municipal plan that includes everyone and as such all the operational plans are based on the IDP. The IDP manager elaborated that the IDP comprises of 5 phases, namely, Analysis phase, Strategies phase, Projects phase, integrating phase and Approval phase. The Analysis phase; constitute a situational analysis; challenges, priorities and prospects analysed together in order to strategies which is a second phase. Strategising compromises strategising on what was identified and deliberated on within the situation analysis phase. This process includes, identifying ways of addressing problems identified. These problems are then turned into projects; which is the third phase; in this phase a programme of projects is created. Then the identified projects are integrated and budgeted for and approved by the council.

5.2.6 Linking IDP and LED:-

Since LED is linked to IDP the respondents were asked to explain how LED links with IDP. The participants were not sure how IDP and LED are linked. One

participant said that the IDP and LED are integrated in the sense that the IDP is a municipal plan, thus the LED must fulfil those plans outlined in the IDP. The other two participants pointed out that IDP and LED are integrated during the participatory process of development in the Strategic Planning sessions. It was however clear in their responses that IDP and LED are not the same because IDP is a cross-cutting management tool or plan that speaks to development whereas LED facilitates economic development. Thus LED and IDP are interlinked but are not the same. LED and IDP work hand in hand in planning and monitoring. The role of LED is mainly that of economic development. However, the respondents intimated that economic development cannot be achieved without proper and basic infrastructure. Some participants pointed out that if infrastructure development is up to standard then the municipality will be economically viable because of an environment that is conducive.

5.2.7 Capacity within the LED unit in Makana Municipality:-

As can be seen from above responses LED is mainly about stimulating the local economy. It is commonly reported both in the media and academic sources that a major constraint in service delivery in local municipalities is lack of capacity. The respondents were asked to comment on capacity issues within their units.

5.2.7.1 Personnel

As reported earlier in this chapter, the Makana Municipality LED Directorate functions with three managers that report to the LED Director. The LED Director has a Secretary and the all the managers share one administrator. All the managers have alluded to their dissatisfaction with the lack of staff within the LED directorate. They pointed out that as managers they do not really have subordinates and as such they have to do the work themselves with the assistance of two interns. The respondents mentioned that their job descriptions are too broad and not specifically focused on LED functions only. It was pointed out by the respondents that one has to do everything with the limited human resources at their disposal to the detriment of a number of other projects that could have been executed. An outcry for new posts within the LED directorate was prominent from some of the respondents.

5.2.7.2 Training

There were conflicting views when it came to training as most respondents acknowledged that training is crucial but were not interested in further training. The other respondents intimated that it is mainly the administrators or secretaries that needed to be trained. The respondents felt that they had enough training in LED but did not experience any upward mobility in their careers.

5.2.7.3 Funding

All respondents pointed that funding for LED projects comes from both internal budget and external funders; external funding comes from different stakeholders such as IDC, National Treasury, and the National Grant funding. These funds assist mostly in infrastructure development. The LED funding is limited and it becomes difficult to meet all various projects and challenges of the municipality.

5.2.8 The LED approaches in Makana municipality:-

There were conflicting views when it came to the approach of LED in Makana Municipality. Some officials argued that it was pro-poor while others said it was pro-growth and just one said it is a bit of both. On the pro-poor it was argued that the LED strategy is pro-poor because it looks at the socio-economic issues such as education, health, and employment. The other respondent argued that the strategy prioritizes the pro-poor approach than the market led approach. The development taking place under LED is mainly focused on the previously disadvantaged communities. The IDP on the other hand is also pro-poor; as it encourages local public participation. Thus the community voices; their needs and challenges are taken into consideration through community engagement. Therefore, LED has a mandate of creating a platform of creating jobs and support vulnerable groups. The strategy's focus on pro-poor is merely on promoting, supporting, facilitating and developing agricultural development, co-operatives and previously disadvantaged groups in SMME development and tourism development.

The respondents who were of the view that LED is pro growth expressed the opinion that the investment incentive policy for the business sector was introduced. This investment incentive policy aims at attracting business attention and expansion within the municipality. Thus, business investors get tax rebates if they come and

invest in Makana municipality. The participants argued that this strategy seeks to attract and retain business in order to boost economic growth and subsequently encourage the trickledown effect. The trickledown effect is ensured through addressing intended beneficiaries of any development, job creation and employment. Some respondents said that this strategy has also enticed pro-growth within the Makana Municipality through competitive advantage in tourism and educational sectors, namely, Game reserves and high profiled schools such as St Andrews, Kingswood College, DSG , Victoria Girls, Graeme College and others as well as one of top leading Institution of Higher Learning; Rhodes University.

