

**UNIVERSITY OF KWAZULU-NATAL**

**Agriculture and Local Economic Development:  
A case study of the uMshwathi Local Municipality**

**by**

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## ACKNOWLEDGEMENTS

–Even though the future arises out of an infinitely complex mix of occurrences, the sense-making process of stepping out into the imaginary is always a communal one. This means that others share in the creation of our future” (Edwards, 2008:174).

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## ABSTRACT

Local economic development (LED) is a process encompassing the mobilisation of resources for competitive advantage by locally-owned or managed courses of action, identified through participation and social dialogue, in a strategically defined territory. Local economic development based on sound economic and business principles can contribute to economic growth, job creation and poverty alleviation.

Government policy has accorded prominence to agriculture. LED in South Africa is mandated to local municipalities and a challenge is to identify LED strategies that combine a pro-growth (market-led), with a pro-poor (market-critical) dimension. The present study reviews the literature on local economic development and analyses mainly secondary data in the case study on the Local Municipality of uMshwathi (District Municipality of uMgungundlovu, KwaZulu-Natal). Theories are applied and tested in the case study and the research objectives focus on the development, implementation and growth of all-inclusive job creation LED strategies in uMshwathi, using local resources and skills, able to generate partnerships and respond to changing circumstances. uMshwathi residents suffer from unemployment, poor functional literacy and poverty.

The potential role of agriculture in the acceleration of local economic development in uMshwathi is confirmed. A grand strategy and functional strategies are proposed. Agricultural land is of a high potential and smallholder and organic farming are practicable. Findings show the presence of locational development-inducing factors. LED suffers from the Municipality's lack of capacity and there is uncertainty between social and economic policy objectives. There is no provincial strategy in place to use the Dube TradePort Corporation as a platform for targeted economic development of the agricultural sector. The Ingonyama Trust and associated land issues need to be urgently addressed. Horizontal and vertical cooperation and coordination between stakeholders is essential.

Professional LED practitioners should be employed in all LED Units. The establishment of an Agricultural Forum in uMshwathi, and an LED Agency in the uMgungundlovu District, is recommended. Networks must be established with Agricultural Unions and significant stakeholders. The implementation of a strategy for agriculture development with a focus on exporting through the Dube TradePort Corporation is deemed necessary.

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## ABBREVIATIONS AND ACRONYMS

<u>Abbreviation</u>	<u>Full description</u>
ACFID	Australian Council for International Development
ADB	Asian Development Bank
AIDS	acquired immune deficiency syndrome
ANC	African National Congress
APRM	African Peer Review Mechanism
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
AU	African Union
BBBEE	Broad Based Black Economic Empowerment
BEE	Black economic empowerment
BNPP	World Bank-Netherlands Partnership Program
BPO	Business Process Outsourcing
BRICS	Brazil Russia India China and South Africa
BRS	Business Retention Strategies
BUSA	Business Unity South Africa
CAADP	Comprehensive Africa Agriculture Development Program
CBO	Community Based Organisation
CoGTA	Cooperative Government and Traditional Affairs
COMESA	Common Market for Eastern and Southern Africa
COSATU	Congress of South African Trade Unions
DBSA	Development Bank of Southern Africa
DED	Department of Economic Development
DFA	Development Facilitation Act
DFID	Department for International Development
DLA	Department of Land Affairs
DLGTA	Department of Local Government and Traditional Affairs
DM	District Municipality
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
DTPC	Dube Trade Port Corporation
DWEA	Department of Water and Environmental Affairs
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EMP	Environmental Management Plan
EPWP	Extended Public Works Programme
EU	European Union
EXCO	Executive Committee
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FET	Further Education and Training
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
GGP	Gross Geographic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HIV	human immunodeficiency virus
IDC	Industrial Development Corporation

IDP	Integrated Development Plan
IDZ	Industrial Development Zones
IFAD	International Fund for Agricultural Development
IGR	Intergovernmental Relations
IIED	International Institute for Environment and Development
ILO	International Labour Organisation
IMF	International Monetary Fund
IMS	Integrated Manufacturing Strategy
IPAP	Industrial Policy Action Plan
IPCC	Intergovernmental Panel on Climate Change
IRP	Integrated Resource Plan
IT	Information Technology
ITB	Ingonyama Trust Board
JIPSA	Joint Initiative for Priority Skills Acquisition
KPA	Key Performance Area
KPI	Key performance Indicators
KSIA	King Shaka International Airport
KZN	KwaZulu-Natal
LED	Local Economic Development
LEDA	Local Economic Development Agency
LEDF	Local Economic Development Fund
LEDNA	Local Economic Development Network of Africa
LM	Local Municipality
LMRF	Learning Monitoring and Research Facility
LRAD	Land Redistribution and Development
LRED	Local and Regional Economic Development
LUMS	Land Use Management System
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSA	Municipal Systems Act
MTBPS	Medium-Term Budget Policy Statement
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NAFCOC	National Federation Chamber of Commerce
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NEET	not in education employment or training
NEPAD	New Partnership for Africa's Development
NERSA	National Energy Regulator of South Africa
NFSD	National Framework on Sustainable Development
NGO	Non-Governmental Organisation
NGP	New Growth Path
NIPF	National Industrial Policy Framework
NPM	New Public Management
NSDP	National Spatial Development Perspective
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development

OHCHR	Office of the United Nations High Commissioner for Human Rights
PALAMA	Public Administration Leadership and Management Academy
PGDS	Provincial Growth and Development Strategy
PMS	Performance Management System
PoA	Programme of Action
PPC	Provincial Priority Cluster
PPP	Public Private Partnership
PSC	Public Service Commission
PSEDS	Provincial Spatial Economic Development Strategy
PTO	Permission to Occupy
RDP	Reconstruction and Development Programme
REED	Rural Economic and Enterprise Development
SADC	Southern African Development Community
SALGA	South African Local Government Association
SAMAF	South African Micro-Finance Apex Fund
SARB	South African Reserve Bank
SARS	South African Revenue Services
SASSA	South African Social Services Agency
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SDI	Spatial Development Initiatives
SEA	Strategic Environmental Assessment
SEDA	Small Enterprise Development Agency
SME	Small and Medium Enterprise
SMME	Small Medium and Micro Enterprises
SPV	Special Purpose Vehicle
StatsSA	Statistics South Africa
TIK	Trade and Investment KwaZulu-Natal
TLC	Transitional Local Council
UCLGA	United Cities and Local Governments of Africa
UKZN	University of KwaZulu-Natal
ULM	uMshwathi Local Municipality
UMDM	uMgungundlovu District Municipality
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environmental Programme
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development
UNRISD	United Nations Research Institute for Social Development
USAID	U.S. Agency for International Development
VIP	Ventilated Improved Pit Latrine
WB	World Bank
WHO	World Health Organization
WMA	Water Management Area
WTO	World Trade Organization
WWF	World Wildlife Fund

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# CHAPTER ONE

## INTRODUCTION TO THE RESEARCH

### 1.1 Background and Context

Following the financial market crisis of 2008 and the resulting downturn, there is improved optimism as the global economy continues to recover from the recession. There is consensus that the focal point of South Africa's new growth path must be employment. The Medium Term Budget Policy Statement (MTBPS) of 2009 (National Treasury, 2009) repeated in the 2010 MTBPS, (National Treasury, 2010), emphasize that the creation of employment leads to comprehensive economic growth and is the means to more rapid poverty reduction and income redistribution. Growth at the levels projected, however, remains inadequate for South Africa to meaningfully reduce unemployment and poverty in line with the objectives set out in the New Growth Path (NGP) (The Presidency, 2010) and the 2011 MTBPS (National Treasury, 2011). The 2012 MTBPS confirms that growth is integral to job creation (National Treasury, 2012). The National Development Plan (NDP) (National Planning Commission, 2012), restates eloquently that South Africa needs to achieve rapid, inclusive economic growth.

South Africans have a special opportunity to forge a broad-based “social compact” – a shared social and economic vision – aimed at facilitating effective partnerships between government, business, labour, communities and civil society in pursuit of common goals, as persuasively articulated in both the NGP and the NDP. The South African Government has been described as one of the most committed to Local Economic Development (LED) policies in the world (Canzanelli and Dichter, 2001, cited by Pretorius and Blaauw, 2006).

The South African economy suffered from serious structural weaknesses and imbalances even prior to the 2008/9 global economic crisis. The 2010/11 – 2012/13 Industrial Policy Action Plan (IPAP) (Department of Trade and Industry, 2010), identifies structural imbalances in the current growth path as follows: South Africa's growth rates have been lower than the average growth rates of similar medium and low income countries. Growth has been driven by unsustainable increases in credit extension and consumption not sufficiently supported by growth of the production sectors of the economy. The growth in consumption-driven sectors (financial negotiations, insurance and real estate, transport, storage and communication, wholesale and retail, catering and accommodation) was 7,7% annually between 1994 and 2008. During the same period the production sectors of

agriculture, mining, manufacturing, construction, electricity and water grew by only 2,9% annually. This has led to large and unsustainable imbalances in the economy, particularly a large current account deficit.

Accordingly even at the peak of recent average annual growth of 5,1% between 2005 and 2007, unemployment did not fall below 22,8%. The crisis has further weakened the productive base of the economy and brought forward the inevitable reversal of credit-fuelled consumption-driven growth. The main impact of the crisis has been an increase in unemployment, as employment dropped by a million jobs from the end of 2008 to the middle of 2010 (The Presidency, 2010). These figures are economically, politically and socially unsustainable. According to the Organisation for Economic Cooperation and Development (OECD, 2008:105), ~~no~~ "no country has achieved a major and sustained reduction in unemployment without rapid economic growth". As South Africa ranks among countries with the lowest level of employment in the world, the rationale behind the New Growth Path (NGP) (The Presidency, 2010) is to address the complex and deep-seated structural imbalances that characterise the South African economy by improving its performance in terms of labour absorption as well as the composition and rate of growth.

## **1.2 Problem Statement**

Is the promotion of agriculture an effective strategy for local economic development (LED) in the uMshwathi Local Municipality in the District Municipality of uMgungundlovu, Province of KwaZulu-Natal? LED is about creating functioning markets which encourage competitive businesses. LED which is based on sound economic and business principles may make a strong contribution to the stimulation of growth, the creation of new jobs and the improvement of income in the country (Meyer-Stamer, 2003a). Rogerson (2006) argues that agriculture as a vehicle for sustainable local economic development promises to be a vital feature of the process that the United Nations Development Programme (UNDP) (UNDP, 2003:209) describes as ~~un~~ "unleashing the creative involvement of stakeholders in the formulation and implementation of initiatives". It is hoped that this study will provide impetus to the use of agriculture as an LED strategy in uMshwathi, the surrounding areas and in the Province of KwaZulu-Natal.

South Africa has a large and dynamic economy, but it has failed to include the majority of the population into the benefits of economic growth, which since the mid-1990s has been accompanied by increasing unemployment and economic exclusion. Reasons for this



include: the highly unequal distribution of economic assets that resulted from the policies of territorial and residential apartheid, job reservation, and a racially discriminatory education and training system, which have continued to place barriers to the entry of black people into the formal economy. Furthermore, the spatial structure of cities and the continuing concentration of the majority of a poor rural population in crowded territories with limited resources, pose overwhelming problems to participation in the market economy. South Africa encounters many challenges as it moves into a new era of democracy. One of these challenges is to ensure that all previously disadvantaged citizens are afforded equal rights and opportunities to benefit from the substantial civil and political opportunities enjoyed in democratic South Africa (The Constitution of the Republic of South Africa, Act 108 of 1996).

According to the New Growth Path (NGP), 2010, (The Presidency, 2010), the economy has not created sufficient employment opportunities for many South Africans over the past three decades. Thus the creation of more and better jobs must lie at the heart of any strategy to fight poverty, reduce inequalities and address rural underdevelopment (The Presidency, 2010). Agriculture remains the most labour-intensive sector of the economy, which is especially relevant in KwaZulu-Natal's provincial context of high unemployment and critical for rural communities which have seen their employment almost halved since 2000. The importance of the combined primary sector of agriculture, forestry and fisheries to the South African economy is measured both in terms of food security, and by its employment contribution (The Presidency, 2010).

The NGP 2010, (The Presidency, 2010) prioritises the design of employment endeavours in the identified key sector of the agricultural value chain, by targeting opportunities in the period up to 2020 for: 300 000 households in agricultural smallholder schemes, 145 000 jobs in agro processing and upgrading conditions for 660 000 farm workers. The National Development Plan (NDP) 2012, (National Planning Commission, 2012) proposes a multifaceted approach to arrive at the vision of an inclusive and integrated rural economy by 2030, by creating more jobs through agricultural development, based on successful land reform and the growth of irrigated agriculture and land production, providing basic services including skills formation, and promoting the development of industries in areas with potential, such as agro processing, tourism, fisheries and small enterprises.

### **1.3 Purpose for the Study**

Local economic development is about territorial economic development. The defined territory for LED should be set at a scale which is a functional economic area and one that facilitates the creation of trust, cooperation and innovation between all key actors (Rogerson, 2009). LED is based on using unique local assets (Nel, 2007). Local economic development is a change process requiring some level of strategic alignment among the key stakeholders in the given location (Meyer-Stamer, 2008). Strategy is about making choices in respect of certain sectors, approaches and activities, where stakeholders share an image of where the foremost development potential of the territory lies, and at how to leverage it, in order to create a location-based competitive advantage (Porter 1998, cited by Meyer-Stamer, 2008).

Thus the challenge in respect of the uMshwathi Local Municipality is to attempt to promote the utilisation of natural resources as a means to local growth, linked to the advent of the Dube TradePort Corporation (DTPC), a platform for economic development in the Province of KwaZulu-Natal (Altman, 2002; McCarthy, 2004). Public investment in infrastructure requires the making of decisions on allocations of scarce resources (McCarthy, 2004). It is difficult to justify use of public funds to promote economic growth if this is not directly linked to the reduction of poverty (Hindson and Vincente, 2005). The construction of the King Shaka International Airport (KSIA) in the Dube TradePort Corporation (DTPC), a world-class airport development, with adjoining Trade Zone and Cyberport (a Schedule 3C Provincial Public Entity), must be exploited without delay in order to create comparative and regional economic strengths in the global marketplace.

Farming production makes a limited contribution to the livelihood of the majority of the 1.3 million rural South African households with access to land for farming purposes, which often merely serves as a coping strategy when other sources of revenue fall away. The significance of agricultural income as an asset for poor rural households is declining and their most important sources of livelihood are social grants and remittances (Development Bank of South Africa (DBSA), 2011). The Department of Agriculture has developed an Integrated Food Security Strategy, which identifies five priority areas of intervention: supplementing household food production, increasing trade in food and distribution of food, expanding income opportunities, improving nutritional status and enhancing institutional support networks (DBSA, 2011).

I'Anson and Smith (2004) propose that significant research is successfully produced when the researcher has intrinsic motivation for initiating it. The author's awareness of the field of LED was generated during the course of other MBA modules (economics, strategy and entrepreneurship) leading to a personal interest and a desire to learn more about the subject. An academic site visit to Swayimane in July 2009 at the invitation of Mrs Rosetta Stander, founder of Zimele, stimulated the researcher to examine further and in greater depth, uMshwathi, an area characterised by high unemployment and numerous associated social problems. The uMshwathi Local Municipality Draft Integrated Development Plan 2013/2014 confirms that the creation of jobs and the alleviation of poverty are the main critical concerns of both residents and the Municipality mandated with the task of local economic development (uMshwathi Local Municipality, 2013a).

#### **1.4 Research Questions**

“Local economic development is critical for the overall growth of the South African economy” (Mabuyakhulu, 2012:7). Addressing the Regional Local Economic Development Summit on 30 October 2012, the KZN MEC for Economic Development and Tourism, emphasised that all development is local economic development, and that this may require that everyone adopt different tactics, such as incorporating local economic development (LED) in everything government does, as well as positioning local economic development uppermost in all economic development strategies.

The critical research questions underpinning this study are as follows:

- Do LED strategies involve the integration of diverse economic initiatives in an all-inclusive approach to local development thus prioritizing job creation and poverty alleviation?
- Do LED strategies use local resources and skills to the best advantage so as to maximize opportunities for development?
- Can LED strategies timeously respond to changing circumstances at the local, national and international levels?
- Can local economic development (LED) involve local, national, and international partnerships between communities, businesses and government to solve problems, create joint business ventures and build local areas?
- Can agriculture provide an effective strategy for local economic development (LED) in the uMshwathi Local Municipality?

uMshwathi, characterised by poor infrastructure and service delivery backlogs, is susceptible to poor growth and underdevelopment, and attempts to stimulate LED will be limited by capacity constraints. According to Bodhanya (2010), the focus on improving infrastructure and service delivery is also part of local economic development. It is anticipated that this study will raise the awareness of the residents of the uMshwathi Municipality and surrounding areas of the promotion of local natural resources and local skills, to stimulate to best advantage new interest in agriculture, novel work opportunities and opportunities for entrepreneurship, and the potential of the green economy, which will develop as a result of the change in the local economy. It is expected that new partnerships between communities, businesses and government may be formed, which will promote further LED in the area. Moreover it is envisaged that the outcomes of the study will stimulate discourse on agricultural production in KZN, thus contributing to food security and South Africa's GDP.

### **1.5 Limitations of the Study**

LED may have a beginning, but it never ends. LED is a moving target. Once simple problems have been recognized and dealt with, more complex problems are identified which take longer to manage. The best way of conceptualising LED is as a permanent cycle (Meyer-Stamer, 2006). This aptly reflects the research process, where the upsurge of interesting literature, added to the complexity of the topic leads one into a vortex of global, forgetting the local.

The nature of qualitative research methods, where the relationship between theory and research may be viewed in terms of deductive and inductive strategies, is such that extensive detailed background reading is required in order to assist with drawing general inferences leading to theory. Trans-disciplinarity in the field of LED causes the boundaries of contributing disciplines to be exceeded by academics, policy makers and practitioners with particular skills and experiences, which raises the issues of difficulty in terms of the complexity and understanding of additional material.

Thus secondary data in the form of both raw and interpreted data required familiarization and the data did not match the research question. Local economic development and regional local economic development have become in vogue and the consequence is that under qualified persons enter the discussion and the researcher has no control over the quality of the data, which may not be reliable. According to Nel and Rogerson (2005) in

the global context of LED the case of South Africa has attracted singular interest as a laboratory for experimentation, innovation and learning. However the number of scholarly research articles on LED in South Africa (SA) is relatively limited, especially when compared with the extensive documented reports available on the SA LED experience (Xusa, 2007).

Case studies can be time-consuming and the research results may no longer be relevant when the results are finally published. However, the timeframe of this study and the nature of this subject are such that its outcome, which is of a generalised nature, should still be pertinent at the time of publication. Collecting secondary data via desktop research in respect of the locality of uMshwathi proved difficult, as information is not available timeously and there is no single body of knowledge on the locality. The Municipality does not appear to consult detailed Municipal Demarcation Board Maps and thus tends to furnish incomplete information on the locality. The municipal reports are often repetitive and follow legal procedures and departmental directives. Research should ideally be complemented by structured interviews and surveys with important stakeholders, in order to gain a deeper understanding of the local situation. Dealing with government officials to filter information proved difficult. Personal communication with various parties in the uMshwathi Local Municipality was resorted to in order to clarify certain issues.

## **1.6 Overview of the Study**

The primary focus of this research project is to examine the role of agriculture in the process of local economic development (LED) in uMshwathi, particularly in view of the development of the Dube TradePort Corporation (DTPC) in KwaZulu-Natal and the Government's repeatedly prioritized goal of stimulation of agricultural production (MTSF 2010, New Growth Path 2010, National Development Plan 2012, IPAP 2013) and the emphasis placed on agriculture in the KwaZulu-Natal Provincial Growth and Development Strategy (PGDS, 2011).

Economies have undertaken a phase of intensive restructuring in the last three decades. Contributing factors include: competition from emerging economies and low wage countries, technological change, the maturing of economies characterised by the relative consumption of more services than goods, the declining importance of the manufacturing sector, and reallocation of resources from sectors losing competitiveness to others with greater value added. The consequences are economic, social and environmental in nature,

with a particular impact on the labour market (Considine and Giguère, 2008), and in South Africa especially on the agricultural sector.

The study is divided into six sections. The first chapter sets out the broad framework and includes an introduction to the study, the research questions posed and the purpose for the study, which relates to the role that agriculture and LED can play in the uMshwathi Local Municipality, uMgungundlovu District Municipality, Province of KwaZulu-Natal. In this year of the centenary of the 1913 Land Act, it is fitting that agriculture and the use of underutilized natural resources is prioritized as per the NGP (2010), the PGDS (2011), and the NDP (2012) and focused on as a means to promote LED and sustainable growth in KZN.

Chapter Two acknowledges that LED is a global phenomenon. The literature review, *Local Economic Development: A Global Perspective*, seeks to outline the rise in LED, the status and current debates in local economic development, while examining the history and theory of economic development, in order to provide the necessary background to the field of local economic development. The definition of LED traces the growth path of LED. The focus on Africa stresses pro-poor above pro-growth LED and is further presented as a comparison to LED in South Africa, a challenge to advance LED in South Africa through agriculture and an invitation to South Africans to explore regional African markets.

The literature review in Chapter Three focuses on Trends in Local Economic Development in South Africa, particularly on the developmental and institutional role of the government. LED policy and environment and current challenges are addressed. According to Rogerson (2006) local economic development planning in South Africa is viewed as pioneering and it is significant that the professionalization of LED is gaining momentum as this should raise the bar in the practice of LED. Contemporary models of LED synthesise theories of economic development that can be adapted in the South African setting to fashion a “social compact” among government and relevant stakeholders, and a “peoples’ contract” amongst the local residents.

The research approach and methodology adopted for the study are discussed and the limitations encountered in the course of the study, are outlined in Chapter Four. A qualitative approach to data collection was used in this study, where the literature review provided the background, and the focus was on the desk top observation and interpretation of a situational reality, the case study of uMshwathi, performed in a circular and iterative

way. This is in contrast to the quantitative approach, which focuses on causality based on statistical data. According to Rowe (2009) it is important for LED practitioners to be able to apply research methodologies, so as to assess their respective area prior to drafting an economic development strategy.

Chapter Five provides a detailed profile of the Case Study of the uMshwathi Local Municipality, a brief overview of developmental local government, defined as “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve their quality of their lives” (Department of Constitutional Development, 1998:23), and provides background and context to the challenges and problems in achieving successful LED in the Municipality. The framework/context suggested by Hindson (2005) is that LED should be based on an understanding of regionalisation as it actually occurs within South Africa’s regions and localities, and that it design measures and actions that respond to the opportunities and threats this provides. The theme of sustainability, and the relationship, local and regional development =  $c$  (capacity)  $\times$   $r$  (resources), is applied in the case study (Blakely and Leigh, 2010). The model of Systemic Competitiveness (Meyer-Stamer, 2008) is employed in the analysis of the case in order to understand the complexities that have a bearing on LED, and the internal and external environments are scanned. The seven metaphors of Bingham and Mier (1993) are utilized as evidence of the application of a contemporary theory of local economic development in the field of LED.