These respondents indicated that the Makana LED strategy is geared towards market-led approach because the focus is on attracting investment than it is on poverty alleviation. One respondent went as far as saying that the Department of Social Development deals with poverty alleviation and social welfare approach. The municipality only serves as a referral path to relevant stakeholders that deal with social welfare issues. Accordingly, the LED strategy for Makana Municipality is more market-led than it is a social welfare approach. Most respondents argued that the most significant challenge is that of poor and old infrastructure within the Makana Municipality; as such attracting business and investors is difficult. Nevertheless, the respondents indicated that the municipality is working towards achieving a good image through investing in infrastructure development. With improved and well developed infrastructure, this municipality hopes that it will bring investment attraction and boost confidence levels of the business sector.

5.2.9 Partnerships:-

The respondents were asked to identify the external partnerships that have been forged by the LED unit. According to respondents they have built valuable partnership with the business community; they have ensured partnerships with stakeholders such as NAFCOOC, SEDA, and Business Development Agency. There is also a Mayoral Business Forum. This forum is a platform for the business community to communicate directly with the Mayor and vice versa. Also, they indicated that they have a very prominent relationship with the education sector especially Rhodes University. They also have a close working relationship and partnerships with the ward councillors. These partnerships are crucial in fulfilling the

LED mandate especially when it comes to SMME support, training and co-operatives. According to these research participants, these stakeholders are selected mostly through engaging with them in meetings, ward councillors, adverts on local newspapers and notice boards. The municipality has an MOU (Memorandum of Understanding) with various stakeholders that are of relevance to the municipality. These stakeholders also form part of monitoring and evaluation. These partners are mostly business related stakeholders and the education sector.

5.2.10. Priority areas of LED:-

In order to assess the impact of LED in Makana municipality the respondents were asked to comment on the priority areas of development through LED.

5.2.10.1 The SMME, Trade and Investment sector

In an effort to reduce poverty and create incomes and employment in Makana municipality, the SMME sector is promoted through ensuring meaning partnerships with various stakeholders. The SMMEs are being promoted through various channels of which the Mayoral Business forum is one of them. Although the municipality does not help SMMEs financially, the municipality creates inroads and networking contacts for the SMMEs. Further, any LED projects in Makana municipality are awarded through tenders to the previously disadvantaged SMMEs.

5.2.10.2 Tourism and Heritage Development

The respondents indicated that Makana Municipality is a tourist destination because of its various Game Reserves, prestigious education sector, heritage sites as well as festivals held in the region. Furthermore, it is promoted through forming partnerships with relevant stakeholders. This municipality therefore is tapping into tourism development in attracting tourists. However, with poor infrastructure; attracting tourists becomes complicated. Nonetheless, tourism in Makana is developed through marketing strategies.

5.2.10.3 The Agricultural development sector

The respondents indicated that Makana municipality has a dedicated manager and budget in the unit of agriculture. This sector engages in sustainable agricultural projects which encourage organic farming to rural farm areas, emerging farmers and

promotion of small scale farming. They indicated though that there has been a significant decline in this sector's contribution to the regional GDP. The reasons for this decline were cited as that most farmers have tapped into Game reserves and due to lack of sustainability in food security. Another challenge that the Agriculture manager pointed out was that people's attitude generally towards agricultural activities was negative. The people would prefer buying from the store instead of ploughing gardens.