The conclusions and recommendations of the study undertaken are presented in Chapter Six. The research questions posed are answered as they relate to the problem statement and to the research objectives indicated in the analysis of the case study of the uMshwathi Local Municipality and in relation to the literature study. Several conclusions and recommendations about LED in uMshwathi are reported.

## **1.7 Chapter Summary**

Beyond bringing the economy back to potential, many challenges remain. These are broadly interlinked by the need to make better use of South Africa’s abundant resources, both physical and human (OECD, 2010). Robust capacity is required to promote faster growth to achieve the government’s social and economic targets and to meet the aspirations of the people, including the residents of uMshwathi. According to the World Bank (2013), jobs drive development. Jobs should not be an afterthought of growth.

In this context local economic development and agriculture have assumed grand proportions, as a result of the South African government according priority status to agriculture. Within the reported limitations of the study, the enquiry is whether the focus on agriculture can provide an effective strategy for local economic development (LED) in the uMshwathi Local Municipality. The research questions centre on LED strategies actually in place and the promotion of novel strategies. Messner (2008:58) asserts that:

“To develop convincing possible interpretations for complex situations is the core task of the scholar who thinks –entrepreneurially, in terms of change - not simply piling up petty facts and data” ... but, ... “to offer good and plausible –stories” that serve to explain, to provide orientation, and to point to sustainable paths forward”.

Meyer-Stamer (2008) strikes a chord when he asserts that the challenge to manage change in a local economy would appear to be less intimidating than the challenge of administering change of a whole country’s economic system! As many traditional LED approaches have not provided evidence of the desired outcomes, South African government authorities, businesses and communities are looking for innovative approaches in order to deal with local economic challenges. It is anticipated that the findings of this study will provide impetus to the use of agriculture as an LED strategy in the community, province and country and contribute to the overall body of knowledge of LED in South Africa.



## **CHAPTER TWO**

### **LITERATURE REVIEW ON LOCAL ECONOMIC DEVELOPMENT: A GLOBAL PERSPECTIVE**

#### **2.1 Introduction**

Development economics deals with the efficient allocation of existing scarce (or idle) productive resources and their sustained growth, and with the economic, social, political and institutional mechanisms, both public and private, necessary to bring about rapid and large scale improvements in levels of living for peoples (Todaro and Smith, 2006). It is increasingly recognized that pro-growth and pro-poor policies are inseparable and mutually reinforcing (OECD, 2009a). Porter (2003:46) states that: “In the new thinking on competition, there is not an inherent conflict between economic and social objectives, but a long term synergy”.

The discourse on development is complex and controversial; it is a multidimensional concept where coherence, globalization and interdependence are key concepts. Today’s reality is that development occupies a significant role in many societies and is one of the principal organizing paradigms of our time. Most governments have development plans and budgets and rich countries include official development assistance in their foreign policy (OECD, 2009b). Yet according to Turok, 2008, quoted by Rivett-Carnac, 2009, the trickle-down effect (development simply equated to growth) assumed by orthodox market economists does not work, as only nominal benefits are received by poor and marginalised people, unless the structural dynamics of exclusion are addressed.

This chapter examines the definition of Local Economic Development (LED) whilst revealing progression in the thinking of LED. The literature review explores the history and provides a summary of the existing theories on economic development. LED, advanced by globalization, is demonstrated to be a growing global phenomenon. Local is increasingly intertwined with global, prompting extensive research. Discernible trends showcased in Sub-Saharan Africa, viewed as an entity and without due regard to neither the individual countries nor their unique circumstances, accentuate the particularities of LED in South Africa.

## 2.2 Defining Local Economic Development

Observers point out that as the concept of local economic development (LED) is both elusive and contested there are numerous definitions (Trah, 2004, cited by Rogerson and Rogerson, 2010). These range from the succinct concept of Systemic Competitiveness, where LED represents increases in a local economy's capacity to create wealth for local residents (Knorringa and Meyer-Stamer, 2008), to Meyer-Stamer's (2003c) pragmatic view that LED reflects the political economy of economic promotion where economic promotion is a constituent of daily political labour.

Rogerson (2009) states that although there are diverse definitions of local economic development (LED), they all share common factors, which the case study addresses. These include a strategic emphasis upon a defined territory, the need for participation and social dialogue, locally-owned or managed processes, and the mobilization of local resources for competitive advantage. He states further that whilst LED has at its core an economic focus, the goal of LED is ultimately to achieve a sustainable development pattern inclusive of economic, social and environmental issues. The issue of sustainability is further explored in the case study. Canzanelli (2001:9), quoted by Rodríguez-Pose and Tijmstra (2005:3), asserts that:

“LED is a process where the local actors shape and share the future of their territory; ... a participatory process that encourages and facilitates partnership between the local stakeholders, enabling the joint design and implementation of strategies, mainly based on the competitive use of the local resources, with the final aim of creating decent jobs and sustainable economic activities.”

This is an early definition of LED, yet all-encompassing as it includes all the common factors stated by Rogerson (2009) above. The word ‘process’ captures the very essence of LED as being a course of action resulting in development which leads to progression or progression which leads to development.

The World Bank actively promotes LED worldwide, but over the years the nuances in their definition of LED clearly demonstrate a maturity in this field. In 2002, the World Bank portrayed LED as a single or a sequential set of interventions designed to improve the economic performance of a particular locality. The enhancement of (local) competitiveness and the development of inclusive sustainable growth (through income and employment)

are the key outcomes of these interventions. This classification is somewhat abstract as it does not identify the parties involved in the process. In 2003 LED is described as “the process by which public, business and nongovernmental sector partners, work collectively to create better conditions for economic growth and employment generation ... to improve the quality of life for all” (World Bank Urban Development Unit, 2003:4, quoted by Rodríguez-Pose and Tijmstra, 2005:3). The participants are clearly defined, as is the cooperative nature of the effort, whilst there is emphasis on the pro-poor aspect of LED, a market-critical variant of LED (Rogerson, 2006).

A subsequent document by the World Bank (2008) illustrates LED as an opportunity for all stakeholders to work together to improve the local economy, namely local government, the private sector, the not-for-profit sectors and the local community, with the purpose of boosting competitiveness and promoting inclusive sustainable growth. This definition has widened to include the community and clearly focuses on the element of competitiveness in LED, a pro-business or market-led approach (Rogerson, 2006) which results in an all-encompassing growth. Innovation, skills, entrepreneurship and social cohesion are key drivers of growth, and essential goals of effective economic development strategies.

The ILO (2006:2), quoted by Rogerson (2009:14), defines LED as a:

“participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context, with the final objective of creating decent jobs and stimulating economic activity”.

The concept of globalisation is now introduced, with emphasis on dynamics such as high value added production processes, the central role of human capital and advances in the technologies of transport and communication. Helmsing (2001) stresses that in the southern countries the focus of LED tends to be on issues relating to community-based development, small enterprise development and locality development.

The German Technical Co-operation organization (GTZ), which has been actively involved in South Africa for many years, considers that LED is about local activities to make markets work better by creating places and opportunities to match supply and

demand and promote new business opportunities (Trah, 2009). GTZ in Rücker and Trah (2007:15) further maintains that LED is:

–an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms.”

The above definition is a practical one, focuses on a market-driven approach and describes the various activities occurring as intrinsically opportunistic (Rogerson and Rogerson, 2010), contributing to the process of LED and resulting growth.

Helmsing and Egziabher (2005:1), cited in Rogerson (2009:13), view LED in Africa as a –process in which partnerships between local governments, NGOs, community-based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory”. Hence actors, organizations and resources are activated and dialogue and strategic actions contribute to the development of new institutions and local systems. This lends support to Todaro and Smith (2006) who believe that development should be regarded as a multifaceted process linking major changes in social structures, prevalent attitudes and national institutions, as well as the acceleration of economic growth, the reduction of inequality and the elimination of poverty. The development of Systemic Competitiveness, therefore, is a social transformation project involving more than mere adjustment of the macroeconomic framework (Meyer-Stamer, 2008). It includes the propensity of a locality to generate superior incomes and raise the standard of living of the local residents. A continued LED process will result in a change in the local economy’s level of competitiveness, it’s positioning in regional, national and global markets and in due course its sectoral structure. The case analysis in Chapter 5 adopts this Systemic Competitiveness approach.

Gijima KZN, an EU-funded project to stimulate LED in KwaZulu-Natal, employs definitions of LED that emphasise the importance of partnerships, competitiveness and inclusive growth, concepts which may contradict each other (LMRF Viewpoint, 2008a). The challenge at local level is to minimise potential conflicts and to improve the local economy by benefiting from the cooperation amongst the public sector, private parties and civil society groups. As the roles and responsibilities of the partners are usually not

expounded, those on the left of the continuum tend to stress the role of the state, communities and inclusiveness, while those on the right are in favour of the private sector and competitiveness. Gijima KZN recognizes that World Bank definitions reconcile any conflict by approaching LED infrastructure as comprising two main components, viz. ‘hard’ physical infrastructure including roads, rail, water, sewerage and drainage systems, and energy and telecommunications networks; and ‘soft’ infrastructure of social, cultural, and community facilities and capacity that enhance the quality of life and encourage industry and business development (LMRF Viewpoint, 2008a).

The Integrated Sustainable Rural Development Strategy (ISRDS 2000), which became the Integrated Sustainable Rural Development Program (ISRDP), defines LED as “a functional area within which economic activity, infrastructure, social facilities and human settlement patterns dictate the viability of governmental interventions” (ISRDS, 2000:21). LED in the rural context includes “diversifying the economic base, building backward and forward linkages, ensuring basic standards of health and safety through provision of basic infrastructure and services, maximising job creation and building on the inherent potential of local areas” (ISRDS, 2000:22). This vision, endorsed by the Comprehensive Rural Development Programme (CRDP) (Department of Rural Development and Land Reform, 2009), is aspired for the residents of the uMshwathi Local Municipality, where agriculture is advanced as an economic opportunity, by building on local potential, expanding the economic base and promoting employment.

Meyer-Stamer (2003b) maintains that LED is about creating favourable framework conditions for business. It is about local activities: to make markets work better by initiating places and opportunities to match supply and demand; to uncover and promote new business opportunities; to resolve marketplace failures such as barriers to entry, information problems and high transaction costs. He asserts that in the study of local economic development definitions, the following aspects become clear. LED ought to be driven by opportunities. LED can be based on the activities of a limited number of local stakeholders who agree that there should be LED which is based on economic and business principles. There is no need to form an accord about the details of LED and an attempt to gain consensus or detailed planning is not mandatory since this often leads to ongoing discussions with no practical activities being launched.

Prominent writers making use of the numerous definitions have attempted to provide a comprehensive conceptual framework as a guide to understanding and action in LED (Hindson and Vicente, 2005). Their endeavours have resulted in the organization of the complex economic, social, physical and political dimensions of LED, and the description of strategic actors, processes, institutions and outcomes of LED initiatives. Helmsing (2001) divides LED initiatives into three categories: locality, enterprise and community economic development, while Meyer-Stamer (2006) uses a hexagon and triangles to illustrate the various dimensions of LED, where the triangles represent: the target groups of LED (individual and group enterprises), location factors, policy focus and synergies, sustainability, governance and LED process management. Hindson and Vicente (2005) believe that the attributes of: enterprise, locality and community, and governance (from Meyer-Stamer's hexagon) comprise the four major aspects of LED. These areas do not represent theoretical or practical categories; they summarize the groups of relationships and institutions that make up the complex of social, economic and political life in a locality. LED relates as much to relations within each grouping as to relations between them.

Blakely and Leigh (2010:73) propose a definition of sustainable local economic development that accentuates the desired end state rather than growth defined objectives: "LED is achieved when a community's standard of living can be preserved and increased through a process of human and physical development that is based on principles of equity and sustainability". They espouse that it is a mistake to equate economic growth with economic development, as the quest for economic growth can destroy the foundation for economic development, and may moreover lead to increases in income inequality, harming of the environment and a deterioration of the predicament of marginalized groups.

In analysing definitions of LED one must not lose sight of the objective that development contains both an economic component and the human growth factor, and that the options available for improving people's lives are influenced by the quality of economic growth. Todaro and Smith (2006) claim that growth is generally necessary, though not sufficient, for achieving development; that the promotion of rapid economic growth and the reduction of poverty are not mutually conflicting objectives, and that policies focused toward reducing poverty levels need not lead to a slower rate of growth. Bhagwati and Panagariya (2013) articulate a "pull-up" growth strategy, a radical, activist set of policies to accelerate growth and to pull up more of the poor into gainful employment.

The World Bank's Primer on Local Economic Development (World Bank, 2003) describes a local economic development strategic planning process as composed of five stages: organising the effort; performing the local economy assessment; and creating, implementing and reviewing the LED strategy, while ascribing a leading role to government, yet emphasising the importance of engagement with other stakeholders. However, the question must be posed whether LED and LED practice conform to the essence of the definition of local economic development as examined or whether the definition is purely an ideal and there is merely an attempt to harmonize reality with the theory. Section 2.3 examines the history of economic development where the definitions of economic development are fundamental to the evolution of the theories of economic development. Sections 2.4 and 2.5 explore local economic development globally and in Africa. LED Trends in South Africa will be investigated in Chapter 3.

### **2.3 A Brief History of Economic Development**

Local economic development philosophy and planning in South Africa have been influenced by the economic development experiences of the United States of America and Britain, where extensive literature on the subject matter is available (Rogerson, 2009). Australia's answer to declining small towns further presents interesting parallels for South Africa (Rogerson, 2009). Local Government, the third sphere of government in South Africa, is in direct contact with communities. According to Sections 156 and 157 of the Constitution, it has, therefore, a developmental role to fulfil, including the provision of basic services, housing, electricity, water, sanitation, transport systems and to facilitate local economic development (LED) as required by Sections 152 and 153 of the Constitution (Republic of South Africa, 1996).

According to Todaro and Smith (2011) following World War II, the field of economic development embraced the following grand models: the linear-stages-of-growth model, theories and patterns of structural change, the international dependence revolution and the neoclassical, free-market counter revolution, summarised in Table 2.1. Today an eclectic approach is in use that draws on all these classical theories. Meyer-Stamer (2003) questions whether LED's popularity is due to desperation rather than to a convincing track record. Todaro and Smith (2011) concur with Meyer-Stamer's view (2003) that the field of study and practice of economic development, characterised by ideological, theoretical and empirical controversies, is challenging and exciting, feasible yet multifaceted to bring

to fruition, and in the words of Todaro and Smith (2006:140) –development is both possible and extremely difficult to achieve”.

**Table 2.1** Classic Models of Economic Development

Grand Models	Theories of Economic Development
<p><b>I.</b> Linear stages of growth model (1950s and 1960s)</p> <p>Development is a series of successive stages of economic growth which all countries must engage in.</p>	<p>Development was equated to rapid comprehensive economic growth, with required amounts of saving, investment and foreign aid, so as to assist developing nations to pursue the economic growth path followed by developed countries. Rostow illustrated this doctrine and the Harrod-Domar Growth Model (AK model) was developed. Criticisms include: that saving and investment is inadequate for accelerated economic growth, and that developing nations are constituents of multifaceted international systems.</p> <p>Economic Base Theory: emphasises growth in output, income or employment.</p> <p>Staple Theory: stresses export-led economic growth.</p>
<p><b>II.</b> Theories and patterns of structural change (1970s)</p> <p>Modern economic theory and statistical analysis explain the internal process of structural change that a developing country must engage in to generate and sustain a process of rapid economic growth, transforming from a traditional/subsistence culture to an urbanized/ industrially diverse manufacturing/service economy.</p> <p>Patterns-of-development analysis of structural change focus on sequential change. Essentials for economic growth: savings/investments, physical/human capital and changes in the country’s economic structure/functions (transformation of production, changes in consumer demands, international trade, use of resources, socio economic changes).</p>	<p>The Lewis two sector model replicates economic growth in the West illustrating two scenarios: a transfer of labour from the traditional agricultural sector with zero marginal labour productivity where excess labour can be removed without a loss in input, to the modern productive urban industrial sector, where increased employment and growth depend on the rate of industrial investment and capital accumulation. However, this model assumes the presence of certain characteristics in contemporary developing societies: that the rate of labour transfer and employment creation in the modern sector is proportional to the rate of modern sector capital accumulation; that surplus labour subsists in rural areas; that the competitive market sector ensures constant real urban wages until the supply of rural surplus labour is exhausted; that there are decreasing returns in the modern industrial sector.</p> <p>Supporters of Hollis B Chenery’s model of structural change reason that the facts should be observed rather than adhering solely to theories such as stages of growth. Development is a particular process of growth and change with all countries sharing similar features. The choice of development policies in the country, and international trade and foreign-assistance policies impact on development whilst domestic and international constraints are emphasized.</p> <p>Consequent to developed country patterns such as the falling off of the labour force in agriculture over time, many developing country policymakers have tended to overlook this vital sector.</p> <p>Sector Theory: defines development as greater sectoral diversity and higher productivity per worker.</p> <p>Growth Pole Theory: describes development as propulsive industry growth leading to structural change.</p>



<p><b>III. International dependence revolution (1970's)</b></p> <p>Underdevelopment is characterized by international / domestic power relationships, external/internal institutional constraints, and structural economic rigidities, leading to dual economies and dual societies (dualistic development).</p>	<p>Centred on policies to eliminate poverty, to provide diversified employment opportunities, to decrease income disparity within a growing economy.</p> <p>The Neo-colonial Dependence Model: underdevelopment is a result of the capitalist system of rich/poor country relationships.</p> <p>The False Paradigm Model: underdevelopment is the outcome of unsuitable advice from international experts of assistance/donor agencies and organizations, leading to incorrect policies (often serving vested interests of domestic/international groups).</p> <p>These theories provide a mediocre explanation of the manner in which countries initiate and sustain development, and the experiences of countries that have pursued nationalization and state run production has been mostly negative.</p> <p>Government intervention is an important element of both the Regional Concentration and Diffusion theories, where higher income per capita is a requisite and Interregional Trade Theory where economic growth leads to greater consumer welfare.</p>
<p><b>IV. Neoclassical free market counter revolution (1980's and 1990's)</b></p> <p>Failure to develop is a result of too much government intervention and regulation of the economy.</p> <p>Solow neoclassical growth model</p> <p>Exhibits diminishing returns to labour and capital separately and constant returns to both factors jointly.</p>	<p>The emphasis is on the beneficial role of free markets, open economies and privatization of inefficient public enterprises, assisted by the “invisible hand” and the “magic of the market place” (Todaro, 2006) to guide resource allocation and stimulate economic development. The three approaches include: 1) the free market analysis which claims that markets alone are efficient; 2) the public choice theory (or new political economy approach), which concludes that there should be minimal government interference and 3) the market friendly approach, where, as a result of shortcomings in product and factor markets, governments have an important role to play in facilitating the operations of markets. The Traditional Neoclassical Growth Theory maintains that opening up of national markets brings in supplementary domestic and foreign investment and improves the rate of capital accumulation. In terms of GDP growth, this is comparable to raising domestic savings rates, which boosts capital-labour ratios and per capita incomes.</p> <p>The residual factor explaining long term growth as technological progress, determined independently of other factors. Output growth results from one or more of the following: increases in labour quantity and quality (through population growth and education), increases in capital (through saving and investment) and improvement in technology.</p> <p>Innovation is an essential dynamic of both Product Cycle Theory (new product development) and Entrepreneurship Theories (new combinations). Flexible Specialization theories are defined by constant growth through swift production, innovation and specialization.</p>

Source: Compiled from Todaro and Smith, 2011, and Blakely and Leigh, 2010.

The Dualistic Development Thesis advanced during the International Dependence Revolution in the 1970s (Table 2.1), has been used to describe South Africa, where modern

and traditional methods of production in urban and rural sectors coexist, as do many affluent and highly educated persons with masses of poor and illiterate people. This situation appears to be enduring and instead of improving may contribute to the “development” of the underdevelopment (Todaro and Smith, 2006). The dual economy was epitomized by President Mbeki in 2003 as a double storey house where the rich occupy the top floor, while the bottom floor is inhabited by the majority of poor South Africans who have no ladders to access the top floor (DPLG, 2006).

Most development strategies outlined in Table 2.1 above necessitated structural transformation and a related role for extensive government involvement in development planning. Shortcomings in industrial programming and comprehensive planning certainly contributed to the demise of centralised industrial policy, further undermined by external pressure (based on "The Washington Consensus"), the weakening of internal governance and delivery capacity, and decentralisation policies delegating the promotion of economic development to provincial and local governments (Meyer-Stamer, 2003).

South Africa’s trajectory through a series of successive development stages differs from that of many other countries because of its particular divisive history compounded by the fact that it is a resource based economy where the nation’s prosperity is founded on the availability of an abundance of natural resources. This has typically resulted in a preference for the exploitation of given natural resources rather than the creation of a competitive advantage by laborious and risky individual and collective action. In the literature, this is regarded as the “resource curse” (Meyer-Stamer, 2008). On the other hand South Africa appears to have mirrored developed country patterns as described in Table 2.1 (Theories and patterns of structural change) with the decline in the labour force in agriculture particularly during the 2000’s and policymakers neglect of this sector (Department of Agriculture, 2001).

Bingham and Mier (1993) classify four time periods of economic development practice in the USA. They identify location incentives in the 1930s, and redistributive measures, including the expansion of economic opportunities by education, training, social services and community development in the 1960s. Programmes of economic revitalization in depressed areas and public-private partnerships with government assistance to government approved projects and private participation in the service industry, characterized the 1970s. The 1980s was the decade of generative development with attention to entrepreneurship

and small and medium sized firms, and government policy focused on facilitating market mechanisms to create wealth, which in turn would create jobs.