5.2.11. LED specific projects in the Makana Municipality:-

The respondents were asked to indicate if there were any LED specific projects in Makana municipality. All the respondents indicated that they did not have tangible projects. The participants argued that their role was not to create jobs directly but to facilitate, coordinate and provide support. For example the SMME, Investment and Trade sector manager indicated that the projects that he does include mostly coordination and facilitating access to finance, development of SMMEs through coordinating trainings and workshops. This unit is also responsible for the Kaolin mining initiative; where they assist Kaolin co-operatives, EPWP and CWP. All the participants seem to have an understanding that the EPWP and the CWP are poverty alleviation projects. This view according to them is based on the fact that these projects employ locals. However the respondents acknowledged lack of sustainability in a number of LED projects in that these were temporal jobs. Also, this sector assists in facilitating business forums, strategies to attract and retain business and forge meaningful partnerships. The Tourism and Heritage sector manager pointed out that the projects in this sector are intangible. What the sector manager sees as projects therefore constitutes planning strategies of marketing Makana municipality as a tourist hive. They also coordinate and organize training of crafters. They support various projects such as Kwam-eMakana, heritage devolvement and tourism awareness programme. The Agricultural sector manager also indicated that her projects are intangible and therefore difficult to judge the impact. Nonetheless, she indicated that her projects include facilitation, coordination of access to land, finance, training for emerging farmers and some co-ops (Sinalo Primary Co-op and the Masikhuthale Women's Co-op).

5.2.12. Job creation and poverty alleviation:-

As earlier indicated the Makana Municipality LED officials have all indicated that they do not have tangible projects. Thus measuring the impact of LED projects on poverty alleviation and job creation is difficult. Nonetheless, in the Agricultural development sector; certain co-ops were assisted and these co-ops could create some employment although some of these jobs are temporal. The SMME, Investment and trade sector has also acknowledged that there are not really tangible projects and therefore the impact on poverty alleviation is difficult to quantify. However there are projects such as the EPWP (Expanded Public Works Programme) and the CWP (Community Works Programme) which have employed local people although not really sustainable. The CWP employs 100 people per ward; those local people then do things like cleaning community streets and parks. Within the Tourism and Heritage development sector; there are some jobs created but they are not sustainable because employment created is temporal. However, this sector has trained project beneficiaries like Kwam-eMakana even though it is not a municipal project besides, that project is also not really sustainable because the benefits are only seasonal, e.g. during the National Arts festival or Sci-Fest thus not an all year round project.

Having collected the views from the LED and IDP officials, it was necessary to also assess the impact of LED in Makana municipality. The following section presents findings from some of the beneficiaries of the LED linked projects in Makana municipality.

5.3 Assessing the impact of LED in Makana municipality:

The beneficiaries that were interviewed were two co-operatives, namely, Sinalo Primary Co-op and the Masikhuthale Women's Co-op and two representatives of Kwam-eMakana project.

5.3.1 Sinalo Primary co-op:-

Sinalo Primary co-op constitutes of 10 members of which 6 are registered. Their highest levels of education vary from grade 6-12. All the members of this co-op are

black. It is mostly a youth co-op (ages range between 21 and 30 years) with only two older persons (ages above 50 years). These respondents were unemployed before being on the project. The only other source of income was just the social grants. They have dependants to look after so this project was a way out.

This co-op grows chicks into chickens and then sells them to the community of Grahamstown, Churches, schools and government departments. This co-op started in 2003 as a family business run by one person. The respondents wanted to grow the business and were assisted by the LED offices to get contacts for establishing a co-op. According to the respondents this project has changed their livelihood through employment opportunities. They acknowledge that they have income every month now due to the project even though its small but it makes a difference in their cupboards.

The respondents believe that their co-op is sustainable because the demand for their chickens is very high. They indicated that they currently produce 200-300 chickens per month even though their space is very small. They are using a shack dwelling in one of the beneficiary's yards. However, with the approval of the land and the funding from Social Development; they have also been selected as one of the co-ops that will feed the Poultry abattoir that will be built in Makana Municipality. The respondents indicated that; that abattoir will then supply the Pick 'n Pay stores in the Eastern Cape.

According to the participants, they were assisted by the Agriculture manager in registering their co-op, business plan and constitution and also referred them to Department of Social Development for sourcing funds. They also indicated that the agriculture manager assisted them in accessing the land that they are going to build the structure on. As such their land request has been granted for a period of 11 years renewable contract but the holdup is from the engineer that has to demarcate the site.

The respondents indicated that their funding was approved by the Department of Social Development. An amount of R276000.00 has been approved and their plan therefore is to build a bigger structure to accommodate these chicks and chickens. They indicated that with a bigger structure they can employ more people as the chicks and chickens will be more. According to them it was difficult getting funding

because it took them 3 full years before they got the document that their request was approved. The process is long and has lots of paperwork.