**Table 2.2** Local Economic Development: Comparison of Strategies and Methods

Focus	Tactics
<p align="center"><b>1960s to early 1980s: First Wave</b></p> <p><b>Key strategies:</b>            • manufacturing investment attraction from outside local area • attraction of foreign direct investment • making hard infrastructure investments  <b>Organization:</b> public sector, few partners  <b>Strategy:</b> project-led, not strategy-led  <b>Implementation:</b> almost universally public sector, little monitoring and evaluation  <b>Funding:</b> almost all public sector</p>	<ul style="list-style-type: none"> <li>• large grants, tax breaks, subsidized loans for (big) manufacturing firms</li> <li>• subsidized hard infrastructure investment</li> <li>• industrial site servicing</li> <li>• promotion of cheap labour, cheap land, cheap everything</li> <li>• foreign direct investment marketing strategies</li> </ul>
<p align="center"><b>1980s to mid-1990s: Second Wave</b></p> <p><b>Key Strategies:</b>            • retention/growing existing businesses            • continued emphasis on inward investment attraction targeted at specific sectors/areas            • focus on area regeneration programmes  <b>Organization:</b> public sector driven, increasing consultation  <b>Strategy:</b> first steps in strategy development, but still mainly project-led  <b>Implementation:</b> public sector, some contracting  <b>Funding:</b> public and some private sector</p>	<ul style="list-style-type: none"> <li>• direct payments to local businesses</li> <li>• targeted investment attraction methods</li> <li>• business incubators/workspace provision</li> <li>• industrial site and premises provision</li> <li>• technical advice, and training for SMEs</li> <li>• vocational skills training, especially for the disadvantaged</li> <li>• business start-up support</li> <li>• specialist business support (e.g. exports, services, marketing, etc.)</li> <li>• hard and increased emphasis on soft infrastructure investment</li> </ul>
<p align="center"><b>Late 1990s onwards: Third Wave</b></p> <p><b>Key Strategies:</b>            • making business environments favourable            • —sdF infrastructure investments (e.g. HR)            • public/private partnerships and leveraging private sector • improving quality of life and security • highly targeted inward investment attraction, building competitive not just comparative advantage  <b>Organization:</b> public sector-led partnerships  <b>Strategy:</b> holistic, building competitive advantage; sophisticated/transparent/competitive project selection and prioritization processes; almost universally strategy-led, except donor and government sectoral programmes  <b>Implementation:</b> broader implementation by public, private, community sectors, agencies; contracting and performance measures considerable effort to monitor and evaluate  <b>Funding:</b> still public sector, increasing private sector and community funding</p>	<ul style="list-style-type: none"> <li>• integrated local/regional strategies</li> <li>• focus on territorial not sectoral growth</li> <li>• horizontal local government collaboration</li> <li>• community/municipality networking/team</li> <li>• knowledge gap/IT service support</li> <li>• demand-led workforce training programmes</li> <li>• strategic planning, benchmarking, SWOT</li> <li>• emphasis on understanding/measuring local economy before strategic planning</li> <li>• targeting in programme areas (human/business/area/infrastructure development)</li> <li>• facilitative business red-tape reduction</li> <li>• grants/loans/venture capital to businesses with potential and comprehensive business support and capacity building tied to grants/loan provision</li> <li>• quality of life investment programmes</li> <li>• skills enhancement for the disadvantaged</li> <li>• tailored business development services</li> <li>• targeted support for prospective businesses</li> <li>• highly targeted area regeneration programmes</li> <li>• facilitation of business clusters</li> </ul>

Source: Adapted from Swinburn and Yatta, 2006.

The view of Bingham and Mier (1993) largely coincides with the position of Swinburn and Yatta (2006) summarised in Table 2.2. According to Swinburn and Yatta (2006) the “first wave” LED in western countries in the 1960s to the 1980s tended to be a very ad hoc process, normally project-led and crisis-driven. With the “second” and “third wave”, experience confirmed that regional and local economies necessitated facilitating and planning to optimize growth, as evidenced by the strategic process in Table 2.3, which includes a wide range of hard and soft infrastructure projects (Swinburn and Yatta, 2006). This new form of strategic planning was integrated, “bottom up”, undertaken sub-nationally, transparently and in partnership with public, private and community actors. These features, illustrated in Table 2.3, are present in contemporary LED in South Africa (see Chapter 3).

**Table 2.3** Ten Emerging Trends in LED Policy Making and Practice

<b>Traditional LED Practices</b>	<b>Modern (Third Wave) LED Practices</b>
<b>Subsidise foreign direct investment</b> attraction, ignoring local businesses	Invest in the <b>whole local business environment</b> , targeted business support on firms with growth potential
<b>No national or local legal frameworks</b> for LED	<b>Increasing legislative frameworks</b> enabling sub-national economic development strategic planning and projects
Focus on <b>manufacturing sector</b> and sectoral interventions	Focus on relevant <b>agriculture, manufacturing, service</b> sectors enabling cluster development
<b>Hard infrastructure</b> investments	Increasing focus on <b>soft infrastructure</b> especially human resource and business networking/collaboration support
Actions based on <b>little local economy information</b>	<b>Evidence based strategic planning</b>
<b>Public sector only</b> real player, no partnerships	Public, private and community <b>partnerships led by the public sector</b> , local governments
<b>Supply driven</b>	<b>Demand driven</b>
<b>No consideration given to institutional mechanisms</b> for LED except foreign direct investment institutions	<b>Emphasis on building institutional mechanisms</b> to support businesses, formal and informal
<b>Sectoral interventions</b>	<b>Territorial interventions</b>
LED undertaken within <b>political boundaries</b>	LED undertaken within <b>Economic Space</b> with sometimes multiple jurisdictions

Source: Adapted from Swinburn and Yatta, 2006.

The 1990s moreover saw a diffusion of LED ideas and practices from the global North to the South (Nel and Rogerson, 2005), which is viewed by some as an illustration of international policy transfer. Most contemporary definitions of LED contain features of the “third wave” (Swinburn and Yatta, 2006) where both business and community

environment are contributing to economic development with progressive individual business support services and sectoral development approaches, originating in the second phase (Rücker and Trah, 2007). Partnerships assumed increasing importance during the 1990s, following political and economic changes, the prominence of public sector dominated LED development efforts during the 1970s, and the influence of the private sector as development agent in the 1980s. It is purported that partnerships bridge the divisions in development thinking. In theory partnerships promise benefits arising from economies of scale, and the sharing of resources, commitment, and information (LMRF, 2008).

“Fourth wave” refers to the new global restructuring process centred primarily on economic globalisation (Clarke and Gaile, 1998, cited in Cele, 2009). Key features include: a move from high volume to high value added production processes, in response to customer needs and the ensuing increase in the competitiveness of firms; transport and communication innovation resulting in the shrinking of economic space with a consequent increase in direct competition of firms, even at remote locations; the central role of human capital with requisite analytic and information skills for enhancement of the capacity of the local economy; an increase in the mobility of capital, firms and people toward more successful regions. Finally a strategy targeted at reducing the central capability of nation-states to undertake autonomous economic development decisions affecting its domestic markets termed as the “hollowing out of the state” (Clarke and Gaile, 1998, cited by Cele, 2009:10).

As substantiated above, the phases of waves of development are both chronological and overlapping. The transition from business attraction to all-embracing perspectives on economic development is a dominant theme of the description of these phases (Blakely and Leigh, 2010). Economic development theory must evolve so as to parallel changing economic structures and remain pertinent to local development practice (see Table 2.4). Blakely and Leigh (2010) advocate that LED practice should incorporate in the fourth phase sustainable local economic development. The authors acknowledge that from a development perspective, resources are often underused and that local capacity is important to turn resources into development opportunities. Thus the sum of historical theories is summarised as “local and regional development =  $c \times r$ ” where  $c$  equals an areas capacity and  $r$  equals the areas resources (Blakely and Leigh, 2010). The theme of capacity, resources and sustainability will be further investigated in Chapter 5.

**Table 2.4** The Evolution of Economic Development Theory into Local Practice

<b>LED Components</b>	<b>Old Concept</b>	<b>New Concept</b>
Locality	Physical location improves economic options (nearby natural resources, transport, markets)	A quality local physical and social environment constitute advantages for economic growth
Business and economic base	Firms and export industries create jobs and promote an increase in local business	Regional networks of clusters of competitive industries contribute to an increase in growth and income
Employment resources	Additional firms create extra jobs (many may be minimum wage jobs)	Skill development and technological innovation contribute to quality jobs and higher wages
Community resources	Purposeful organizations can boost economic opportunities in the community	Concerted partnerships of many community groups are required to create a base for competitive industries

Source: Adapted from Blakely and Leigh, 2010.

Development economics has no universally accepted doctrine or paradigm but is distinguished by a continually evolving pattern of insights and understandings that in concert provide the basis for examining the possibilities of contemporary development (Todaro and Smith, 2006). Nel and Rogerson (2005) and Meyer-Stamer (2008), lend support for the view that with the rise of regional and local strategies local economic development (LED) appropriated selected economic development principles. This observation will be examined in the following sections in the global and African contexts, and in Chapter 3 within South Africa.

Hindson (2005) concedes that while there have been rapid advances in the local economic development process, there is less support in respect of the impacts of LED, such as economic growth and poverty reduction, in part due to the difficulty of measurement of these factors. Furthermore he is of the opinion that there is agreement over what does not work well in LED and less certainty over what does work well. Meyer-Stamer (2003c) concludes that one of the intrinsic reasons that LED is so difficult is that there is an unclear theoretical and conceptual background for LED. This chapter examines both the history and the theory of economic development as a backdrop to the investigation of LED. Contemporary theories of local economic development are reviewed in Chapter 3 to recognize elements contributing to the development of the concept of LED and its understanding, thereby employing an approach that can potentially assist with the extension, application and implementation of LED strategies.

## **2.4 Local Economic Development is a Global Phenomenon**

As a result of globalisation, rules regulating world economies connect national, regional and local economies more so than in the past. The ensuing international opportunities and threats are not on a par for territories across the world with varied capacities and resources. However, all economies are affected by policies and procedures shaped at the supranational level, such as liberalisation of markets, the expansion of global production systems and changes in terms of trade. Markets are universal, affecting countries in concert across the world. Globalisation is a crucial driver of changes in the planning of local and regional development and local economic development (LED) is now a common component of international development planning.

Nel (2001) has stated that LED literature expounds the decline of grand theory and the employment of more limited, post-modern approaches. This evolution has been presented in sections 2.2 and 2.3. According to Nel (2001) LED appears to have become more prevalent in the northern countries during the last three decades as evidenced by local government action, the challenges faced by central government to promote growth at the local level and the endeavours of community organizations to improve economic and social conditions in particular areas. This trend is the product of many factors including: the 1970s economic crises, the poor results of traditional, regional development interventions, locality specific industry crises, the opposition to pioneer grassroots movements and community programmes analogous to local government and private sector initiatives. “Cities are adapting to restructuring and globalization trends with a range of policy choices unanticipated by scholars and unheard just a few years ago” (Clarke and Gaile, 1998:1, cited by Nel, 2001:2). However, according to Todaro and Smith (2006) as globalization proceeds, cities tend to trade more with other cities often in distant parts of the world and less with nearby rural areas.

Common objectives of LED comprise: the quest for economic growth, the creation of employment, empowerment of local people, the development of the community, economic revitalization, the upgrading of depressed areas, and setting up the locality as an active sustainable economic unit, moreover in a global milieu (Nel and Rogerson, 2005). Comparative international research demonstrates that the emphasis in LED varies between pro-business and pro-poor, with the former generally employed in the developed world and the latter in the developing world. Hindson and Vincente (2005) concur with this view and

are of the opinion that the approach adopted in the 2006 Guidelines for LED in South Africa, which identifies “economic growth and poverty eradication” as the central goals of LED, is aligned to international thinking, that frequently perceives economic growth as the immediate objective and poverty reduction, equated to improvement in the quality of life, as the absolute goal.

A multiplicity of local economic development (LED) strategies is implemented around the world, and some general approaches are summarized in Table 2.5. No single locality will apply more than a limited number of these strategies with selection dependent on whether local authority LED or community based LED are followed. Applied LED can vary from a course of action directed at an entire city, to one put into practice in a particular community.

Table 2.5 delineates the traditional local economic development (LED) stimuli of supply side and demand side that are a product of the classic theories: financial support in many forms, the emphasis on locality, the cutting of red tape, public and private partnerships, and varied human resource policies. There is awareness that business support services should form an inclusive part of the economic development of a particular area (Ackron, 2004). The increasing importance of knowledge competitiveness has contributed to a convergence of the distinct roles of business support and economic development. The enhancement of the financial viability of these programmes has been underscored, with basic business support and advice as its central features (Marais, 2009). Business support services cannot be driven from the supply side; they need to be flexible, keep abreast of trends and be in a position to link location with national and international markets. They can also be employed as a mechanism to reduce poverty by addressing inherent market failure, with subsidies likely to play a central role, as not all customers will be able to pay for services at the point of service delivery. Meyer–Stamer (2006) states that a model based in microeconomics and economic sociology, rather than marketing, is required in order to develop the intrinsic potential of the M4P (markets for the poor) approach. Overall there is evidence for an integrated policy focusing on business development services, employment creation, infrastructure, and rates and rents (Marais, 2009). Research and anecdotal reading confirm that Table 2.5 is an apt reflection of the implementation instruments in use in South Africa to promote LED.



**Table 2.5** Global Local Economic Development (LED) Strategies

LED Strategies	Implementation Instruments
Financial Support —“supply-side” incentives	<ul style="list-style-type: none"> <li>- revenue bonds</li> <li>- revolving loan funds and below market rate loans</li> <li>- tax incentives</li> <li>- loan guarantees and/or equity participation</li> <li>- investment packages</li> <li>- financial assistance to small firms</li> <li>- community banking/group loan schemes</li> </ul>
Land and Building Development —“demand-side” incentives	<ul style="list-style-type: none"> <li>- provision of infrastructure and land</li> <li>- land acquisition</li> <li>- provision of workshops/small industrial premises</li> <li>- enterprise zones with tax/planning concessions</li> <li>- urban regeneration</li> <li>- agricultural support</li> </ul>
Information and Marketing Assistance	<ul style="list-style-type: none"> <li>- supply of information and advice</li> <li>- general marketing, promotion/ image reconstruction</li> <li>- targeted marketing of products/areas</li> <li>- export promotion</li> </ul>
New Planning and Organization Structures	<ul style="list-style-type: none"> <li>- adoption of comprehensive planning techniques</li> <li>- streamlining administration</li> <li>- community development corporations, community business and cooperatives</li> </ul>
Training and Employment	<ul style="list-style-type: none"> <li>- employment and training strategies and grants</li> <li>- direct employment</li> <li>- vocational education</li> <li>- social support structures/community organizations</li> </ul>

Source: Adapted from Nel, 2001.

There is a proliferate literature on LED with annual reports and sector reports being generated continuously. The multiplicity of case studies attests to the fact that local economic development is being engaged in all corners of the world and case studies are used both as a tool for dissemination of information and the sharing of best practice. The increased activity in the field of LED can be attributed to the many organizations playing a role in economic development through government programmes, donor programmes both public and private, and various aid agencies. These include among others:

World Bank (WB), World Trade Organization (WTO), Organisation for Economic Cooperation and Development (OECD), U.S. Agency for International Development (USAID), Department for International Development (DFID), International Fund for Agricultural Development (IFAD), Oxfam International, United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Research Institute for Social Development (UNRISD), United

Nations Industrial Development Organization (UNIDO), Overseas Development Institute (ODI), International Institute for Environment and Development (IIED), United Nations Economic Commission For Africa (ECA), International Monetary Fund (IMF), World Health Organization (WHO), European Bank for Reconstruction and Development (EBRD), Habitat for Humanity, International World Wildlife Fund (WWF), Save The Children, U.S., United Nations Children's Fund (UNICEF), United Nations Environmental Programme (UNEP), Australian Council for International Development (ACFID), GTZ (The German Agency for Technical Co-operation), Netherlands Ministry of Foreign Affairs (DGIS), Irish Aid, Office of The United Nations High Commissioner For Human Rights (OHCHR), European Investment Bank (EIB), African Development Bank Group, Asian Development Bank (ADB), and Bill and Melinda Gates Foundation.

It is interesting to note that this global approach adopted by academics and practitioners alike in the fields of LED literature and LED practice, is not only fostering “globalization”, the global connected with the local (Ehlers and Lazenby, 2007), but placing a greater emphasis on localization through cross-fertilization, innovation and adaptation of ideas.

Many of the organizations previously referred to have been present (e.g. ACFID, Italian Cooperation, the EU) or are still present in South Africa (e.g. USAID, GTZ, DIFD). From 2015, the UK's DFID will bring to a close several development projects and end its bilateral, grant-based aid programme to South Africa (Sangonet Pulse, 2013). Over the last few years uncertainty has been created by downward pressure on donor country aid budgets brought about by the fragile global economic environment. Donor aid from all sources often comes with strings attached. Prahalad (2004) confirms that the above listed entities have all waged the good fight, but the vestiges of poverty remain and that the adoption of the Millennium Development Goals (MDGs) by the United Nations only accentuates that reality.

The cooperation of many organizations with African smallholder farmers has helped to increase efficiency throughout the agricultural value chain, from production (seeds, fertilizer and weather information) to storage, trading, processing and retailing. Partnerships have increased access to finance, backed basic and sophisticated research, and cultivated an integrated approach to rural development by advancing agricultural growth

corridors and agro-industries (OECD, 2009). This theme will be further expanded in Section 2.5.

South Africa is among African countries in receipt of Overseas Development Aid to Africa as attested to by Table 2.6, having obtained the sum of USD 1255 million during 2011. South Africa’s contribution to development assistance, mainly to African countries and primarily to the South African Development Community (SADC) member states, (as a percentage of Gross National Income (GNI)) –is equal to that of several leading developing nations” (Braude, Thandrayan and Sidiropoulos, 2008:4).

**Table 2.6** Overseas Development Aid to Africa by Sector and Recipient in 2011: USD Million Commitments to South Africa by Sector

SA Sectors	USD Million
Social	889
Economic	78
Production	31
Multi Sector	125
Gen. Prog. Aid	105
Debt	-
Humanitarian	20
Others	7
TOTAL	1 255

Source: Adapted from OECD, 2013.

Varied illustrations of LED in universal practice abound. Meyer-Stamer (2003c) provides evidence that regional policy (LED) in Germany makes little difference as regional inequalities became more pronounced; similarly with European regional policy, where outcomes were mixed. He concludes that, whilst acknowledging problems of transferability, institutional differences and other factors, it cannot be presumed that experiences from OECD countries present a model for LED in developing countries, especially if it cannot be proven that LED efforts in OECD countries have made a noticeable difference.

Illustrations of LED showcased globally include the Silicon Plateau in Bangalore, India, the surgical instruments cluster in Pakistan, and the automobile clusters in Durban and Mexico. In Brazil the growth of economic clusters include the Campinas high technology cluster, renowned for the robust association between research institutes and local firms, and the Sinos Valley footwear cluster (Rogerson, 2008), although an alternate focus on community organizations, community business, community support programmes and appropriate training is also present. Italy is well known for its successful small and

medium enterprises realized through the grants allocation, equity participation, tax incentives and the provision of premises (Brusco and Righi, 1989, cited in Rogerson, 2008). In Spain there is greater emphasis on place-marketing and infrastructural development which appeals to potential entrepreneurs and investors (Garcia, 1993, cited by Rogerson, 2008). In North America, in deference to traditional methods of LED, new marketing strategies have been applied, among which feature: special promotion, cultural events, business incubators, leaseback arrangements, improvement of the local environment and building rehabilitation (Reese and Fasenfest, 1996, cited in Rogerson, 2008). In East Asia the focus has, until recently, been on national economic development, but current processes of decentralization are introducing interesting possibilities which embrace the promotion of local currency and bond markets and the knowledge-intensive local production networks in places like South Korea, Malaysia and Hong Kong (DPLG, 2006).

According to Rogerson (2008), international LED research focuses on themes of local governance, institutional arrangements and the value of partnerships, promotional strategies, the impact of charismatic individuals and academic consultants in shaping LED policy and projects, the development of social capital and the noteworthy role of local industrial clusters. Nel (2001:1023), states that:

–LED both reflects and manifests the contemporary forces of globalism and localism. As local areas look inward at their own resources and skills to promote local level development, they often seek a unique place for themselves in an increasingly globalized economy and society ... of rapid change which is encouraging important, major shifts in society and economic activity”.

The trends described are wide-reaching and notwithstanding that they occur at diverse rates, the effects of globalisation and global economic crises have helped to ensure that local economic initiatives and self-reliance are patently manifest around the globe.

## **2.5 Local Economic Development: An African Perspective**

"No African country is a replica of another and no African society is a mirror image of another. However, we believe that the variety within our oneness can be enriching" (Eifert, Gelb and Ramachandran, 2005:1). Africa's vastness is complemented by its myriad cultural, religious, economic, social and historical diversity. Challenges facing individual

countries vary considerably and differing experiences including colonisation and liberation wars have produced various outcomes. Land has a particular meaning to the vast majority of African societies who regard it as an economic and environmental asset as well as a social, cultural and ontological resource and the link across generations is ultimately defined by the complement of land resources which families, lineages and communities share and control” (Eifert et al., 2005:3).

Africa is synonymous with large numbers of people living in abject poverty, surviving on less than a dollar a day. However, according to the Ibrahim Index (Ibrahim Index, 2010), the continent is filled with opportunities: Africa has sustained economic growth at 5-6% for a decade, a largely untapped mineral wealth is present and it has one of the world’s fastest growing telecommunications sectors. Moreover seventy per cent of its population is under the age of thirty and the population of 900 million is expected to double by 2050 when it will be home to a third of the world’s youth.

Within sub-Saharan Africa, the Economist Intelligence Unit describes South Africa’s status as the most advanced economy (Economic Intelligence Unit, 2011). As an emerging market in the global economy, South Africa is a leader and a competitive producer of both raw commodity exports and value-added goods. The Global Competitiveness Report 2012-2013 (World Economic Forum, 2012), grades South Africa at place 52, the highest ranked country in Sub-Saharan Africa; although its position is down from 50 in the previous year, its performance has remained stable and the decline reflects improvements in other countries. South Africa is a G20 Economy and joined the BRICS Bloc (Brazil, Russia, India, China and South Africa) –as the jeweller of the world and as a gatekeeper to Africa” (Kahn, 2011). Although South Africa is often compared to other countries in the SADC region the comparison may be unwarranted (Mazibuko, Hart, Mogale, Mohlakoana and Aliber, 2008). These authors are of the opinion that South Africa’s ranking is mainly a function of its large size, and of the –first economy” sector and that in other respects, South Africa is comparable to other SADC member states.

Helmsing (2001) identifies why local economic development (LED) has emerged as an alternative development approach across Africa since the 1990s, underlining issues of globalisation outcomes, structural adjustment and liberalisation policies, decentralisation and disillusionment with central state-led development. Nel (2001) claims that within countries of the South, formal LED is still in its formative years with minimal active

engagement on the part of local governments or other agencies in comparison to community-based variations (Rogerson, 1999). The process of democratization, decentralization of control and the state's indirect attempts to promote development through setting the private sector in motion, are recognized and will support the LED process. In order to survive economically, there is widespread reliance within these societies on Indigenous Technical Knowledge (Binns, 1994, cited by Nel, 2001), the use of self-sufficient strategies within villages and communities and the dependence on the informal sector, often with the support of non-governmental organizations (Nel, 2001). In view of constraints on government to intercede within local areas, the emergence or re-emergence of the informal sector, communal farming and various forms of community survival can be seen as a rough southern equivalent of LED.

LED experiences in Sub-Saharan Africa frequently tend to focus on the social dimension of LED to the detriment of its economic side. They thus often become local development, more than true local economic development strategies (Rodríguez-Pose and Tijmstra, 2005). Rogerson (2008) is of the opinion that LED is on the rise in Africa as demonstrated in the findings of a range of recent works (Nel and Rogerson, 2005; Rodríguez-Pose and Tijmstra, 2005). Moreover the research literature on LED is rapidly expanding. However, Meyer-Stamer (2004) cited by Rogerson (2006), believes that the advance of LED in a number of Sub-Saharan African countries enjoys a new-found higher status in the field of international development cooperation.

The United Cities and Local Governments of Africa (UCLGA), the representative of local government in Africa, identifies its mission as "Building African Unity from within and Driving Development through the Grass Roots", and has identified LED as one of six key priority action areas for the period 2006-2015 (Swinburn and Yatta, 2006). This underscores the importance of local economic development (LED) across Sub-Saharan Africa, while recognizing that national level macro-economic policies cannot achieve sustainable broad-based economic growth in Africa, and that traditional sectoral supply-side development strategies are not bringing results to fruition, since globalization weakens the powers of the nation state. There is moreover increasing demand and pressure by citizens on local governments to address unemployment and poverty. Decentralization with a focus on new forms of governance is changing traditional top down approaches to development and planning at district levels. High income countries are devoting significant resources to facilitate growth through local and regional development strategies. These

factors emphasize the roles of localities and of wider city-regions as drivers of national growth (Swinburn and Yatta, 2006; Rodríguez-Pose and Tijmstra, 2005).