The respondents indicated that monitoring and evaluation is done by them, the project manager from DoS and the Agriculture manager. They view this project as successful and sustainable because of the growing demand of their chickens in the community and also because of the new abattoir development.

5.3.2. Masikhuthale Women's co-op:-

The Masikhuthale Women's co-op constitutes of 6 members of which 5 are registered. Their highest levels of education vary from grade 9-12. All the members of this co-op are black and females. According to the respondents they were unemployed before being on the project. The only other source of income includes those of their husbands. They have dependants to look after so this project was a way out.

This co-op is sewing and baking; then sells their products the community of Grahamstown, Churches, schools and government departments. They used to do school uniforms mostly, nurse's uniforms etc. According to the respondent, this co-op started in 2006. It was started by different groups and formed a co-op however because of challenges; they are only 6 left. According to the respondents this project has not really changed their livelihood because it is not making any profit. This project is not making profit because of challenges it has. The challenges include an equipment that they bought through funding from ECDC but they are not using that equipment. They indicated that they are not using the equipment because they have not been trained to use it. Another challenge that they pointed out was the space of work; accommodation they do not have an adequate space. Besides, according to the respondents it is not safe and does not meet the baking standards.

The respondents believe that their co-op could be sustainable if their challenges were fixed; especially that of accommodation and equipment. They believe that baking is more sustainable than sewing. The co-op went as far as winning a tender to supply bread; 200 loaves per day but because their gas stove only caters for 16 loaves at a time they had to buy bread in order to cope with the demand. Thus, it was not sustainable. The respondents argue that sewing lost its sustainability

because they had competitors. However, they hope that if they can get better accommodation they can be sustainable because they will use their equipment effectively.

According to the participants, they were assisted by the Agriculture manager in registering their co-op, business plan and as well as sourcing funds from the ECDC. The respondents indicated that their funding was approved by their loan of R429 977.92 was approved from ECDC to buy equipment. Their plan therefore was to buy equipment. The respondents indicated that monitoring and evaluation is done by them, the project manager from ECDC and the Agriculture manager.

5.3.3. Kwa-eMakana

Kwam-eMakana is a poverty alleviation programme that comprises of 51 households. It is a female composed and black. Two respondents interviewed. Kwam-eMakana is an initiative that was introduced by Mrs. Nosimo Bhalindlela when she came to the festival then. She was curious why women were not doing anything in the township when guest are in town coming to the festival. Kwam was an initiative that was supposed to alleviate poverty in the township. The respondents believe that their livelihood has changed because at least they get few cents here and there during the festival period as it brings people. The respondents believe that the project is not really sustainable because it is seasonal. The project mostly brings money in during the National Arts Festival and Science festival. The LED office only assisted them through workshops and training. The respondents indicated they have not received any funding from the LED office but only received it in the form of signage posts. The respondents indicated that monitoring and evaluation is done by them, the project manager from Project Manager.

5.4 Implications of the findings:

The above findings suggest a notion that LED is conceptualised as a means to generate incomes and thereby reduce poverty in the local region. Even though the officials saw a link between IDP and LED, however they were still vague with regard to how the two are linked or work together. It was also clear that the LED unit needs to be capacitated with more personnel as the lack of adequate staffing was their main concern. Even though, it is often said that knowledge is power and one cannot

get enough of it; it was apparent that the officials of this LED unit were not interested in further training. This finding is a matter of concern as lack of adequate training may further lead to breakdown in service delivery. Although these officials have been exposed to formal education, things are changing and there is therefore a need for a continuous updating of the skills. Training and re-training is important otherwise skills may be eroded. It is clear from these officials that these officials became discouraged after experiencing no significant changes in their scope of work after having received several training. A motivation to ignite a desire for more training amongst the officials is recommended.

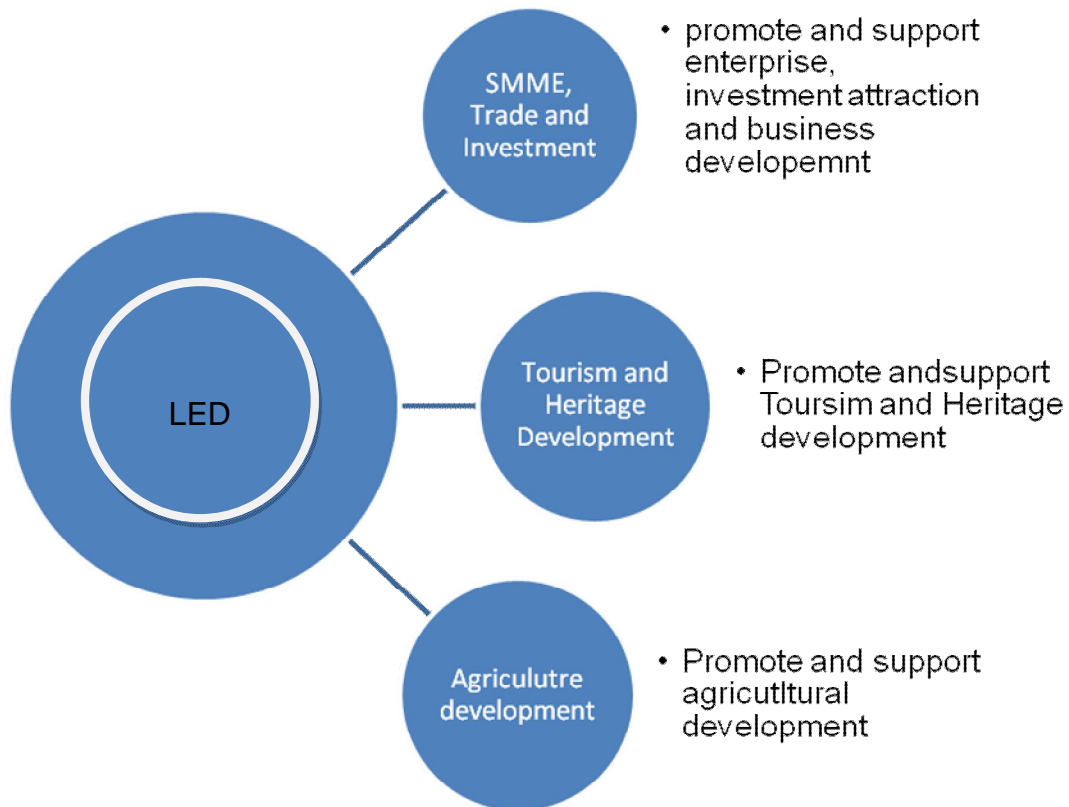
It was quite clear that the officials had inconsistent views when it came to the approach of their LED strategy as some saw it as pro-growth whilst others saw it as pro-poor. Important to note is the LED priorities of Makana Municipality namely; the SMME, Trade and Investment sector, the Tourism and Heritage Sector and the Agriculture sector. The responses from the LED officials suggest that even though they do not have tangible projects; they however assist their respective sector walk-ins through providing support, facilitating access to land and finance, coordinate workshops and trainings.

It was evident also that the projects that they have within the LED unit were unsustainable because they were temporal jobs. Even so, the EPWP and the CWP have at least some impact in poverty alleviation. The Sinalo Primary Co-op is a project to the effect of poverty alleviation and employment creation. This project can be sustainable and successful if it can be managed effectively. Even with regard to Masikhuthale Women's co-op; if necessary support could be given; it can be a viable project and once more impact on poverty alleviation. These projects can have both direct and indirect effect on the region's GDP.