The New Partnership for Africa's Development (NEPAD), formed in 2001 and integrated into the African Union (AU) structures in 2010, is the economic development programme of the AU whose goal is to provide an overarching vision and policy framework for accelerating economic cooperation and integration among African countries. It has helped to harmonize the policies of African states by focusing on six areas: agriculture and food security, climate change and natural resource management, regional integration and infrastructure, human development, economic and corporate governance, and cross-cutting issues such as gender and technology (Africa Progress Report, 2011).

Through its African Peer Review Mechanism (APRM) which encourages compliance with an agreed set of governance standards through periodic reviews as well as self-monitoring, NEPAD visibly demonstrates the value that intergovernmental partnerships can add to individual development efforts. However many African states are faced with the competing demands and agendas of their various, often overlapping, memberships in regional initiatives. Consequently, many decisions are not being implemented at national level. According to Eifert, et al., (2005), NEPAD requires a three-pronged strategy for success: the establishment of conditions for sustainable development (including peace, security, improved governance and respect for human rights) and the reinforcement of regional integration; the identification of priority sectors that can overturn the continent's continued marginalisation and lay the foundation for sustained development; the mobilization of resources within and outside the continent for the effective implementation of programmes.

Hindson (2007) compares five approaches to Local Economic Development (LED) that are currently being applied in Africa. These are the World Bank (WB), Local Economy (ECOLOC), International Labour Office (ILO), GTZ and UN-Habitat approaches. The World Bank approach reflects experiences from industrialised countries, promoting LED based on urban planning methods and concepts, with a strong bias for planning, based on extensive mobilization and consultation (Knorrington and Meyer-Stamer, 2008), as evidenced in their various manuals and primers. The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) is also present in South Africa and continues to make a valid contribution in the field.

The ECOLOC approach, developed by the Club du Sahel and Organisation for Economic Cooperation and Development (OECD) focuses on strengthening local economies by developing the informal economy and integrating towns and their rural surroundings (Yatta 2003, cited by Hindson, 2007). The UN General Assembly has mandated UN-HABITAT, experts in urban planning, to promote socially and environmentally sustainable towns and cities with the objective of providing adequate shelters for inhabitants. UN-HABITAT's approach is based on experience in developing and transformation countries and includes a catalogue of thirty typical practical LED activities.

The ILO approach is to set up local economic development agencies (LEDAs), with a legal structure recognized under private law, functionally autonomous and not for profit. Participants include local actors from both public and private sectors. They generally offer a series of distinct services: technical assistance, training of nascent entrepreneurs, financial services, marketing and business support. According to Hindson (2007), LEDAs are concurrently an institutional entity with public sector role players, a contractual being with independent access to funding, contracts, services and programmes; and an administrative body capable of executing projects and providing services and credit in non-officious fashion. Their peculiar features of mixed public-private participation and private administrative status enable linkages with the state at all levels and an ability to respond practically to the needs of the population, while the private nature of their management contributes to efficient operations. LEDAs have been set up in South Africa by the Industrial Development Corporation (IDC).

Delnet ITC/ILO (Delnet Programme of the International Training Centre of the International Labour Organization), a specialized agency of the United Nations, provides training, information, technical advice and networking tools, utilising updated information and communication technologies to technicians, managers and representatives of public and private institutions occupied in local development and decentralization processes (more than 2 500 institutions in seventy five countries in English, Spanish and Portuguese languages) (World Bank, 2003).

LEDNA (Local Economic Development Network of Africa), managed by Swisscontact, is a knowledge-exchange platform that connects economic development stakeholders in various countries at local level (Mali, Benin, Botswana, Togo and Zambia in 2010). LEDNA is a pan-African endeavour to advance local economic development, particularly



to promote pro-poor growth that increases the skills and opportunities of communities in order to produce sustainable incomes, and so as not to abandon rural areas for urban migration. The project website enables local government, businesses and citizens to engage in research and dialogue, and share information and expertise. LEDNA provides technical assistance to local governments in their economic development programmes and assists in catalysing partnerships that respond to the effective needs of local authorities. Conferences and workshops as well as modern information and communication technology online tools are exploited to train local officials (LEDNA, 2012).

The Comprehensive Africa Agriculture Development Programme (CAADP), 2003, under the patronage of the African Union (AU)/New Partnership for Africa's Development (NEPAD), is a programme vital to African national efforts to promote and accelerate agricultural growth and economic development. Agriculture is viewed as the engine of growth, contributing more than any other sector to overall increase in income in rural areas and playing a role in poverty reduction, human security and social development. The quest is for 6 percent average annual sector growth rate at the national level with the allocation of 10 percent of national budgets to the agricultural sector and the assignment of the responsibilities of programme implementation to individual countries (OECD, 2009b). Growth should moreover be stimulated in other sectors of the economy by the increase in demand for goods and services produced outside the sector. The focus is on exploitation of regional counterparts and cooperation to boost growth, and the inclusion of farmers, agribusiness, civil society and communities in partnerships and alliances. Poverty, hunger and malnutrition levels are reduced by the increased supply of food which further contributes to higher incomes in rural areas and other sectors of the economy. Meanwhile, during the period 2008-2009 (UNCTAD, 2010) development aid to Africa continued unabated (Africa Progress Report, 2011) (see Appendix A).

A master plan is envisioned to link current regional transport infrastructure corridor projects to potential agricultural growth poles (UNECA, 2009). It is proposed to identify the main agricultural growth poles in the following regions: the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), and the Union du Maghreb Arab (UMA) (UNECA, 2009).

Traditionally the food system involved producers (farmers) and a series of commercial representatives, who traded, processed, distributed, and sold food. “Financialization” refers to the increasingly important role that investors play in the overlapping food, feed, and fuel complexes of the system (Oxfam, 2012) and the magnitude of the “ABCD” firms in shaping the world of food and agriculture (the four big commodity traders in grain – Archer Daniels Midland (ADM), Bunge, Cargill and Louis Dreyfus, who are all present in South Africa, playing a role from the farm level throughout the value chain to food manufacturing). In the global restructuring under way, firms and smallholders are evolving as they respond to and shape the new pressures and opportunities in the modern agri-food system (Oxfam, 2012).

The insecurity surrounding the future of universal food supply has pushed a growing number of investors to acquire significant tracts of productive land in developing countries, particularly in Africa. Investors expressed interest in 42 million ha of land globally in 2009, 75% in sub-Saharan Africa, for the purposes of commercial production, long term investment or speculation. It is estimated that at least 6 million ha of additional land will be cultivated each year up to 2030 (Oxfam, 2012). Sub-Saharan Africa is targeted because of the perceptions that there is an abundance of land available, a favourable climate, cost-effective local labour and the land is reasonably priced. The sub continent’s agricultural productivity has stagnated over the past thirty years and at present is the lowest in the world, while output has increased in most high-income countries. Land is becoming increasingly valuable as demand grows worldwide. The FAO aims to anchor regulations governing the sale and lease of land on an international basis (LADR, 2011).

Agriculture is a significant driver of economic growth, poverty alleviation, human wellbeing and social development. Partnerships with African smallholders have resulted in access to finance and research and elevation of rural development by agricultural growth corridors and agro-industries, with increased efficiency at all stages of the agricultural value chain. Developing and modernizing agriculture is crucial to the structural transformation of African economies, food security, sustained poverty reduction and integration (UNECA, 2009). African economies are heavily dependent on agriculture for its contribution to employment, aggregate output, foreign exchange earnings, and tax revenue. Yet, Africa continues to trade in raw materials. With fragmented agricultural markets, the continent is susceptible to changes in global commodity demand and prices, in addition to recurrent food crises (OECD, 2009a).

The Millennium Development Goals (MDGs), a series of benchmarks to be reached by 2015, were formulated on the basis of the United Nations Millennium Declaration, adopted and signed during the United Nations Summit on 8 September 2000 by 189 countries including South Africa. The MDG's should be seen in the context of a back-to-basics agenda (Development Support Monitor, 2010). It is often said that the MDGs are ambitious –but ambitious they are not, if measured against the wealth, knowledge and capabilities that the 20th Century brought to humanity” (Development Support Monitor, 2010:10).

The Millennium Development Goals (MDGS) are:

Goal 1: The eradication of extreme poverty and hunger;

Goal 2: The achievement of universal primary education;

Goal 3: The promotion of gender equality and empowerment of women;

Goal 4: The reduction of child mortality;

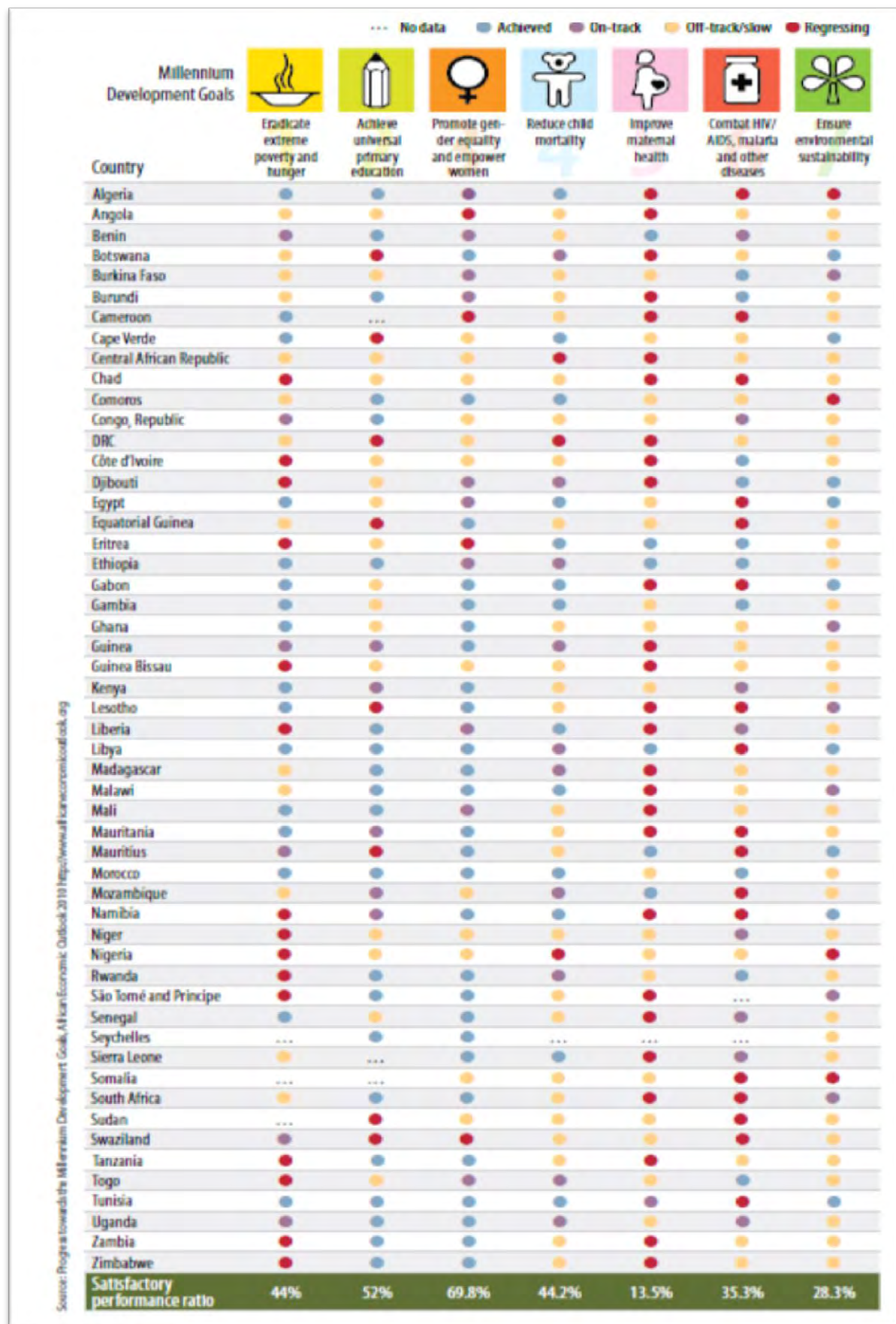
Goal 5: The improvement of maternal health;

Goal 6: The combating of HIV and AIDS, malaria and other diseases;

Goal 7: Ensuring environmental sustainability;

Goal 8: The development of a global partnership for development.

All member countries agreed to submit annual reports on their progressive achievements of these goals in order to enable the General Assembly to review the realisation of the MDGs on a regular basis. The 2010 MDG Scorecard reveals a very low performance ratio achievement in respect of the objectives (Figure 2.1). With less than 600 days to the 2015 target date for achieving the MDGs, further action is required to combat hunger, to save lives of women who die in childbirth, and to provide improved sanitation facilities to more than 2.5 billion people, Furthermore the impacts of climate change need to be urgently addressed (United Nations, 2013). With time running out to achieve the goals, discussions are being held by many and varied stakeholders in respect of Africa's post MDGs agenda whereby in order to take advantage of its increasing population and economic growth, it must prioritize building skills for the future employment market, promote efficiency and accountability in services and develop social and financial systems for inclusive growth.



**Figure 2.1 MDG Scorecard: Info Graphic Illustrating Overall MDG Progress 2010**  
 Source: Adapted UNCTAD Technology and Innovation Report, 2010.

Contemporary South African foreign policy, the New Growth Path (NGP) 2010, the National Development Plan (NDP) 2012, and the Industrial Policy Action Plan (IPAP) 2013/14-2015/16 advocate that the future prospects of South Africa are intrinsically linked to the SADC region and the African continent and emphasise the building of relationships in order to promote socio-economic development. Africa continues to be a highly competitive market. Sub-Saharan Africa is projected to grow at an average of 5% per annum over the next five years and its market size will grow by 30% to \$1.7 trillion. The SADC region accounts for 22% of South African manufactured exports close behind the European Union and regional economic integration is essential in order to secure South African future growth. South Africa has a robust interest in seeing African economies grow: as a source of expansion for local companies, as a supplier for the South African market and as a market for producers from South Africa. SA Express Carrier has initiated flights to Lusaka and Harare from Durban and this favourably supports and contributes to regional expansion in Africa (Gigaba, 2013).

Favourable economic growth and social development prospects in Africa can be achieved by enhanced regional integration, which can lead to an increase in productive capacity, intensify economic diversification and improve competitiveness. Pooled resources and economies of scale would permit African countries to participate more profitably in the global economy. According to UNCTAD (2010) a \$32 billion investment to improve the African road network could result in approximately \$250 billion in additional trade over a period of 15 years. The global crisis has changed perceptions towards Africa and how Africa perceives itself. Countries and companies are bypassing Africa's problems and focusing on its potential and opportunities in the hunt for new growth poles and markets to sustain the economic order in the developed world (Africa Progress Report, 2011).

Rodríguez-Pose and Tijmstra (2007) ask whether the "enabling environment" for the design and implementation of LED strategies exists outside South Africa and identify principal limitations in Africa as lack of government capacity in many countries, poor governance and data shortcomings, preventing correct identification of a locality's strengths and weaknesses and rendering difficult "well-informed policy choices". For sub-Saharan Africa, apart from the more well-resourced centres, the ability of institutions to develop and implement strategies is limited due to the difficult environment local and regional governments face, lack of funding and scant government capacity, both in terms of skills and infrastructure (Rodríguez-Pose and Tijmstra, 2007:532-3).

Rogerson and Rogerson (2010) recommend expansion in African LED research beyond South Africa in clearly identified areas. The analysis of the special role played in African LED by international development agencies, as role players influencing both LED practice and policy and institutional environments. The exploration of constraints in local business environments facing enterprises, through structured surveys with enterprise managers and entrepreneurs. As the OVOP (one village, one product) movement spreads to other African countries, this innovative approach requires further study to inform alternative LED practice across sub-Saharan Africa and rural South Africa. Moreover given the importance of tourism in African economies, additional work is necessary to expand the potential for local linkages in respect of employment, sourcing and procurement, SMME development and outsourcing. Further exploration of the field of LED and tourism is a vital African challenge for researchers of urban as well as rural tourism. Research in these areas will further contribute to regional integration and South African future growth.

## **2.6 Conclusion**

The economic growth literature is extensive and open ended. An examination of the definition of local economic development (LED) concludes that researchers concur on the following distinctive features of local economic development (LED): that it is focused on a territory and that processes are owned by local stakeholders; that LED processes offer an integrated approach to development, stimulating local economic potential by bringing innovation to all growth components. The literature review undertaken in Chapter 2 has investigated territories, stakeholders and processes by progressively examining the definition, history and theory of Local Economic Development, internationally and in Africa. The literature review provides testimony that as a result of its local, demand-driven, inclusive and inter-sectoral approach, LED can be applied to any territory.

Globalisation generates momentum in the transformation of local and regional development planning. Local economic development (LED) has become a noteworthy constituent of international development planning. A new word and concept have been coined: “glocalization”, the global connected with the local (Ehlers and Lazenby, 2007).

Sub-Saharan Africa includes South Africa, although South Africa is often singled out. Africa is explored because of the emphasis in regionalisation in South African government policy, and the fact that South Africa is a member of the African Union (which includes NEPAD and the APRM) and is a participant of the Comprehensive Africa Agriculture

Development Programme (CAADP) and the Millennium Development Goals (MDGs). Significant African LED developments in the field include the UCLA and LEDNA, and the roles played by agriculture and overseas development aid.

It was perceived that LED processes in developed countries adopted pro-growth (market-led) strategies, while pro-poor (market-critical) strategies were more evident in the African context. Agreement exists that growth is influenced by many factors. However, there is minor consensus on what constitute the essential issues or basic circumstances necessary for sustained rapid growth. Theories on local economic development have been extracted by academics and researchers from the body of case studies in LED; they, in turn, have collaborated with practitioners to refine methods and strategies in LED.

The literature review plays an important role providing background from which research questions are derived. Chapter 3 continues the literature review by considering local economic development trends in South Africa. Chapter 4 confirms that the qualitative research method of the case study used in Chapter 5 consists of the reorganization and verification of several hypothetical patterns in a continuous mode, and the interpretation of the situational reality, uMshwathi, is carried out in a circular and iterative way, establishing that the connection between theory in LED and professional practice lies in the interpretation of the relevance of theory in the specific context.

## **CHAPTER THREE**

### **LITERATURE REVIEW ON LOCAL ECONOMIC DEVELOPMENT TRENDS IN SOUTH AFRICA**

#### **3.1 Introduction**

Having examined in Chapter 2 the definition of local economic development (LED), the history and the theory, LED globally and in Africa, LED in South Africa is examined in this chapter. The South African economy is a mixed economy characterised by both the market system in the form of private property, personal initiative, self interest and the market mechanism, and the command system where government intervention plays a significant role (Mohr, Fourie and associates, 2008). The path dependency of a resource-based economy such as South Africa makes structural transformation difficult without forceful state intervention. The inherited economic dualism resulting from South Africa's oppressive history and the influence of globalisation on commodities, labour, property and financial markets would appear to justify state intervention to facilitate and support an economic growth program that clearly attempts to include previously excluded communities and develop their potential. A collective vigorous national and local effort is required with the dynamic mobilisation of business, community and significant stakeholders around common visions and pragmatic programmes to promote equitable economic growth (Department of Provincial and Local Government (DPLG), 2006).

In South Africa, LED is a post 1994 phenomenon (Patterson, 2008). With democratisation came a new vision of development and the concept of LED, and today LED is an explicit government priority (Patterson, 2008). The Constitution of the Republic of South Africa instituted the mandatory role of local government in economic development with Sections 152(c) and 153(a) whereby municipalities must organise and manage the processes of administration, budgeting and planning so as to give precedence to the basic needs and the promotion of the social and economic development of the community. "Through a developmental approach, Government has a decisive and unapologetic role to play in shaping the economic destiny of our country" (DPLG, 2006:7).

#### **3.2 The Developmental State**

National, provincial and local spheres of government are distinctive, inter-dependent and interrelated, according to Chapter 3 of the Constitution (Act 108 of 1996, s40 and s41).



All spheres of government and organs of state are bound to observe and to adhere to the principles of cooperative government and inter-governmental relations. Furthermore the Intergovernmental Relations Framework Act, Act 13 of 2005, provides for structures and institutions that promote and facilitate intergovernmental relations, and mechanisms and procedures to assist settlement of intergovernmental disputes.

The crux of the “developmental state” is that the state actively advances and ensures development of the country and its citizens by utilising its extensive capacity to plan, oversee and implement developmental objectives, so as to reposition the comparative advantage of national economies towards sectors of strategic global value. Similarly, local economic development uses the capabilities of local government to escalate economic profit to the area and to deal with local problems of poverty, employment and market failure. The paradox, similar to that of other countries, is that LED is recurrently the consequence of limited governance and delivery capacity at the national level (and local level) which induces local actors to embark on economic development projects to address the pressing problems of unemployment and poverty encountered at local level (Meyer-Stamer, 2003b).

### **3.2.1 AsgiSA and JIPSA**

The Accelerated and Shared Growth Initiative (AsgiSA) programme, implemented in 2006, is the third major development strategy adopted since 1994. The Reconstruction and Development Program (RDP) formed part of the election platform of the African National Congress in the 1994 elections. The main objective was to remedy disparities in living conditions and reform institutions, and to focus on education, culture, employment generation and human resource development. An RDP Fund was created to finance RDP projects and an RDP office established to administer the Fund and coordinate programmes across ministries (OECD, 2008). The RDP made implicit references to the notion of local economic development (LED) through the apparent support for community-based development and locality based initiatives. This was followed by the Urban Development Framework and the Rural Development Framework published by the RDP office. However, during the early period of the new government LED generally took second place to housing and infrastructure programmes (Patterson, 2008).

The RDP program was set aside with the introduction in 1996 of a macroeconomic policy framework called the Growth, Employment and Redistribution (GEAR) strategy, which

emphasized fiscal sustainability and stressed that macroeconomic stability was a necessary condition for successful development. GEAR achieved impressive macroeconomic stability but growth performance remained mediocre, and unemployment, inequality and poverty increased (Eifert, et al., 2005).

AsgiSA is an important step forward for South African competitiveness policy (Porter, 2007). AsgiSA remains the clearest overall strategy for South Africa's economic development over the medium-term (OECD, 2008). According to Porter (2007) a fact-driven analysis of specific challenges, the identification of key priorities and a medium-term perspective with regular assessment of progress was evident, and ASGISA was the economic action plan for the country, internally consistent and accepted as a national objective. Recent empirical studies of successful growth experiences suggest that at times faster growth can be induced by easing a few constraints (OECD, 2010). This was the basis for the AsgiSA approach, and it remains valid, even if the specific AsgiSA targets for 2014 are now probably beyond reach (OECD, 2010). Execution is crucial; even though the proper policy area is identified, success depends on specific steps taken and the government's capacity to deliver. The relevance to LED (Porter, 2007) is that the action plan needs to add a clear geographic dimension, mobilizing all South African provinces and leveraging integration with neighbouring countries.

An outcome of AsgiSA was JIPSA, a high-level partnership, a form of joint public-private partnership, between government, business and organised labour. JIPSA aims to accelerate the acquisition of priority skills, by seeking to understand links from a systems approach, identify and facilitate cooperation between all key role-players and project owners to achieve a co-ordinated set of results (OECD, 2010).

### **3.2.2 National Development Planning**

The South African Constitution (Act 108 of 1996) is premised on the developmental nature of the State (Olivier et al., 2010:112) as documented by the many references in the Constitution to development including:

–s82(2)(b): "developing" (developing national policy), s125(2)(d): "development" (developing provincial policy), s152(1)(c): "development" (objects of local government), s153: "developmental" (duties of municipalities), s153(a): "planning and development" (administration,

budgeting and planning process), s153(b): "development" (participation by municipality), s184(1)(b): "development-orientated" (public administration), Schedule 4(Part A): "population development" (concurrent national and provincial legislative (and concomitant executive) functional domain), Schedule 4(Part A): "regional planning and development" (concurrent national and provincial legislative (and concomitant executive) functional domain), and Schedule 4(Part A): "urban and rural development" (concurrent national and provincial legislative (and concomitant executive) functional domain".

Contemporary affirmation for South Africa's standing as a developmental state is found in the following development plans:

- The New Growth Path (NDP, 2010) is a ten year plan, a broad framework articulating a vision and placing employment at the hub of economic policy. Major sectors identified as having potential for the creation of employment opportunities include: infrastructure development, manufacturing, mining, tourism, agriculture and the "green" economy. The prioritisation of the agricultural value-chain (comprising farming, fishing, forestry, agro-processing and rural development) to one of the key jobs drivers of the New Growth Path – follows years during which we have to admit that government paid neither sufficient nor sufficiently consistent attention to agricultural issues (Patel, 2011:6). Furthermore the new growth path commits South Africa to work with African countries to build a single integrated economy, embracing one billion consumers, and to give immediate attention to expanding economic relations with this continent.
- Vision 2014 is an outcome of AsgiSA and the Medium Term Strategy Framework (MTSF) with the proclaimed targets of halving poverty and unemployment by 2014. However the goal of decreasing unemployment to below 15% and reducing the poverty rate to less than one-sixth of households will not be achieved without sustained and strategic economic leadership from government, and effective partnerships between government and stakeholders such as labour and business (The Presidency, 2009).
- Vision 2025 is a collective agenda presenting a narrative of the future of the country, a 15 year time horizon from 2010. A suite of strategic objectives define the genre of society South Africans desire by enunciating continuing national growth and human development aspirations and goals, while concurrently providing focus and direction to courses of action. The origin of this visionary document may have been a response to

the Dinokeng Scenarios (2010) which described the scenes of walking apart, walking behind and walking together in South Africa, where critical challenges could only be dealt with if citizens' groups, business, labour and civil society actively join with the state to improve delivery and impose accountability on government (Dinokeng, 2010).

- The National Development Plan (2012) sets out an approach to development leading up to 2030 and has been described as an “overarching” programme as it provides government with a clear and progressive foundation on which to develop the work of the state and align the public finances (National Treasury, 2012), that will help South Africa address the problems and challenges it faces. It sets out a coherent and holistic approach to confronting poverty and inequality based on six focused, interlinked priorities translated into ten central actions (Table 3.1), which government policy can press forward with in partnership with the private sector, trade unions and civil society. The State President, the National Planning Commission and government officials have given much publicity to the plan which is being depicted as a pragmatic and realistic blueprint for promoting economic growth and creating jobs.

**Table 3.1** The National Development Plan

<b>Ten Actions (Converted from Six Priorities)</b>	
A social compact	to reduce poverty and inequality, raise employment and investment
A strategy to address poverty	to broaden access to employment, underpin the social wage, improve public transport and raise rural incomes
The Public Service	the state to professionalise the public service, reinforce accountability, intensify coordination, prosecute corruption
Private investment	to be increased in labour-intensive areas, competitiveness and exports; implement adjustments to lower the risk of hiring younger workers
Education	an answerability sequence with lines of responsibility from the state to the classroom
National Health Insurance	to be phased in with the upgrading of public health facilities, producing more health professionals, reducing the relative cost of private health care
Public infrastructure	investment to reach 10% GDP, financed through tariffs, public-private partnerships, taxes and loans and relating to the sectors of transport, energy and water
The environment	actions to ensure environmental sustainability and endurance in respect of future shocks
New spatial norms and standards	compact city dwellers, improve transport, locate employment closer to where people live, upgrade informal settlements, resolve housing market gaps
Reduction of crime	by strengthening criminal justice and improving the environment of communities

Source: Adapted from National Treasury, 2012.

All government frameworks and plans will at this time take the National Development Plan as point of departure, including the Medium Term Strategic Framework. Sectoral strategies and priorities identified in the National Development Plan will, over time, be translated into practical programmes and policies, drawing on the capacity and initiative of both the public and private sectors (National Planning Commission, 2012). The long-term structural reforms outlined in the National Development Plan (2012) are complemented by the nearer-term goals set out in the New Growth Path (2010), the Industrial Policy Action Plan (IPAP) 2013/14-2015/16, and the work of the Presidential Infrastructure Coordinating Commission (2011). It can be surmised that there is nothing novel. Strengthening the arrangements through which planning, cooperation and implementation are achieved will be a key determinant of progress in implementing the plans outlined.

Accordingly the basic structural economic problems in South Africa necessitate a state response and the utilization of available resources to ensure the respectable development of a large part of the population by means of: housing, water, sanitation, electricity, education and transport. The objective is to evolve a country characterised by underdevelopment with millions of people classified as poor. Recently South Africa has experienced instability and breakdown of labour relations in some sectors of the economy, notably agriculture and mining, together with related community-level social unrest related to service delivery and other, more deep-seated institutional and socio-political problems (Department of Trade and Industry, 2013). Todaro and Smith (2006) state that promoting rapid economic growth and reducing poverty are not incompatible objectives and policies converging on reducing poverty levels need not lead to a slower rate of growth.

A national outcomes oriented planning approach was introduced in 2004, whereby government's programmes and policies are pronounced at the beginning of each term of office in a Medium Term Strategic Framework (MTSF) approved by Cabinet and published by the Presidency (The Presidency, 2009). The 2009 fourth democratic elections resulted in a new electoral mandate for the period 2009 – 2014. The MTSF document adopted in July 2009, confirming the building of a developmental state as per the tenth MTSF priority (Table 3.2) defined the government's strategic objectives and targets. In January 2010, these priorities became measurable deliverables with the Outcome-Based Performance Management (OBPM) System, whereby planning and policy-making were transformed into twelve key outcomes aligned to the ten MTSF priorities (Table 3.2). Cabinet ministers signed performance agreements linked to these outcomes and detailed

delivery agreements were developed to extend targets and responsibilities to national and provincial departments, agencies and municipalities. These outcomes in the form of outputs and key spending programmes are further explored with particular reference to “a responsive, accountable and efficient local government system” (MTSF priority 10 and key outcome 9) and “vibrant, equitable and sustainable rural communities and food security for all” (MTSF priority 3 and key outcome 7) in Chapter 5.

**Table 3.2** Alignment of MTSF (Medium Term Strategy Framework) Priorities and Key Outcomes and the MDGs (Millennium Development Goals)

<b>10 MTSF Priorities</b>	<b>12 Key Outcomes</b>	<b>8 MDGs</b>
1.Speed up economic growth and transform economy to create decent work and sustainable livelihoods	Decent employment through inclusive economic growth (4)	MDG 1 MDG 2, MDG 3 MDG 8
2.Massive program to build economic and social infrastructure	An efficient, competitive and responsive economic infrastructure network (6)	MDG 1 MDG 3 MDG 8
3.Comprehensive rural development strategy linked to land and agrarian reform and food security	Vibrant, equitable, sustainable rural communities contributing towards food security for all (7)	MDG 1 MDG 2 MDG 7
4.Strengthen the skills and human resource base	Skilled and capable workforce to support an inclusive growth path (5) Quality basic education (1)	MDG 2
5.Improve the health profile of society	A long and healthy life for all South Africans (2)	MDG 4 MDG 5 MDG 6
6.Intensify the fight against crime and corruption	All people in South Africa are and feel safe (3)	MDG 2 MDG 3
7.Build cohesive, caring and sustainable communities	An efficient, effective and development-oriented public service and empowered, fair and inclusive citizenship (12) Sustainable human settlements and improved quality of household life (8)	MDG 2 MDG 3 MDG 7
8.Pursue regional development, African advancement and enhanced international cooperation	Create a better South Africa, a better Africa and better world (11)	MDG 8
9.Sustainable resource management and use	Protect and enhance our environmental assets and natural resources (10)	MDG 2 MDG 3 MDG 7
10.Build a developmental state including improvement of public services and strengthening democratic institutions	An efficient, effective and development-oriented public service and empowered, fair and inclusive citizenship (12) Responsive, accountable, effective and efficient Local Government System (9)	MDG 1 MDG 2 MDG 3 MDG 8

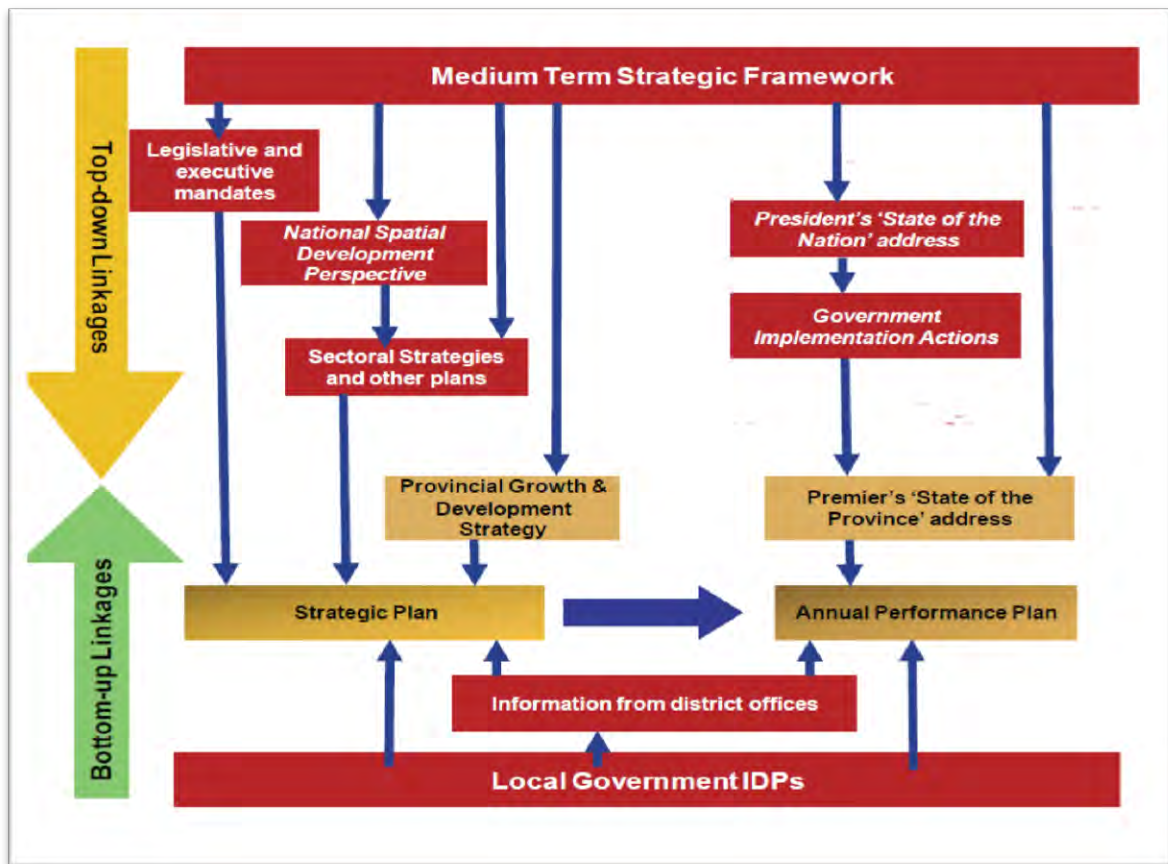
Source: Compiled from Department of Agriculture Forestry and Fisheries, 2012, and Statistics South Africa, 2010.

South Africa has, in addition, aligned its national development planning to the Millennium Development Goals (MDGs) (Table 3.2) discussed in the context of local economic development in Africa (section 2.5). According to Olivier et al., (2010), the first Medium Term Strategy Framework (MSTF) priority relates to MDG 1 (the eradication of extreme poverty and hunger), while the objectives linked to the fourth MSTF priority, strengthen the skills and human resource base, relate to MDGs 2, 4, 5 and 6 (universal education, reduction of child mortality, improvement of maternal health, fight HIV and AIDS, malaria and other diseases). These authors are of the opinion that, MDGs 7 and 8 (ensuring environmental sustainability and development of a global partnership for development) do not form part of the main South African MSTF priorities which focus on: reducing inequality; eradication of racism and sexism; improving access to basic services; and improving the safety of citizens. However, the MDGs Country Report (StatsSA, 2010), clearly integrates all South African MSTF priorities as illustrated in Table 3.2. Based on current trends, the country will not reach the MDGs for child mortality (Goal 4), maternal mortality (Goal 5), and HIV/AIDS, malaria and other diseases (Goal 6) by 2015 (Financial and Fiscal Commission, 2011). Thus it is evident from Table 3.2 that the fifth MSTF priority of improving the health profile of the South African society will not be achieved within the prescribed time frame.

### **3.2.3 Institutional Framework**

In South Africa the institutional platform for local economic development (LED) is overcrowded at national, provincial and local level (McAlinden and Mandimutsira, 2007). Figure 3.1 succinctly portrays elements of central planning: the Medium Term Strategic Framework (2009) (Government programmes and policies - top down linkage, as discussed previously, directly through the Provincial Growth and Development Strategy (section 3.3.1)) connects to Local Government Integrated Development Plans (IDPs) (promoting participatory democracy and governance - bottom up linkage, discussed in the case analysis in Chapter 5). Figure 3.1 illustrates that the significant elements in the bottom up linkage is the Strategic Plan which has its origins in the IDP, and the Annual Performance Plan; the top down linkages feed into these plans. The IDP's feed into the District Municipality. In the course of a perfunctory examination of laws and policies at the macro and meso level (see section 3.6.1) impinging on LED, the figure assumes usefulness in introducing and illustrating the institutional mechanism of the three spheres of government. The focus at local level, the meta and micro level (see section 3.6.1), is on LED in the

Province of KwaZulu-Natal, and the study undertakes an analysis of the Local Municipality of uMshwathi in Chapter 5.



**Figure 3.1** South African Institutional Framework  
Source: Adapted from National Treasury, 2010.

The Intergovernmental Relations Framework Act, Act 13 of 2005, and Chapter 3 of the Constitution provide for cooperative government and coordination of several government activities, aimed at the achievement of development within and across specific spheres. It does not appear as if the different spheres of government, National, Provincial and Local, have been suitably well-designed (Olivier, et al., 2010). Moreover there is a two-tiered system of local government, where “local municipalities, share municipal executive and legislative authority in their area with a district municipality within whose area it falls” (Stanton, 2009:211). According to McAlinden and Mandimutsira (2007) most government departments tend to function within their sectoral scope, resulting in duplication and mediocre coordination. At national level, the Department of Cooperative Governance and Traditional Affairs (formerly the Department of Provincial and Local Government) promotes local development through programmes to strengthen the capacity of local



government to provide leadership and direction in the context of their LED Programme (e.g. Project Consolidate, websites, IDP nerve centre, tool booklets, workshops).

The Department of Trade and Industry (the dti) through its mandated agencies, the Small Enterprise Development Agency (seda) and the National Empowerment Fund (NEF) plays an important role in LED. Through the Industrial Development Corporation, the dti drives the creation of Local Economic Development Agencies (LEDAs) toward a more business oriented approach to local development. The Department of Agriculture nationally takes the lead in rural development. The Department of Public Works is responsible for hard infrastructure and the Department of Public Enterprises for the establishment and development of strategic economic development zones and their public entities. The Department of Environment and Tourism Affairs is a major project funder in local areas, on a project basis. Many provincial departments operate within the sectors with similar functions, while concurrent national and provincial legislative (and concomitant executive) functional domain, exists. The National Strategic Skills Programme initiated in 2006 bears direct relevance to LED; however, the Department of Labour, with the mandate for labour market management and development, does not appear to play a role in the field of local economic development, and herein is evident an inconsistency, as the growth of jobs and the reduction of unemployment is one of the primary objectives of LED.

In undertaking a perfunctory examination of laws and policies to place local economic development (LED) in perspective as just not being local, there needs to be a clear understanding of the local. This is further examined in Chapter 5.3. While section 152(c) of the Constitution records the objectives of local government, section 153 (a) and (b) of the Constitution states that:

–A municipality must (a) structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and (b) participate in national and provincial development programmes”.

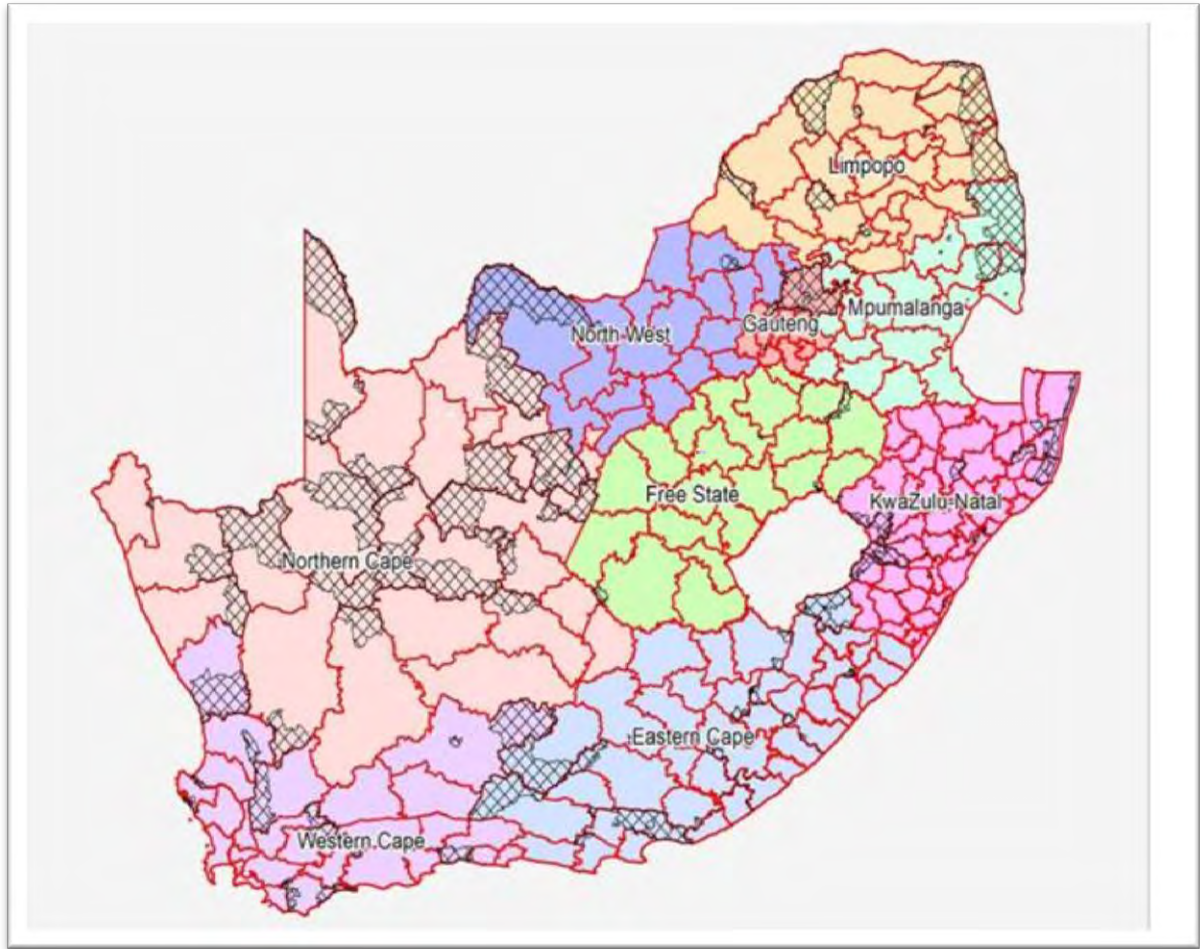
Reforms in local government were complex and prolonged with wide-spread legislative, political, geographic and institutional transformation (Stanton, 2009). The demarcation process in South Africa resulted in three separate administrative reorganisation processes. Prior to 1994 local government in South Africa consisted of over 1 200 racially based local authorities. In phase two, 843 transitional municipalities were created in 1995, which

included a number of transitional councils in former homeland areas. Historically, municipalities were focused around towns with limited precincts, while extensive primarily rural areas were devoid of municipal government (Theron, 2008).

During the third phase in 2000, the country was re-demarcated into 284 wall-to-wall municipalities, characterised by the integration of urban and rural areas covering the full territory, as required by the Constitution. The rationalisation from 843 to 284 municipalities meant that the newly demarcated areas were geographically more expansive and demographically more populated, resulting in further administrative and fiscal reorganisation, as municipal staff and separate administrations, with different financial capacity and resources, were amalgamated into new municipalities (Kole, 2004.) It is evident that in many areas the subject matter of LED was unfamiliar contributing to the differing rate of development and implementation of LED plans and strategies in different parts of South Africa. Extrapolating further, one could assume that the processes of promoting the social and economic development of the community, and participating in national and provincial development programmes occurred only after 2000.

In 2005 a demarcation process aimed at aligning district and local municipalities to a particular province resulted in six category A (metros), 231 category B (local) and 46 category C (district) municipalities. Following the 2011 local government elections, further amalgamation brought the total to 234 local municipalities. The difference of 28 municipalities in the 2011 geographical frame is as a result of the absorption of 25 District Management Areas (DMAs) into the existing provinces (Map 3.1). The City of Tshwane absorbed two municipalities, Nokeng Tsa Taemane and Kungwini, while the new municipality of Kagisano Molopo (North West) was established by the merging of Kagisano and Molopo (StatsSA, 2011).

The Province of KwaZulu-Natal covers an area of 92 100 km<sup>2</sup>, the third-smallest province in the country. The population of approximately 10,8 million makes it the second most populous province in South Africa (19,8% of the South African population). KwaZulu-Natal is the province with the most municipalities, composed of one metropolitan municipality (eThekweni Metropolitan Municipality) and ten district municipalities, subdivided into 50 local municipalities (The Local Government Handbook, 2013).



**Map 3.1** Municipal boundaries of the 234 Local Municipalities (shaded areas show municipal boundary changes 2001-2011)  
 Source: Adapted from StatsSA, 2011.

### 3.3 National Spatial Development Framework

Government investment at a macro level is guided by the 2006 National Spatial Development Perspective (NSDP) principles which define a shared understanding of the national space economy by describing the spatial manifestations of the central social, economic and environmental trends (Patterson, 2008). The objective of the NSDP is to reconfigure apartheid spatial relations and implement spatial priorities in terms of Constitutional law (provision of basic services, reduction of poverty and eradication of inequality). This means that whilst investment in basic infrastructure and services should occur across the country, limited resources are applied strategically and investment is channelled into areas that will yield the highest impact in terms of economic output, employment creation and poverty reduction.