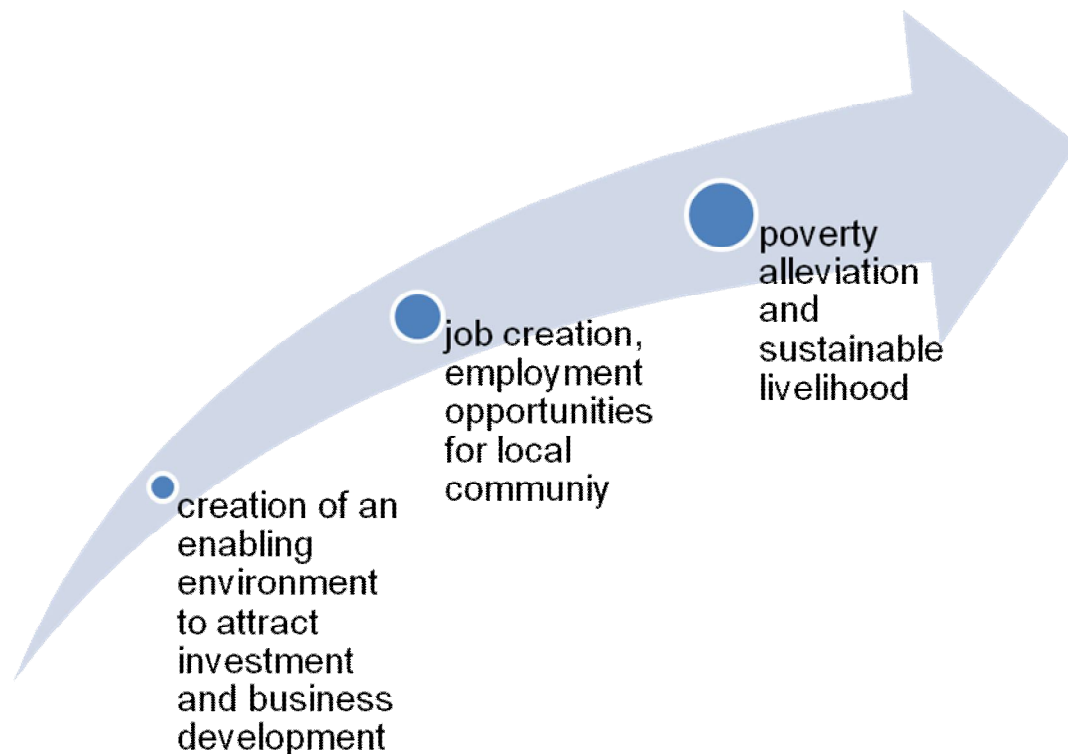
With regard to the Kwam-eMakana project that there is not enough support from the municipality. The only support that they had was only in the form of training; however the respondents did not realise any significant impact in the trainings provided year in and year out. Instead the respondents suggested that they need financial support in the form of grant funding or loans. It was also clear from these Kwam respondents that their business was only beneficial during the NAF season and sometimes during the Sci-Festival thus its sustainability is questionable.

The impact of LED projects in Makana Municipality can be conceptualised as follows:

Figure 5.1: LED projects



In order for the LED to take effect in Makana municipality the following factors must be considered as depicted in **fig 5.2**:



It is a responsibility of the local municipality to create an environment conducive to growth and sustainability of the SMMEs and co-ops which are involved in LED projects. These projects should translate into job creation which will ultimately reduce poverty. It is therefore important for the LED unit to continue to forge partnerships both with the local businesses and abroad. This will ensure that there is sufficient funding for the LED projects without necessarily depleting the country's resources.

5.4 Concluding remarks:

This chapter presented the empirical findings. The profile of the respondents was presented and it was noted that the LED officials consisted of both males and females. All the respondents were exposed to formal education which in itself is a strength which is needed to drive LED projects. The funding of LED projects is somewhat a challenge in that the respondents still depend on organisations outside

the municipality to fund LED related projects. For example the Masikhuthale Women's co-op received a loan from ECDC but the project is not yielding any profits. It is against this background that the LED unit should continue seeking for LED funds from both local and overseas donors. Nevertheless it can be concluded that LED projects in Makana municipality has a positive impact in the community of Makana.

Chapter 6

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

This research study sought to assess and evaluate the impact of LED projects within Makana Municipality. This chapter begins with providing a summary of the main findings. This is followed by recommendations and conclusions

6.1. Summary of the main findings:

Chapter two of this study presented a theoretical literature review in order to provide a conceptual framework of the study. The various meanings of LED, the features of LED, were provided including an international overview of the LED. With all the definitions of LED it was clear that the process of LED is driven by local government in partnership with the private or business sector and other civil organizations. These are some of the LED features discussed in this chapter: globalization, community-based approach, sustainable development, private-public partnership and governance. With the world being a global network, an international overview of LED was provided.

Chapter three presented a policy framework to advance LED in South Africa. Therefore, the South African historical economic policies in promoting economic and social development were discussed at length. The policies discussed in this chapter include: RDP, GEAR, ASGISA and the New Growth Path. It was clear that these policies are crucial in realizing both economic and social development. It was therefore essential that this study presents LED in the context of South Africa, how LED is practiced in South Africa and the challenges that LED faces. It was clear that LED in South Africa is enshrined in the RSA Constitution 1996, the White Paper on Local Government 1998, the Local Government Transition Act 209 of 1993, and the Local Government Municipal Structures Act 1998. Of note was the significance of IDP in realizing LED. The Practice of LED in South Africa has taken two approaches of note: the market-led approach and the social welfare-led approach. It depends on the municipalities; which approach they seek to take or even combine both. The

challenges of LED range from understanding the definition of LED, the role of LED to limited funding.