The Presidency advocates the NSDP (2006) as a policy intended to focus government action and provide a platform for enhanced alignment and improved coordination across the three spheres of government which will allow government to make more explicit and rational choices about investment and development spending (as depicted in Figure 3.1). Thus it provides an approach that brings about synergy and complementarities in the spatial effects of government action by different spheres and agencies with a view to maximising the social and economic returns on government development spending (Patterson, 2008). Although local policy makers take increasing responsibility for economical use of public funding at the local level, national governments still need to assume responsibility for coordinating policies and ensuring a degree of spatial equity support that prevent the economic, social and political problems that territorial disparities can cause (Rodríguez-Pose and Tijmstra, 2005).

National and Provincial legislation and policies which impact on the National Spatial Development Framework (NSDF) include:

The South African Constitution (Act 108 of 1996) and Principles of Sustainable Development;

The Development Facilitation Act (DFA) (Act 67 of 1995);

The National Environment Management Act (NEMA) (Act 27 of 1998) (replaces the Environmental Conservation Act (ECA) (Act 73 of 1989));

The Municipal Systems Act (MSA) (Act 32 of 2000);

Social Housing Act (SHA) (Act 16 of 2008);

Accelerated and Shared Growth Initiative for South Africa (ASGISA)  
(uMgungundlovu SDF, 2007).

The New Growth Path (NGP) 2010 and the National Development Plan (NDP) 2012;

Provincial Growth and Development Strategies;

Provincial Spatial Economic Development Strategies;

The Spatial Planning and Land Use Management Bill, 2013, signed into law on 5 August 2013.

### **3.3.1 The KwaZulu-Natal Provincial Growth and Development Strategy**

The Provincial Growth and Development Strategy (PGDS) (2011) comprises a strategic analysis of the present state of growth and development in KwaZulu-Natal and sets a vision on where the Province aims to be in 2030, with the identification of seven strategic

goals and thirty strategic objectives, which the Provincial Growth and Development Plan (PGDP) interprets in detail (Table 3.3).

**Table 3.3** The PGDP Framework: the desired 2030 outcomes in 7 goals and 30 objectives

<b>Strategic Goals</b>	<b>Strategic Objectives</b>
JOB CREATION	1. Unleash the agricultural sector 2. Enhance sectoral development by Trade and Investment 3. Improved value of government-led job creation programmes 4. Promote SMME and entrepreneurial development 5. Develop knowledge base to enhance knowledge economy
HUMAN RESOURCE DEVELOPMENT	6. Improve early childhood development, primary and secondary education 7. Support skills alignment to economic growth 8. Enhance youth skills development and life-long learning
HUMAN AND COMMUNITY DEVELOPMENT	9. Poverty alleviation and social welfare 10. Enhance health of communities and citizens 11. Expand sustainable household food security 12. Sustainable human settlements 13. Safety and security 14. Social capital
STRATEGIC INFRASTRUCTURE	15. Development of harbours 16. Development of airports 17. Development of road and rail networks 18. Development of ICT infrastructure 19. Improve water resource management and supply 20. Improve energy production and supply
ENVIRONMENTAL SUSTAINABILITY	21. Increase productive use of land 22. Advance alternative energy generation and reduce reliance on fossil fuels 23. Manage pressures on biodiversity 24. Adaption to climate change
GOVERNANCE AND POLICY	25. Strengthen policy, strategy coordination and IGR 26. Building government capacity 27. Eradicating fraud and corruption 28. Promote participative, facilitative and accountable governance
SPATIAL EQUITY	29. Actively promote spatial concentration and coordination of development activities 30. Effective spatial planning and land management systems are applied across the province

Source: Adapted from the KwaZulu-Natal Provincial Growth and Development Strategy (PGDS), 2011.

Provincial government departments and state-owned-enterprises in KZN are assigned with the implementation of the PGDP. Departmental and sector strategies and plans, and municipal integrated development plans must align with the main goals and objectives of the PGDP. This coordinated response results in an institutional framework providing a consultation platform with all development partners, guides the activities and financial allocation of provincial government, business sectors, organised labour and members of

civil society, and oversees the budget commitments of departments and municipal entities. In an attempt to accommodate Ingonyama Trust Board land, the KZN Planning Commission adopted a rural development principle in the range of indicators and interventions proposed within all aspects of the Plan, from job creation through community development to spatial equity goal areas (PGDS, 2011).

### **3.4 National Industrial Policy Framework**

The New Growth Path (NGP) (2010) and the Industrial Policy Action Plans (IPAPs), remain the foundation of South Africa's economic policy to support the National Development Plan (NDP) (2012). The National Industrial Policy Framework (NIPF) adopted by Government in 2007 provides the more general industrial policy framework for the IPAPs, which serve as a roadmap of industrial development for the departments that collaborate with the Department of Trade and Industry (the dti) on important programmes of shared responsibility with Government. Furthermore the IPAP provides direction and a participatory framework for provincial and local government authorities.

The IPAP is the apex policy document of the dti reporting on strategies and programmes of departmental divisions responsible for trade, investment, export promotion and enterprise development as well as the incentive division, and the design for Government's collaborative engagement with social partners from business, labour and civil society. The Integrated Small Enterprise Development Strategy, and the Regional Industrial Development Strategy (RIDS) predate the IPAP era (Rogerson, 2008). The IPAP 2013/14-2015/16 is one of the key pillars of the NGP. The experience of implementation of industrial policy shows that it can and does succeed if it is well designed, adequately resourced and informed by robust and constructive stakeholder dialogue. This reinforces the principles established in AsgiSA which adopted a focused approach.

The iterative annual format of IPAP has several advantages: it strengthens intra-governmental integration and coordination; it encourages wider debate and more constructive engagement by all sections of society; and there is transparency of the policy perspectives and the time-bound Key Action Plans (KAPs) set out for each transversal and sector-specific intervention. The IPAP 2013/14-2015/16 lays emphasis on the following themes: regional economic development and industrial integration; the development of a high-impact, more comprehensive and environmentally sustainable industrial strategy; harnessing the growth impetus in African countries for broad-based industrial development

to promote long-term growth in South Africa; exploit the BRICS membership by adopting a defensive strategy against low-cost competitors, building stronger linkages with the more dynamic economies and taking advantage of large emerging consumer markets for value-added products in Asia, Africa and Latin America. However, the IPAP 2 initiatives appeared to have a wish list selection of sectors and industries, without the necessary capacity or resources. This points to flaws in the government's and the private sector's ability to develop meaningful sector strategies that are practical and achievable.

The more recent IPAPs have unequivocally identified the organic agricultural sector for development. From a local development point of view at the micro level, research must be continuous as it is vitally important in the identification of trends to pinpoint and follow up in order to access new investment and funding opportunities, thereby ensuring a competitive advantage. Organic stakeholders have been lobbying the National Department of Agriculture for the development of a South African National Organic Standard since 1994. The FRIDGE Study (INR, 2008): "To Develop a Value Chain Strategy for Sustainable Development and Growth of Organic Agriculture", was released in October 2008. It would appear that legislation needs to be modified to support principles of organic production (author's personal communication with SASAO (South African Organic Sector Organization) official, 9 September 2012). It can be concluded that poor coordination exists between government departments in respect of policy, possibly further complicated by vested interests on the part of the private sector.

### **3.5 Local Economic Development**

#### **3.5.1 Local Economic Development Policy**

Profuse legislation permits LED to be designated a strategically-planned process at all levels of government (Patterson, 2008). A range of key policies and policy papers have played a role in the development of the LED debate in South Africa.

- The Constitution of the Republic of South Africa (Act 108 of 1996) instituted the mandatory role of local government in economic development with Sections 152(c) and 153(a) whereby municipalities must organise and manage the processes of administration, budgeting and planning so as to give precedence to the basic needs and the promotion of the community's social and economic development.

- The White Paper on Local Government (1998:23) introduced the concept of “developmental local government”, defined as: “Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.” Fifteen years later the National Development Plan (NDP), 2012, re-echoes these very words.
- The Municipal Structures Act, Act 117 of 1998, established local municipalities in South Africa and defined the division of powers and functions between different categories of municipalities. The LED Fund instituted in 1999 to provide support to municipal projects focussing on poverty issues, led to the mistaken belief of equating poverty relief projects and community-based projects with LED. Many projects proved unsustainable, the LED Fund was abandoned and damaging erroneous perceptions were created about local economic development.
- The Municipal Systems Act, Act 32 of 2000, legislated for integrated development planning with principles, mechanisms and processes essential to municipalities in their mandate to develop communities socially and economically and includes a Local Economic Development (LED) Plan. In terms of Section 26 of Chapter 5 of the Act, a Spatial Development Framework (SDF) is an integral component of a Municipality’s Integrated Development Plan (IDP). The local SDF both depends on and links into the National Spatial Development Framework (NSDF).
- The Rural Development Strategy (RDS) and the Urban Renewal Strategy of the Department of Provincial and Local Government (DPLG) and the Integrated Sustainable Rural Development Strategy (ISRDS): a year after the Reconstruction and Development Programme (RDP), government released the Rural Development Strategy (RDS). This was followed in 1997 by the Rural Development Framework (RDF). The ISRDS was a ten year program 2000 - 2010 (subsequently renamed Integrated Sustainable Rural Development Program (ISRDP) based on finer coordination of existing government resources and programmes across all three spheres, utilising the Integrated Development Plan (IDP) as the point of integration of diverse services and alignment of the spheres of government (Everatt, 2003). These programmes are testimony to the centrality of rural development, the strong correlation



with LED and the related question of land. Currently, the Comprehensive Rural Development Programme (CRDP, 2009) builds on the ISRDP.

- A series of LED policy papers: A policy paper on Integrated Development Planning (2000); LED Guidelines to Institutional Arrangements (2000); Refocusing Development on the Poor: LED Policy Paper (2001); Draft LED Policy (2002).
- Local Government Municipal Finance Management Act, Act 56 of 2003, whereby performance budgeting was instituted with the objective that municipalities manage their finances appropriately and effectively.
- Inter-Governmental Relations Act, Act 13 of 2005 (see section 3.2.3); inter-governmental relations between the three spheres of government were formalised to confront the challenge of consultation, coordination and participation.
- Policy Guidelines for implementing LED in South Africa (2005). This national framework for LED in South Africa aims to support the development of sustainable local economies through integrated government action which is developmental and stimulates the core of the economy, consisting of the range of enterprises including cooperatives that operate in local municipal spaces.
- A national vision for Local Economic Development was introduced with the National Framework for Local Economic Development (LED) in South Africa (2006 – 2011) of the Department of Provincial Government (DPLG), with the theme of “Stimulating and Developing Sustainable Local Economies” (DPLG, 2006). The Framework was much anticipated and forged the way for a new policy maturity around the planning of local economic development. Rogerson (2008), states that consolidation was required in respect of five themes: LED’s position within wider spatial planning frameworks, learning good practices, data issues, the identification of competitive advantage, LED in urban territories with increased populations, and future and capacity challenges facing LED.

According to Rogerson (2007) the period 2005 – 2007 was remarkable as a number of national policy initiatives were released. These include: the 2005 DPLG Policy Guidelines, the 2006 National Framework Document (DPLG, 2006), and the five year Local Government Strategic Agenda and Implementation Plan (2006). A proposal for the development of an LED policy dates back to 1999 (Xuza, 2007).

### 3.5.2 Local Economic Development Environment and Challenges

Two major policy thrusts are identified in the National Framework for Local Economic Development (DPLG, 2006), namely, Public Sector Leadership and Governance and Sustainable Community Investment Programmes, with four key strategies, complemented by main actions, implementation and a funding approach (see Table 3.4). According to the DPLG (2006) the strategies are: (1) Promotion of good governance, service delivery, public and market confidence in municipalities; (2) Spatial development planning, exploitation of comparative advantage and competitiveness of Districts and Metros; (3) Enterprise support and business infrastructure development; (4) Introduction of sustainable community investment programmes focussing on organising communities for development and maximising circulation of public spending in local economies.

Table 3.4 illustrates the key strategies of the Framework with state and social actor capability and institutional arrangement, and Governments' four key strategies and implementation approaches: "to achieve the vision of robust and inclusive local economies" (DPLG, 2006:i). Implementation is by government role players within existing structures: chiefly the DPLG, the LED Unit of the DPLG, and the dti. Community Investment Programming (Strategy 4) appears to be the only truly novel strategy whereby the LED unit is to mobilise resources for an institutional structure to develop, pilot and replicate sustainable community investment programmes. Research in this area has not revealed information on this particular program and neither on the LED Unit of the former DPLG.

The LED Framework adopts an innovative strategic approach within the framework of the National Spatial Development Perspective (NSDP), Industrial Policy (IPAP's), AsgiSA and the Provincial Growth and Development Strategies (PGDSs), through the joint action of municipalities institutionalised in intergovernmental forums, which are the driving force for local, and hence national, economic growth and development (DPLG, 2006). The State's developmental role has been discussed as has the Government's Medium Term Strategic Framework (MTSF). It can be predicted that the new National Framework for Local Economic Development, which was expected in 2012, will harmonize with the New Growth Path and the National Development Plan, as well as the Medium Term Strategic Framework (MTSF) for the next electoral period.

**Table 3.4** Governments‘ Four Key Strategies and Implementation Approaches: “to achieve the vision of robust and inclusive local economies”

<b>Strategy 1</b> Improve Market/Public Confidence in Municipalities	Intensify support to municipalities under Project Consolidate	Monitor /report implementation of MFMA and Property Rates Act	Finalise spatial policies in IDPs linked to municipal wide land-use management system	Improve infrastructure investment and intergovernmental coordination	Support Municipal-Business Forums	<b>1. Implementation.</b> LED unit to concentrate on DPLG initiatives focused on improving local economies; municipal finance section at DPLG and National Treasury to monitor/report on actions to build public and investor confidence.
<b>Strategy 2</b> Identify/Exploit Competitive Advantage of 52 Municipal regions	Analyse the 52 municipal economies		Build capability for a knowledge economy	Market the 52 Regions and their Products	Establish innovative funding instruments	<b>2. Implementation.</b> To be driven through IDP/ PGDS/ NSDP alignment task team, led by Presidency, with DPLG/the dti. To oversee development of strategic district/ metropolitan IDPs with provinces/ municipalities.
<b>Strategy 3</b> Intensify Enterprise Support in local areas	Implement new small business development strategy (includes promotion/ support for cooperatives)	Target growth sectors and industry clustering	Improve access to finance			<b>3. Implementation.</b> Support on-going responsibilities of the dti/sector-based enterprise support initiatives e.g. Department of Agriculture’s emerging farmer support program (localised more effectively through framework).
<b>Strategy 4</b> Introduce Community Investment Programming	Promote community organisation by development trusts, partnerships, cooperatives, etc	Encourage community or third tier banking	Improve trading markets and ring market system	Improve local multiplier of government spending	State and Social Actor Capability and Institutional Arrangements	<b>4. Implementation.</b> LED unit to establish special program to mobilise resources for an institutional structure to develop concepts/ proposals to pilot/replicate sustainable developmental community investment programming.

Source: Adapted from Department of Provincial and Local Government, 2006.

As per Kole (2004), the LED Framework implies a proposed improved role division for LED for the various role players at national, provincial and local levels as well as a role for non-government actors. Rabie (2011) illustrates vertical coordination between all spheres of government and horizontal cooperation amongst non-government actors and with government at local level (Table 3.5).

**Table 3.5** Proposed improved role division for LED for various role players

<b>National Government</b>	<b>Provincial Government</b>	<b>Local Government</b>	<b>Non-Government Actors</b>
Promote a national economic climate that supports growth in an inclusive manner. Ensure that economic growth converts into poverty reduction.	Identify provincial priorities; promote the development of key economic sectors in the province. Ensure that economic growth converts into poverty reduction.	Analyse local environment, identify potential strengths, weaknesses, opportunities, threats. Improve bureaucratic procedures to become business friendly. Ensure that economic growth converts into poverty reduction.	Utilise the created opportunities to generate economic growth and prosperity.
Establish, implement macro economic development framework. Set national vision, priorities, directive for programmes and initiatives.	Establish economic growth vision for the province. Implement provincial SDIs and IDZs. Support cluster and value chain development.	Devise appropriate LED interventions to respond to SWOT analysis. Provide infrastructure necessary for economic development. Promote development of social capital.	Support the efforts of local government in implementing LED interventions and providing additional resources to this effect.
Interact/consult with local governments on matters that will impact on locality. In collaboration with other spheres, mitigate potential negative effects of national initiatives on localities that fall outside the National Spatial Development Plan.	Liaise with national government to identify opportunities /linkages to national programmes. Liaise with local government, support local initiatives. Coordinate/reconcile national resources with priorities and initiatives in local government IDPs.	Liaise with other government institutions, local business and the community to promote and coordinate LED.	Interact with local government in formulating and implementing a strategy for LED.

Source: Adapted from Rabie, 2011.

Rücker and Trah (2007) concede that while government is undoubtedly a key factor in LED, LED can be held back by misconceptions of roles and mandates. Sustainable LED is based on economic dynamics and business principles. Local government has neither the capacity nor the competence to drive it. Similarly local businesses although conversant

with the area would be overburdened with the task of balancing economic and social goals. Ultimately government and business have to be informed by civil society to ensure the approval and support of the process. Thus according to Rücker and Trah (2007:24), governments role in relation to the private sector is to "develop the frameworks and 'rules of the game' that permit space and opportunity for the private sector to operate: building essential capacity, delivering key public services and promoting standards and competition".

The State, in terms of the Framework (DPLG, 2006) views its role at macro and meso levels in providing assistance for the creation of necessary conditions for local action to emerge and grow by supporting local leaders, communities, businesses and significant stakeholders to recognize their own and their collective objectives. Accordingly the State plays the parts of facilitator, net-worker, monitor, arbitrator and supporter of internationalisation, hence emphasizing that local people must work collectively and with external role players to improve their lives.

According to the LED Framework, Local Government inherits three key roles: to provide direction in policy making (by-laws, processes to reduce the costs of doing business, increase participation in the local economy); to administer policy, programme and projects relative to LED so as to co-ordinate and maximise the impact of programmes and projects with regards to growth and development; to be the principal initiator of economic development programmes through public spending, regulatory powers, promotion of industrial enterprises, small business development, social enterprises and cooperatives (DPLG, 2006). Thus the Municipality has been given an enormous task with awesome responsibilities, which have been described as —**ufunded**".

Municipalities finance their expenditure using own revenues (property rates, user charges e.g. water, unconditional grants, conditional grants and municipal borrowing) augmented by intergovernmental transfers from National Government and private financing. The major unconditional grant is the equitable share transfer while the Municipal Infrastructure Grant (MIG) endeavours to eliminate fragmented grants, resulting in duplication and inefficiency, and promotes the harmonization of efforts in implementation of national policy priorities. The Municipality's role and Municipal Funding is examined in Chapter 5. Table 3.6 lists funds available from South African Development Finance Institutions.

**Table 3.6** Development Finance Institutions in South Africa

<b>Industrial Development Corporation (IDC)</b>	A self-financing, state-owned national DFI providing financing to entrepreneurs/businesses in competitive industries.
<b>**Khula Enterprise Finance</b> (see note in text below)	Develops/sustains small businesses. Provides finance/mentorship/services/small business premises to small/medium enterprises (SMEs) through partnership networks.
<b>**South African Microfinance Apex Fund (Samaf)</b> (see note in text below)	Facilitates provision of affordable access to finance by micro/small/survivalist business to grow the income and asset base, so as to reduce poverty/unemployment and extend financial services to reach deeper into the rural and peri-urban areas.
<b>Development Bank of Southern Africa (DBSA)</b>	To accelerate sustainable socio-economic development by funding physical/social/economic infrastructure to improve the quality of life of the regions residents. Assumes multiple roles of financier/adviser/partner/implementer/integrator to mobilise finance/expertise for development projects. <b>The Jobs Fund</b> (2011) is administered by the DBSA to catalyse innovation and investment which contributes to creation of employment.
<b>National Housing Finance Corporation (NHFC)</b>	Set up with a mandate to ensure that every South African with a regular source of income is able to gain access to finance, to acquire and improve a home of his own.
<b>National Empowerment Fund (NEF)</b>	Promotes and facilitates Black Economic Empowerment (BEE) and transformation. Its mandate and mission is to be a catalyst of Broad-Based BEE through asset/fund management and strategic projects.
<b>Independent Development Trust (IDT)</b>	To support government in meeting its social mandate of alleviating poverty and improving the quality of life of poor rural communities. Focuses on development planning/ implementation/coordination of government programmes.
<b>Land and Agricultural Development Bank of South Africa</b>	A specialist agricultural bank: provides financial services to commercial farming sector and agribusiness and makes available new financial products to facilitate new entrants to agriculture from historically disadvantaged backgrounds.
<b>National Youth Development Agency (NYDA)</b>	To advance youth development by guidance/support to initiatives across sectors of society/spheres of government; embark on initiatives to advance the economic development of youth; develop/coordinate implementation of Integrated Youth Development Plan.
<b>National Urban Reconstruction and Housing Agency (Nurcha)</b>	Supports national programme to house all South Africans in sustainable human settlements by providing bridging finance to contractors/developers for construction of subsidy and affordable housing, community facilities and infrastructure.
<b>Rural Housing Loan Fund (RHLF)</b>	To provide loans, through intermediaries, to low-income households in rural areas for incremental housing purposes (a people-driven process to access credit so as to utilize their self-help/savings/local ingenuity to build/improve their shelter).
<b>Micro Agriculture Finance Scheme of South Africa (Mafisa)</b>	A micro and retail agricultural financial scheme for economically active poor people. Mafisa allows access to financial services through selected institutions on an affordable and sustainable basis. It assists with loans to target groups/individuals/farmers/other groups as well as savings and banking facilities at approved financial institutions.

Source: Adapted from the Department: Government Communication and Information System (GCIS), 2011.

These funds are accessible to municipalities, business, nongovernmental organizations and private third parties. The Jobs Fund (2011) is directed at the creation of employment. The Land and Agricultural Development Bank of South Africa facilitates entry into agriculture of persons from historically disadvantaged backgrounds, as does the Micro Agriculture Finance Scheme of South Africa (Mafisa). Khula Enterprise Finance, the South African Microfinance Apex Fund (SAMAF) and IDC's small business lending portfolio were merged in 2012 to become the Small Enterprise Finance Agency (SEFA), a subsidiary of the IDC (OECD, 2013) with the aim of developing small business, facilitating access to finance and partnership, and provision of mentorship and services particularly in rural and peri-urban areas.

Thus there does not appear to be a shortage of financial support for local economic development efforts and the provision of other development services may prove to be as important to LED efforts as funding. Numerous instances of local economic development proliferate South Africa with 234 municipalities mandated to carry out local economic development (Constitution of the Republic of South Africa, 1996) as evidenced in their key strategy document, the Integrated Development Plan (IDP) and the required Local Economic Development (LED) Plan (see Chapter 5). Local and Regional Economic Development (LRED) has emerged as a result of the complexities experienced by individual municipalities in conceptualizing and implementing LED plans.

The traditional foci of LED Units in Municipalities are: tourism, agriculture and SMME development (Xuza, 2007). Agriculture, in most rural municipalities, underpins community development, with the Municipality aiding project initiatives, while tourism is supported by funding from the national and provincial Tourism Departments. According to Xuza (2007) the SMME development programme, devoid of designated economic sectors, vacillates between giving (nonfinancial) business services to community initiatives and (financial) business support to individuals. As outcomes of project initiatives may be difficult to document, a bottom up LED designed approach that assists in identifying the competitiveness of the local area is essential in the planning of a sustainable LED strategy.

LED practice in South Africa employs strategies, tactics, methods and processes as previously delineated in tables 2.1, 2.2, 2.3, 2.4 and 2.5 in Chapter 2 discussed under the headings of History of Economic Development and LED as a Global Phenomenon, confirming that LED in South Africa reflects trends worldwide. Stories of LED (often

called case studies) abound in the internet and the media, raising the profile of LED, and this ranges from big projects e.g. Dube TradePort Corporation to community projects e.g. Zimele. Successful projects illustrated widely in the literature in the KZN Province, include: the Midlands Meander, the Inkosi Albert Luthuli International Convention Centre and the Automotive Cluster in Durban. The South African LED Network website hosted by SALGA ([www.led.co.za](http://www.led.co.za)) is a useful tool, a mine of information and a forum for discussion and exchange of ideas, for practitioners and researchers, and reflects the current LED environment and the potential LED trends in South Africa.

The challenges identified by Rogerson (2009) that impinge on LED practice, result in a variety of interventions being called local economic development, ranging from pro-poor (market-critical) strategies to pro-growth (market-led) strategies. This is reflected in the national policies based on conflicting paradigms, as engaged in by the former Department of Provincial and Local Government (DPLG), now CoGTA, and the Department of Trade and Industry (the dti), the former focusing on poverty alleviation within poor communities, a people centred development, while the latter promotes association with global economic forces in order to enhance competitive advantage in a market oriented development. The first approach tends to be inward focussed, relying on local resource mobilisation, while the second is outward focussed, emphasising exports and the importance of foreign investment. These views need not be considered incompatible, but could be combined to arrive at a sustainable development focus, where market-driven strategies create growth and community-driven strategies promote equal access to the benefits of growth (Rabie, 2011).

According to Xuza (2007) the benefits of community projects should not be overlooked as they are influential in skills transfer, contribute to social capital and bring democracy closer to the community. The ability of the community to make socio-economic decisions and to express their personal freedoms by taking possession of community resources can contribute to the development of sustainable projects. The challenge with community projects is to assist them and groups involved in implementation to progress to sustainable economic enterprises.

As per CoGTA's informative brochure (Department of Cooperative Governance and Traditional Affairs, the successor to the DPLG): ~~as~~ a *programme*, local economic development is intended to maximise the economic potential of all municipal localities



throughout the country and, to enhance the resilience of the macro-economic growth through increased local economic growth, employment creation and development initiatives within the context of sustainable development". The CoGTA Programmes are: the National Disaster Management Centre, the Municipal Infrastructure Grant (MIG), Local Economic Development (LED) and the Community Work Programme (CWP), a varied and wide ranging provision of services (CoGTA, 2013). This state of affairs provides evidence of a divergence from the National Framework for Local Economic Development (LED) in South Africa (2006 – 2011) of the Department of Provincial Government (DPLG).

The division of Programmes as outlined above, and LED categorised as a programme, alongside the MIG and CWP, shows a narrow understanding of LED compared to the definitions expounded in Chapter 2. CoGTA Programmes appear to provide support in the following areas: development of national policy, strategy and guidelines on LED (the new LED Framework was expected in 2012 and does not appear to be forthcoming this year); the provision of direct support to provincial and local government; administration of the Local Economic Development Fund; management and technical support to Nodal Economic Development Planning; facilitation coordination and monitoring of donor programmes, and assisting on LED capacity building processes (CoGTA, 2013).

In anticipation of the imminent new strategic framework on LED, problems have been identified by Rogerson (2009) in the field and profession, as well as in the business and institutional environments, at both macro and micro levels. There still appears to be poor comprehension and an inadequate appreciation of the concept of local economic development (LED) to guide LED activities and planning, particularly in small towns and poor municipalities. The awareness of understanding LED as a cross-cutting issue needs to be enhanced, beginning at the highest levels. This could be further dispelled by improved levels of communication between local, district and provincial authorities. It is important that the role of provincial governments in LED be revived through credible PGDS's to assist local and district municipalities with the preparation of their LED plans. This would moreover assist with narrowing the gap in LED practice between large cities, small towns and poorer municipalities by a geographically differentiated approach to LED to dispel the myth of the "one size fits all". Furthermore in order to avoid duplication, and improve coordination, a set of complementary roles and responsibilities in LED amongst key stakeholders, CoGTA, the dti, DBSA, IDC, SALGA, is required and the revival of the

National Joint Programme of Action for LED in order to support sectoral integration for maximising the outcomes of LED (Rogerson, 2009).

Within the micro environment Rogerson (2009) pinpoints problems in improving local level economic data for understanding local economies, so as to identify competitiveness and for enhanced LED planning. The needs of the “second economy”, which is linked to the first, must be addressed. The endorsement of the principle of “quick wins” through the promotion of local business environments and the reduction of red tape is required, as they are indispensable for fostering cooperation and trust, essential for successful LED partnerships between private and public sectors. Furthermore the cultivation of an effective private sector business development services sector to enhance local competitiveness through benchmarking and the upgrading of clusters is vital. The ongoing issue of addressing the financing challenges of LED is central to local economic development.

Local and Regional Economic Development (LRED) has emerged as an innovative approach to the challenges of overcoming territorial marginalisation. It is an ongoing process driven by local actors from different societal sectors, necessitating collaboration and joint responsibility between the public and private sector for the economic development of a region or location, with the objective of creating “vibrant and ecologically sustainable local or regional economies which will lead to pro-poor growth and ultimately better living conditions for the majority of the population” (Rücker and Trah, 2007:15).

Rücker and Trah (2007) acknowledge the dilemma in LRED of reconciling bottom up, participatory action oriented processes with the need for strategic planning, top down, planning oriented approaches, which has often created tensions both in theoretical LRED debates and in practical implementation. They maintain that LRED is a diverse and pluralistic process that requires spontaneity and the active participation of local stakeholders and therefore cannot be controlled by one-dimensional hierarchical planning; simultaneously, strategizing and planning is needed for the various catalytic interventions and inputs needed to enhance local economies. Thus the impasse is resolved.

LED practice and challenges encountered confirm that the artificial territorial concept of the municipality in South Africa requires analysis for the extension and the recognition of a regional area of intervention. Rücker and Trah (2007) state that LRED offers a series of

inter-disciplinary approaches which can assist in rising above multiple interrelated obstacles: low skills levels, poor entrepreneurial culture, inappropriate or weak support mechanisms, disabling regulatory environments or a lack of access to financial and business development services. Table 3.7 illustrates strategies used to facilitate LRED in specific areas.

**Table 3.7** Intervention Areas and Strategies for LRED Facilitation

<b>Intervention Areas and Appropriate Strategies</b>
<b>Intervention Area 1: LRED Actors</b>
1 Building Government Capacity 2 Strengthening Local/Regional Private Sector Institutions 3 Building Organisational and Entrepreneurial Capacity in Poor Communities 4 Strengthening LRED Intermediary Institutions
<b>Intervention Area 2: Cooperative Governance and Management Structures</b>
5 Promoting Multi-stakeholder Trust and Networking 6 Building Adequate Management Structures for LRED Processes
<b>Intervention Area 3: Location Factors for LRED</b>
7 Creating a Favourable Business Climate 8 Location Marketing and Investment Promotion 9 Improving Access to Business and Financial Services 10 Promoting Clusters, Sub-sectors and Value Chains 11 Utilizing Local Natural Resources for LRED
<b>Intervention Area 4: Strategy and Learning</b>
12 Fostering a Learning Culture and Learning Mechanisms 13 Increasing the Strategic Orientation of LRED

Source: Adapted from Rucker and Trah, 2007.

The most important building blocks required for LRED processes to function are: mobilised, competent and willing key actors (intervention area 1), which steer an LRED process through cooperative governance and management structures (intervention area 2), creating the ability for long-term strategic action and constant learning (intervention area 4), combined with the actual initiatives to improve an area's locational quality (intervention area 3), and make it a better place for all.

Having identified the 4 building blocks and 13 areas of strategic intervention in the current LED environment in South Africa, LRED combines concepts and tools to improve an area's locational factors by exploiting the comparative and competitive advantages of regions (including economic networks, administrative boundaries and common identities),

latent natural resources, and the leadership and readiness for change of actors in the private and the public sectors (Table 3.8). Table 3.8 illustrates the use of tools in the LED process.

**Table 3.8** Tools for the Implementation of LRED

<b>Use of Tools in The LED Process</b>
<p><b>A. Conceptual and Analytical Tools</b> Analytical tools and workshop formats to support the LRED process with the analysis of the local/regional economy</p>
<ol style="list-style-type: none"> <li>1 The Hexagon</li> <li>2 Economic Mapping</li> <li>3 Porter's Five Forces Analysis</li> </ol>
<p><b>B. LRED Training and Capacity Building Tools</b> Formats and tools to expand the understanding of facilitators and stakeholders around the core issues in LRED</p>
<ol style="list-style-type: none"> <li>1 Training on Communication and Facilitation in LRED</li> <li>2 LOCATI (Local Economic Development Training Initiative)</li> <li>3 CEFE (Competency Based Economies Formation of Enterprise)</li> <li>4 Small Business Competitive Club</li> </ol>
<p><b>C. Communication and Networking Tool</b> Tool for fostering communication and networking in LRED processes (communication and networking form part of all LRED initiatives; all tools presented in this table contribute to these skills)</p>
<ol style="list-style-type: none"> <li>1 PACA (Participatory Appraisal of Competitive Advantage)</li> </ol>
<p><b>D. Tools for strengthening location factors</b> Tools that examine core location factors e.g. availability of business services</p>
<ol style="list-style-type: none"> <li>1 Reducing Local Red Tape</li> <li>2 Local and Regional Business Climate Survey</li> <li>3 Market Assessment tool-set for Business Development Services</li> <li>4 Value Chain Promotion</li> <li>5 Public Slogan Competition</li> </ol>
<p><b>E. Tools for Strategy and Learning</b> Tools to build up the monitoring and learning element of LRED processes with a focus on strategic orientation</p>
<ol style="list-style-type: none"> <li>1 GENESIS (Generating Strategy - Innovation - Solutions for Local/Regional Development)</li> <li>2 COMPASS of local competitiveness</li> <li>3 Participatory Benchmarking</li> </ol>

Source: Adapted from Rucker and Trah, 2007.

This approach views LED as a process, a learning process. The use of tools such as the Hexagon assists with the concept of understanding local economic development, while GENESIS imparts strategic skills. This assists in preparing and equipping the participant with the ability to undertake an analysis of the local/regional economy (Porters Five Forces) and discovering core location factors (Local and Regional Business Climate

Survey). Communication and networking form part of all LRED initiatives and all tools presented in Table 3.8 contribute to these skills, a fundamental feature as LRED is described as an ongoing process where key stakeholders, societal institutions, the public sector, the private sector and civil society, work jointly. Therefore the progression of LED as a process, with growth as the outcome, is manifested not only in the physical and economic environment, but in the role players and the community and this is evidence of systemic change (Meyer-Stamer, 2008).

Table 3.9 illustrates tools for implementing LRED in South Africa, tools that have been used in LED mainly by GTZ and targeted at particular groups by certain providers to LED officers, Municipal Managers, LED consultants and LED directors with implementation functions. Locality is an essential element of LED which takes place in a Community. As the use of tools in LED tends towards a practical approach, it follows that community residents could benefit from learning about the LED process e.g. via the hexagon and the communication and network tools, as this would encourage personal growth and contribute to social capital, and lead to the formation of mobilised, competent and willing actors, necessary elements for working jointly with relevant stakeholders.

**Table 3.9** Tools for implementing LRED in South Africa

<b>Type of Training</b>	<b>Main Target Group</b>	<b>Main Focus</b>	<b>Results</b>	<b>Providers/ Contact</b>
<b>PACA Training</b> Communication and Networking Tool	LED officers, LED directors with implementing function	Mobilize local stakeholders around local competitive advantages	Economic quick-scan, implementation of quick win strategy	The South African LED Network: www.led.co.za
<b>Genesis Training</b> Strategy and Learning Tool	LED officers, LED directors with implementing function	Regional strategizing via scenario building	Economic scenario and strategy for the region	The South African LED Network: www.led.co.za
<b>Compass Training</b> Strategy and Learning Tool	LED officers, LED directors with implementing function	Strategic LED management and monitoring	Result-oriented LRED strategic framework and monitoring system	The South African LED Network: www.led.co.za
<b>Red Tape Training</b> Tool for strengthening location factors	LED officers, Municipal Managers, LED consultants	Reducing bureaucratic costs in LRED	Solid initiatives to improve the local regulatory framework around LRED	LOCATI, The South African LED Network: www.led.co.za

Source: Adapted from Rucker and Trah, 2007.

The contemporary theories of LED presented in section 3.6 could also be utilised in respect of all stakeholders as well as community residents contributing to the understanding of LED, the arousing of interest, personal development, the recognition of opportunities and a culture of working together. Conversely the need for a greater number of qualified persons in the field has led to the professionalization of the LED profession.

### **3.5.3 The Professionalization of Local Economic Development**

The South African Constitution (1996) has made LED compulsory for municipalities. The report of the Auditor General (Supreme Audit Institution (SAI), 2012, highlights among other things unauthorised spending, as well as the lack of capacity in local government and a concern that municipalities are not using all the opportunities available for skills development. The report encourages councillors to prioritise the pursuit of knowledge and skills required to perform their oversight duties and to insist on support from national and provincial government for their continuous development.

Venter (2012) suggests that the absence of suitably qualified LED practitioners has contributed to the service delivery fiasco at the municipal level. He is of the opinion that the field of LED in South Africa is ready for the transition of LED “practitioners” to LED “professionals”. He identifies three prerequisites for this state of affairs to occur. The prospective LED “professional” must be willing to engage in continuous professional LED development. Universities are required to give rise to a body of knowledge in LED, and motivate academic research with publications to form a basis for LED “professionals” to grow together with the local economies. The Skills@Work: Theory and Practice publication plays an important role (Venter, 2012). Indispensable is a professional body, recognised by the South African Qualifications Authority.

Rogerson (2009) has identified the need to disseminate “good practice” in LED and to improve the profile and professionalization of LED. Thus awareness needs to be heightened of the understanding of LED as a cross-cutting issue, and the training of staff and the promotion of careers in LED is an important issue. According to Xuza (2007) current trends in the field include: developing LED programmes for municipalities to improve capacity and competence, and delivering professional reports on a variety of topics; establishing institutional support for LED implementation, usually through LED units and Development Agencies; teaching of LED in short courses or training workshops to stakeholders in the field; mobilizing financial and non-financial resources for

community projects and engaged organizations; assisting with community projects to minimize the effects of poverty; promoting foreign investments to enhance the local economy; establishing local service centres for small business support; circulating lessons and writing papers for publications; influencing policy debates on a variety of issues including renewal of small towns and rural areas; linking academic practice and tertiary institutions with development groups and advancing professionalization of practitioners with the introduction of undergraduate and post graduate courses on LED.

The present study has underscored that there is no single subject area that can claim to address all issues pertaining to LED. Planning and implementation and debates on LED, both in South Africa and internationally, are led by geographers including Etienne Nel and Chris Rogerson. Important themes highlighted in the literature that provide opportunities for LED include: the green economy and sustainability, prioritising rural development to prevent the overcrowding and collapse of urban economies, decent jobs to bolster the local economy, and as a result of the worldwide economic crisis there is a renewed emphasis on regionalisation. These are complex issues and continuous study and research is required to understand and identify local opportunities, in order to convey and to persuade interested stakeholders with regards to implementation of projects.

The dti entered into a five year strategic partnership with the University of Johannesburg (UJ) in April 2010, through the Centre for Local Economic Development (CENLED), to promote capacity building at a local government level (Venter, 2012). The dti recognized the need to support local government with practical tools for economic development so as to empower this sphere of government in promoting sustainable economic development. Furthermore the dti acknowledged a key opportunity to inform and influence the professionalization of LED from a curriculum development perspective and the establishment of university academic programmes. Professionalising the careers of LED practitioners and enhancing their status will assist to meet the challenges faced by local government. Stakeholders such as the LGSETA, DCoG (formerly CoGTA), DBSA, and the IDC support the programme while the dti is responsible for funding.

Moreover a certified LED Practitioner Programme is being developed which is affiliated to the International Economic Development Council (IEDC). The programme will launch a career path for practitioners in the field of LED. The certification will confirm a mastery of LED skills, expert achievement, and a lifetime commitment to professional and personal

growth. The programme seeks to develop the field of LED by instituting a baseline of the core body of knowledge for LED practitioners. The qualification will ensure that the practitioners are accountable, re-certified periodically and protect the stature of the profession (Venter, 2012). LED has indubitably become a “fashionable” field of study.

Table 3.10 illustrates the newly designed Professional Development Programmes and Qualifications, NQF Levels 4-9, for Local Economic Development (LED) in a collaborative relationship between South African universities, which covers a spectrum of persons working in the field of LED and a continuum of subjects. Further initiatives include the promotion of the design, development and delivery of a Post Graduate Diploma in LED and a Master of Commerce, specialising in LED, by the KZN Department of Economic Development and Tourism (DEDT), within the University of KwaZulu-Natal’s Graduate School of Business Leadership (Mkhize, 2013). There is provision for three intakes for the programmes between 2012 and 2016, fully funded by the DEDT. Within the milieu of the KZN Provincial Growth and Development Strategy (PGDS, 2011), so as to deliver a more professional LED institutionalised capacity building competency in the province, the DEDT has targeted the programmes at existing LED practitioners within LED institutions in KZN in government, business and civil society (Mkhize, 2013).

Economic profiling and analysis are fundamental areas of study in all the courses (see Table 3.10). In this regard the groundbreaking work of Le Roux forms pivotal advances in the field of LED and for LED practitioners: the development of a widely accepted South African settlement typology for the continuum of urban/rural areas; the identification of vulnerable settlements by bridging the interdisciplinary gap between social, economic and environmental analyses, within the field of risk and vulnerability; and the adoption of land-use change models as part of local authorities' urban and regional planning processes (Murray and Roberts, 2013). This could lead to further innovation in the field of LED.

Newly published Assessment Guidelines for the Revitalisation of Rural Towns and Regions in South Africa are proposed in line with the emphasis on LED in rural areas, and sustainable development, for possible inclusion in the curricula, as an aid to compiling a local development profile (Appendix B, Table B.1). The guidelines prepared in a checklist format invite consultation, could be adapted to any setting, and permit discussion with local residents so as to gather information to assist with accurate data collection for the locality (Department of Rural Development and Land Reform, 2013).



**Table 3.10** Professional Development Programmes and Qualifications – (NQF Levels 4-9) for Local Economic Development (LED)

Centre for LED (CENLED) University of Johannesburg UJ Short Learning Programmes	University of Western Cape UWC B ECON (LEVEL 8)	University of KwaZulu-Natal UKZN Post-Graduate Diploma in LED (LEVEL 8)	University of Johannesburg UJ Proposed. Professional Masters in LED (LEVEL 9)
<p><b>PROPOSED 4 CORE PROGRAMMES</b></p> <ul style="list-style-type: none"> <li>-Introduction to LED (Level 7)</li> <li>-LED Quantitative Analysis - Compiling a local development profile (Level 6)</li> <li>-LED Quantitative Analysis - Strategies from Statistics (Level 6)</li> <li>-Enabling Mechanisms for LED (Level 7)</li> </ul> <p><b>ELECTIVE PROGRAMMES (Level 8 unless indicated)</b></p> <ul style="list-style-type: none"> <li>-Applied Trade and Industrial Policy for LED (Level 7)</li> <li>-LED Quantitative Analysis: Compiling a local development profile (Level 6)</li> <li>-LED Quantitative Analysis: Strategies from Statistics (Level 6)</li> <li>-Managing Economic Dev. Organisations</li> <li>-Investment promotion for Economic Dev.</li> <li>-Applied Project Management for LED</li> <li>-S A Business Retention/Expansion</li> <li>-Applied Public-Private-Partnerships</li> <li>-Promoting LED through Entrepreneur - ship/SMME</li> <li>-Leadership for Sustainable Economic Development</li> <li>-Applied Strategic Planning for LED</li> <li>-Applied Trade and Industrial Policy for LED</li> <li>-Mentor guide for LED</li> <li>-Workforce Development for LED</li> </ul>	<p><b>YEAR 1: Level 7</b></p> <ul style="list-style-type: none"> <li>-Introduction to LED</li> </ul> <p><b>YEAR 2: Level 6</b></p> <ul style="list-style-type: none"> <li>-Economic profiling and quantitative analysis (Year 2, Level 6) (combining: LED Quantitative Analysis – Compiling a local development profile and LED; Quantitative Analysis– Strategies from Statistics)</li> </ul> <p><b>YEAR 3: Level 7</b></p> <ul style="list-style-type: none"> <li>-LED – Regional development and clustering</li> <li>-Industrial Policy [CENLED title: Applied Trade and Industrial Policy for LED]</li> <li>-Enabling Mechanisms for LED</li> </ul> <p><b>ELECTIVES:</b></p> <p><b>YEAR 4: Level 8</b></p> <ul style="list-style-type: none"> <li>-Managing Economic Development Organisations</li> <li>-Investment promotion for Economic Development</li> <li>-Applied Project Management for LED</li> <li>-South African Business Retention and Expansion</li> <li>-Applied Public-Private-Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>-Accounting and Finance for LED</li> <li>-Economics for LED Practitioners</li> <li>-Marketing Management for LED</li> <li>-Interactive LED Research Project</li> <li>- LED/Developmental Government</li> <li>-Strategic and Project Management</li> <li>-Supply Chain Management for LED</li> <li>--Sustainability in LED</li> </ul> <p><i>Note 1: Electives from the CENLED short learning programmes can be added to this qualification</i></p> <p><i>Note 2: UKZN modules included in the CENLED list</i></p> <ul style="list-style-type: none"> <li>-Accounting and Finance for LED</li> <li>-Economics for LED Practitioners</li> <li>-Marketing Management for LED</li> <li>-Interactive LED Research Project</li> </ul> <p><i>Note 3: UKZN modules that articulate with CENLED short learning programmes (recognition can be given, subject to completion of the summative assessment of the CENLED SLP)</i></p> <ul style="list-style-type: none"> <li>-LED /Developmental Government</li> <li>-Strategic and Project Management</li> <li>-Sustainability in LED</li> </ul>	<p>Topics to be covered relating to LED could be selected from the following list:</p> <ul style="list-style-type: none"> <li>-Microeconomic Issues in LED</li> <li>-Macroeconomic Issues in LED</li> <li>-Applied Econometric Techniques for LED</li> <li>-Research Methodology of Economics</li> <li>-Minor Dissertation in LED topic</li> <li>-Trade and Industrial Policy Finance &amp; Development</li> <li>-Labour Market Issues</li> <li>-Political Economy of Development</li> <li>-Poverty and Inequality</li> <li>-Other LED-relevant topics</li> </ul>

Source: Adapted from Venter, 2012.