Chapter four outlined the research methodology that this study undertook. Therefore the purpose of this chapter was to provide a clear outline of the blueprint of this study. Thus, this chapter gave an outlook on the methods of collecting data, data collection tools and data analysis methods. In order to achieve the objectives of this study; it was essential that the researcher conduct face-face in-depth semi-structured interviews. Questions asked in the interview were predetermined by the literature review discussed in chapter two as well as the policy framework discussed in chapter three.

Chapter five presented the empirical findings of this study. It was clear in this chapter that LED in Makana Municipality is functional because it is a directorate on its own with a Director. This chapter also gave clear indications of how the LED and IDP officials of Makana Municipality understand LED, the role of LED, how IDP and LED are linked, how they see the impact of LED within Makana Municipality and the LED projects, the role of capacity building and partnerships in order to realize economic development in Makana. This chapter also gave light on how some of the LED beneficiaries view the impact of LED in their livelihood; in terms of employment, job creation opportunities and poverty alleviation. The researcher also gave the implications of these findings.

6.2. Recommendations:

It was clear from the findings presented in the previous chapter, that the LED unit's personnel is limited. Thus it is recommended that creation of new posts to support the existing LED unit personnel is highly recommended. Perhaps, with the introduction of new staff; job descriptions will be clearer and that every personnel will be able to function at their optimum in fulfilling the role of LED. It was also obvious that the LED and IDP current officials were not really interested in further training as only one person indicated a gap in accounting skills. Nonetheless with almost all the officials not keen in receiving training; that is a concern because in order to be on par with the competitive economic global standards one needs continuous training.

The LED office should be clear about their role to the communities and their walk-ins. The beneficiaries seem to think that the LED office has a role of issuing grant funding to them. Yet the officials have indicated that their role is that of support, facilitating and coordinating. Thus, they refer their walk-ins to various financial institutions to access funds.

It is recommended that the LED office provide support to the Kwam-eMakana initiative in terms of rigorous marketing. It is recommended that the Makana Municipality provide or develop all year round activities in the local townships in order to attract tourists into the township. It is further recommended that the LED office, particularly the Tourism sector develop tourism route in the township area to create interesting activities in townships. With such interest, tourists can be attracted and boost the economic growth and economic development in townships.

It is recommended that the LED office provide support in co-operatives as they have a huge potential in boosting the economic growth and development of the region. Besides, with co-operatives, more people are employed as such co-operatives serve as a poverty alleviation strategy. Lastly, it is recommended that a co-operative movement is formed in order to learn from each other, support and teach each other. Besides, if they have a movement as co-ops it will be easier to meet their challenges and demands.

6.3. Concluding Remarks:

Even though, this study was on a small scale; it was clear that LED in Makana Municipality is seen as a strategy to boost business attraction. This municipality has gone as far as developing a strategy that they believe is pro-growth as such market led driven approach. This municipality has even manipulated their way to lure business investment by bringing in an investment incentive policy whereby that investor if they fall within a certain bracket the municipality offers tax rebates. However, it was clear that the municipality still faces a lot of challenges with regards to infrastructure development as such attracting and retaining investors is difficult.

This study also revealed that Makana Municipality LED's approach is less on direct poverty alleviation projects. Their focus is mainly in creating an enabling environment for business investment. However, investment in creating an environment that is

conducive in order to attract and retain investment has indirect impact on poverty alleviation through the trickledown effect. Therefore, developing SMMEs, developing co-operatives and providing training has a positive outlook in their quest to achieve economic development.

This municipality's LED structure is three legged as it comprises of SMME, Trade and Investment, Tourism and Heritage development and Agriculture development. These sectors all work towards fulfilling the role of LED in the Makana Municipality.

The impact of LED projects within Makana have a mixed impact as some of the beneficiaries see their projects as sustainable, providing employment opportunities subsequently reducing poverty. However some of the impact is in the opposite side; where some beneficiaries see their projects as unsustainable, temporal with few if at all impact on employment and poverty alleviation.

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