The development of an appropriate repository of knowledge in LED and in keeping with South Africa being a developmental state, it is foreseeable that Cluster Programmes and Projects available in South Africa (Appendix B, Tables B.2, B.3, B.4) would form part of the locality profile or environmental scan of the first instance, so that all existing and accessible resources are exploited to full advantage for the resident community. The detailed enquiry of Government Programmes and Projects available to communities and municipalities is presented in clusters: Economic Issues and Employment (Table B.2) covers the whole spectrum from community projects, SMMEs and businesses, Infrastructure Development focuses on infrastructure nationally, while Human Development, and Social Protection and Community Development (Table B.3), focus on women and youth, and target poor and rural communities. Governance and Administration, and Justice, Crime Prevention and Security (Table B.4) focus on government and municipalities, and making democratic South Africa a safer and more just place for all (Department of Rural Development and Land Reform, 2013).

Comprehensive research is essential to assist with profitable LED. The relationship between LED theory and professional practice lies in the ability to translate theory to the particular location. Access to up to date information in respect of physical and financial resources may be challenging. The tables referred to above provide a ready source of reference material which may not be easily available. Academic study will result in greater professionalization, capacity and competence. Resources alone may be ineffective: the acquisition of communication and networking skills are vital, as is the enrichment of a proactive local citizenry for a “bottom up” approach to flourishing LED.

### **3.6 Contemporary Models of Local Economic Development**

“Local economic development is an evolving field”, (Blakely and Leigh, 2010:76). Practical work in the field of local economic development (LED) depends on the particular, as well as the unpredictable, setting in which it transpires. Theory takes on the role of directing the attention of the decision maker to reflect on which important actors, events and signals to be attentive to and to actively search out (Bingham and Mier, 1993). Theory also offers the underlying principles that explain the relationships we observe and thereby motivates and informs our actions (Blakely and Leigh, 2010). The use of metaphor bridges theory and makes it more useful in understanding and shaping practice (Bingham and Mier, 1993). Rowe (2009) cites Blakely and Bradshaw (2002) as lending support to his

position that at this stage, no theory or set of theories adequately explains regional or local economic development.

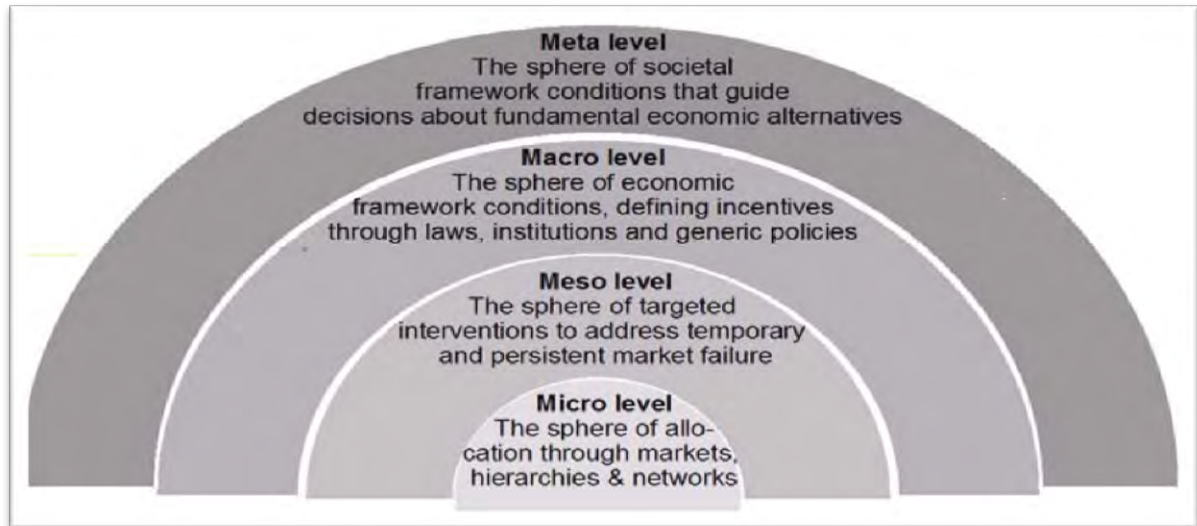
Good professional practice may be described as a process of iteration, in which a problem is repeatedly framed and investigated (Bingham and Mier, 1993). The authors suggest that both analyst and practitioners should use multiple frames simultaneously, thus contributing to a process of understanding by successively framing the problem, accumulating insights and making sense of the insights to tell a story. This story enables the practical analysis of the development situation, one that then enhances the ability to perceive appropriate solutions. Stories derived this way are practical as they translate the epistemology of social science research into the phenomenology of professional practice (Bingham and Mier, 1993). Thus the connection between theory in LED and professional practice lies in the interpretation of the relevance of theory in the specific context.

### **3.6.1 The concept of Systemic Competitiveness**

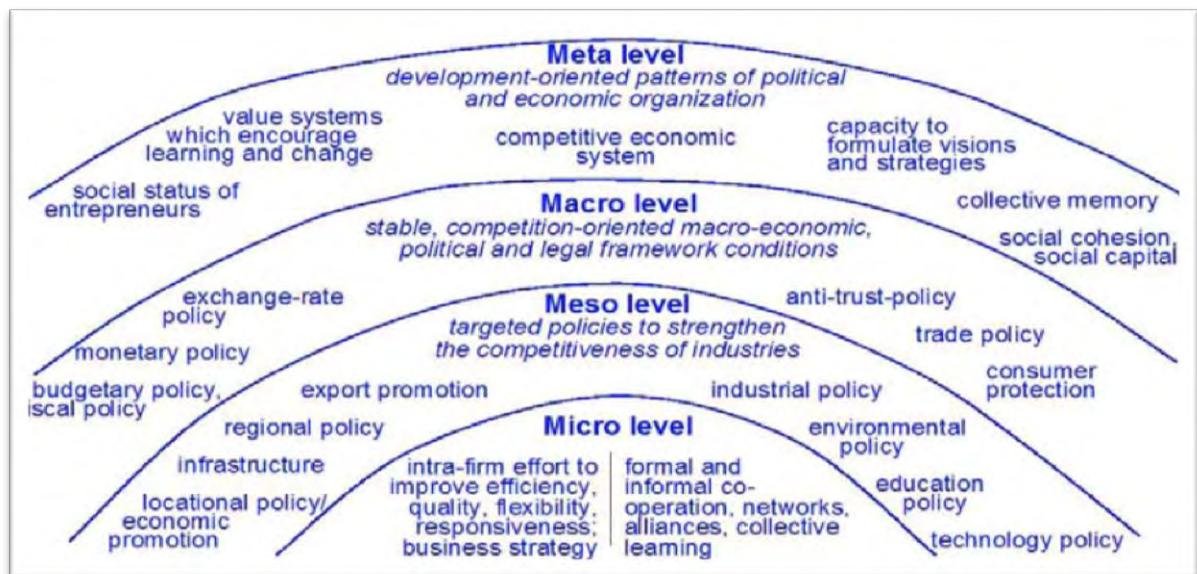
The concept of Systemic Competitiveness introduces four analytical levels in order to assist with the comprehension of the complexity of factors that drive the performance of a given economy (Meyer-Stamer, 2008). Factors at each level and their manner of interaction shape the ability of countries and locations to thrive in an increasingly competitive world economy. These levels are applied in the present study and can be applied in the analysis of all case studies. Significantly according to Meyer-Stamer (2008), systemic competitiveness without social integration is a project without prospects and the development of systemic competitiveness, therefore, is a social transformation endeavour involving more than mere adjustment of the macroeconomic framework.

Figure 3.2 summarises the main points that each level addresses while Figure 3.3 indicates the main policies and key factors at each level. The four analytical levels of Systemic Competitiveness are (Meyer-Stamer, 2008):

- The micro level, where companies compete in markets, and networks and alliances of companies emerge to sustain their competitive efforts.
- The mesolevel, at which selective interventions are present to support companies' effort to shape a competitive advantage.
- The macro level, including generic institutions, economic policies and framework conditions.
- The meta level, comprising basic societal orientations and other slow variables.



**Figure 3.2** Four Levels of Systemic Competitiveness  
Source: Adapted from Meyer-Stamer, 2008.



**Figure 3.3** Determinants of Systemic Competitiveness  
Source: Adapted from Meyer-Stamer, 2008.

Table 3.11 complements and further expands on Figures 3.2 and 3.3 by addressing factors at different analytical levels and levels of aggregation from the perspective of local development initiatives. The different fields (see numbered description below) assist in the understanding of how factors at other levels influence, shape or limit local level efforts in relation to local communities in this case, uMshwathi, particularly at the micro and meta levels. The macro and meso levels at the national platform are explored in Chapter 3.

**Table 3.11** Factors Determining Systemic Competitiveness: Levels and Aggregation

	<b>Global</b>	<b>National (South Africa)</b>	<b>Regional (Province)</b>	<b>Local (Municipality)</b>
Meta	Competition between different types of market economies (1)	National development model/ innovation systems (2)	Regional identity Strategic capacity of regional actors (3)	Local actors' capacity to cooperate/trust, innovative milieu (4)
Macro	International financial markets (5)	Macroeconomic framework conditions (e.g. tax/financial system) (6)	Solid budgetary policy investment capability of government (7)	Solid budgetary policy investment capability of government. Quality of life (8)
Meso	EU industrial policy EU technology policy Montreal protocol (9)	Promoting new technology/export promotion/ specialized financing agencies sectoral environmental policy (10)	Regional economic development/technology/demonstration centres/R+D institutes/training institutions/regional environmental policy (11)	Local economic development/ employment promotion, training institutions, incubators, chambers (12)
Micro	Transnational corporations global commodity chains (13)	Medium sized and large corporations, dispersed networks (14)	SME regional clusters (15)	Local cluster, local subcontracting (16)

Source: Adapted from Meyer-Stamer, 2008.

- **Meta level:** (1) Competition exists between different models of capitalism. South Africa, a mixed market economy, has foreign trade policies which have affected some sectors of the economy negatively e.g. clothing and textile. (2) National Parliament, constituted by the National Assembly and the National Council of Provinces, formulates policy, develops national standards and norms, and rules and regulations, which determine the political and economic pattern of South African society (Section 44, Act 108 of 1996), (see Chapter 3). (3) In terms of Schedule 4B of the Constitution, the Provincial Government has the responsibility to make provincial laws, including provincial planning. Provinces have concurrent competencies with the National Parliament to draft laws in respect of matters specified in Schedule 4A of the Constitution, including the environment, housing, regional planning and development, and urban and rural development. (4) Neighbouring municipalities display differences in their ability to define a shared development objective. Hence Local Regional Economic Development (LRED) is a more recent development (Rücker and Trah, 2007).
- **Macro level:** (5) and (6) The global economic crisis of 2008 and ensuing downturn dramatically affected supranational and national macroeconomic framework conditions which in turn affect opportunities for development at the local level. The (7) regional and

(8) local macro level is justified by the reality that budgetary policies of Provinces and Municipalities have a major impact on development options as witnessed in the well publicised problems of service delivery country wide, unqualified audit reports, municipalities being placed under administration in terms of Section 39 of the Constitution e.g. Msunduzi in 2010 (COPE, 2010).

- Mesolevel: (9) The Montréal Protocol, an environment protection agreement, lays down a mandatory timetable for the phase out of ozone depleting substances. The Africa Growth and Opportunity Act (AGOA), a tariff-free trade agreement with Africa, was recently extended by the USA beyond 2015. (10 – 12) Within a given economy, it is difficult to determine whether a given meso-policy ought to be executed at the national, regional or local level. For example technology policy is conducted at three levels: national level promotes the development of new generic technologies (IPAP 2013/14-2015/16), provincial government champions their introduction into business and local government manage technology incubators to assist start-up companies interested in the new technology.
- Micro level: Local companies (13) may be integrated into global chains or affiliates of transnational corporations, which entail restrictions on autonomous local action. Companies integrated into national or regional supplier networks have a specific perspective toward local level development initiatives (14 – 16) e.g. cluster promotion initiatives. Companies whose main driver of competitiveness is the relationship to global buyers or integration into national value chains, may be disinterested in local level initiatives.

Viewing local economic development from this perspective helps to identify both possible fields of action and structural limitations of local initiatives. In the attempt to answer the research questions relating to uMshwathi, attention was focused on the meta and micro local levels in Chapter 5. According to Minister Mufamadi (DPLG, 2006:i):

~~In~~ the final analysis, 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... Communities of South Africa wish to see evidence of local development and there is an expectation that local government will drive the process. This expectation provides a new challenge

and opportunity for local government to make a meaningful impact on the lives of its communities. For the opportunity to be seized, local public and private actors must work together in order to create sustainable local economies”.

### **3.6.2 Metaphors for Local Economic Development**

According to Rowe (2009), metaphors have been identified as the most appropriate tool to approach the development of a theory for economic development. Drawing from the complimentary disciplines of geography, economics, planning and regional science, Bingham and Mier (1993) present seven metaphors of local economic development, placing many of the theories they reviewed within these images, namely: economic development as problem solving; economic development as running a business; economic development as building a growth machine; economic development as preserving nature and place; economic development as releasing human potential; economic development as exerting leadership, and economic development as a quest for social justice. Jones, Dollery and Grant (2009) have added an eighth metaphor which may also be deemed significant in the South African setting: economic development as political expediency.

Rogerson and Rogerson (2010) concur that the aforesaid study by Bingham and Mier (1993) laid the ground rules for using theory in local economic development. The authors believe that the latter’s approach assists with the understanding of economic development in a distinctive fashion, in frameworks that force the practitioner to engage with the manifold meanings of development rather than professing that they do not exist. It should be noted that the metaphors in this seminal work are not discrete categories and that in their entirety they arrive at a sustainable concept of development well ahead of its time! It is proposed in this study that the metaphor-based approach can be utilised to more accurately explain the often complex and paradoxical situations that characterise LED and LED policy in South Africa. It may also be used as an educational and social tool, to stimulate and promote opportunity seeking behaviour and to unite people with a vision.

- Metaphor 1: Economic development is viewed as problem solving.

The complexity in coming to terms with the countless constituents to economic development often leads to problem solving built on circumscribed reasoning (satisficing) where decisions are simply satisfactory as they are based on limited information (Simon, 1976, cited in Bingham and Mier, 1993). Transportation cost minimization models,

location quotients and shift-share analysis fall into this category, and are engaged to identify and target industries, and to establish geographic and social perimeters for territorial development. A confined logic often shapes the problem definition, where limited attention is paid to how problems are perceived and to problem solving, which is open to emotional judgments, stretches the confines of credibility and leads to controversial solutions (White 1987, cited by Bingham and Mier, 1993). The order imposed on the solutions, leads to a reframing of the development problem where institutional responses may be identified as the most appropriate e.g. the market place and private-public partnerships (Schon 1979, cited in Bingham and Mier, 1993), thus stifling innovative approaches to economic development. Hence this metaphor shapes the way development needs, opportunities and potential actions are considered through problem definition, problem solving and the order it imposes on solutions. Economic problems are therefore defined according to a biased set of criteria by organizational decision makers. Solutions, in part, become the result of the interpretation and identification of the problem as well as the skills and resources available.

In South Africa, a recurring theme in the literature is that LED is the hoped for solution to many problems including that of unemployment and poverty (Meyer-Stamer, 2003; De Steenhuijsen Piters, 2007). The World Development Report 2013 (World Bank, 2013) argues that more than growth, employment is the main driver of development. Governments are urged to pursue policies that eliminate obstacles to private-sector-led job creation, particularly by small and medium-sized businesses as the private sector worldwide remains the source of almost nine of every ten jobs (World Bank, 2013).

- Metaphor 2: Economic development is described as running a business.

Emphasis is placed on the importance of capital investment and growth, the sacrosanctity of private markets, the significance of selected partnerships, the supportive role of government, the need to overcome impediments to progress and the use of professional problem solving approaches. According to Bingham and Mier (1993), associated theories are: “development from above”, political economy theory, market based theories and education and training theories. It is suggested that the position adopted is a static one, as economic and social institutions are maintained invariable and there is no acknowledgement of limitations on resources.



Local government, tasked with promoting LED by investing in the overall economic and social conditions conducive to creating employment opportunities (DPLG, 2006), should not act as a barrier to development but forcefully promote the growth of the local economy (Meyer-Stamer, 2003a). A healthy municipality should be run like a business as opposed to a politico-bureaucratic activity, flexibly looking for opportunities and seeking a quick return on investment (Meyer-Stamer, 2003a). Municipalities do adopt visions, missions and strategies in their IDP; they also refer to entrepreneurs, small business, access to markets, private partnerships, economic opportunities, attraction of investors and utilise similar business terminology. Opportunities are repeatedly missed as a result of the low priority given to local business environments, regulatory reform and cutting of red tape, with the main losers being emerging small businesses, the mainstay of LED in the community (LMRF, 2008). However, most municipalities do not have the capacity or competence to implement LED (Trah, 2009). Over the years, interventions such as that by Australia, Italy, Project Consolidate and most importantly in KZN, Gijima, have focused on development in organisation, system and institution, human resources, and cooperation and network development (Trah, 2009). The Local Government: Municipal Systems Amendment Act, Act 7 of 2011, aims at professionalising local government for improved service delivery and performance management, and to entrench a people-centred local government mindset in municipalities.

- Metaphor 3: Economic development is explained as the building of a growth machine (Holupka and Shlay, 1993, cited by Rowe, 2009).

Systems analysis, a source of inspiration in the field of economic development, encourages examination of the individual components of the system, emphasizes the interconnections and aims to impose order, although data limits necessarily force it to simplify complex phenomenon. The growth machine is an interconnected web of interests that is largely taken for granted by practitioners because they are often a part of it (Rowe, 2009). Deleuze's post-structuralist concepts of "rhizomes" and "body without organs", depicts this concept (Deleuze and Guattari, 1987, cited by Rowe, 2009).

Bingham and Mier (1993) equate the process to building a complex black box to convert resources to outputs, with economic development the system that converts resources such as land, labour and capital into gross domestic product. This provides a context for: statistical and mathematical techniques of input-output analysis and econometric

modelling; technology transfer processes with dissemination and knowledge use models, and centres of excellence and technology; circular and cumulative causation theories and propulsive, innovative and creative regions. Bingham and Mier (1993) are of the opinion that because systems analysis is allocative, it is also political. Principal theories supporting this concept are those focusing on the functioning of the political economy. Thus the growth machine defines the terms of development by setting the problems to be solved, delimits participation, and directs the processes of resolution, whilst enveloping the whole procedure with the obvious solution of coordination. According to Sen, growth can occur without development, and development can occur without growth (UNDP, 2006).

A growth coalition is a type of public private partnership having a conscious goal that public and private sector role players should work together to achieve economic growth in a specific location and these kinds of partnerships have been referred to as Growth Machines (LMRF, 2008). The focus is on providing a competitive local business environment, supporting networking and collaboration between businesses and public/private and community partnerships, facilitating workforce development and education, focusing inward investment to support cluster growth and supporting quality of life improvements e.g. Chambers of Commerce, KZN Growth Coalition, LEAD SOUTH AFRICA and similar campaigns. In South Africa, Private Public Partnerships are also contracts between a public sector institution/municipality and a private party, regulated by complex legislation.

- Metaphor 4: Economic development is depicted preserving nature and place.

Features emphasized include, the importance of local initiative, the balance between growth and distribution, the requirement for broad based partnerships, the necessity of overcoming barriers to participation and the value of public intervention in approaches to problem solving. Thus development planning cannot be decided separately from the particular context; the roles of external stimuli are rejected, local catalytic actions are emphasized and non-profit organizations and social networks are viewed as change agents. Key to this metaphor is a distrust of the scientific approach to the understanding and practice of local development. The naturalistic metaphor explores the passion present in the economic development process, while the systems theory focuses on human relationships and changing patterns. However, the metaphor can become unyielding in its treatment of human agency, advocate preservation of the status quo and lead to nominal

social and economic ties with other localities (Bingham and Mier, 1993). Relevant theories include: co-evolutionary development, “development from below”, agropolitan development, social network theories and ecological models (Bingham and Mier, 1993). Sustainable economic development demands balance between development and the natural environment. The rise of climate change as a result of global warming, and its adverse effects on the natural environment pose a threat to a sustainable economy.

According to Blakely and Leigh (2010), the quest for economic growth to create more wealth and jobs can destroy the foundation for economic development. They advocate that practitioners create an impetus for a fourth economic development phase to permeate the practice, namely sustainable local economic development. This move will promote and encourage the exploitation of natural resources use and production without harming the ecological balance of an area. Furthermore these sustainability goals will contribute to the reduction of inequalities between present and future generations. South Africa has a 2006 National Framework for Sustainable Development.

- Metaphor 5: Economic development is portrayed as the releasing of human potential.

This metaphor emphasizes that an economy is really its people, that economic development can be expressed as human resource development, with the focus on people as the agents of social change. Viewing South Africa’s current unemployment rate of 25,2% (4,6 million people) in this light (StatsSA, 2013) underscores not only the opportunities being missed by the unemployed persons, but also by society at large. Theories of entrepreneurship, employment, training and placement, labour based development, and affirmative action policy abound in the literature. In Sen’s view economic growth cannot be judiciously treated as an end in itself (UNDP, 2006), while Todaro and Smith (2006) state that development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy. No country can maintain growth unless that growth is accompanied by major gains in human development (UNDP, 2006).

uMshwathi Municipality views its people as its most strategic asset (uMshwathi Local Municipality, 2012). Cooperatives in South Africa could be described as releasing people’s potential by their very nature of support in numbers. The Co-operatives Act, Act 14 of 2005, describes a cooperative as an autonomous association of persons, united voluntarily to meet their common economic and social needs and aspirations, through a

jointly owned and democratically controlled enterprise organized and operated on cooperative principles. The Co-operatives Amendment Act, Act 6 of 2013, provides for the establishment of the Co-operatives Development Agency, where cooperative support services, such as education and training, business advisory services and access to loans, funding and linkages will be offered by the Department of Trade and Industry (dti).

Cunningham and Meyer-Stamer (2005) in observing market failure at the local levels are of the opinion that the labour market fails due to segmentation and lack of information. Many small and medium-sized enterprises do not have detailed human resources planning, including training of employees, and this leads to information asymmetries: invented demand, whereby training providers guess what the demand in the market may be, and researched needs where assessments of companies' requirements, usually conducted by third parties, tend to result in the "objective" rather than the "subjective" needs a business person would be willing to pay for. Articulated demand is thus essential where direct communication is established between training providers, companies and third parties such as employment agencies, to make the local labour market work more effectively.

- Metaphor 6: Economic development is analysed from the viewpoint of exercising leadership.

This theme is present in theories of entrepreneurship, in combinatorial theory and the theory of political process, and in many success stories involving groups and individuals raised to near cult status (Bingham and Mier, 1993). Many of the latter have demonstrated leadership with scant regard to the interests of their supporters. Research suggests the presence of a strong association between an individual's perception of the attractiveness and achievability of entrepreneurship, and entrepreneurial intentions (Turton and Herrington, 2012). South African statistics reveal that entrepreneurship in South Africa is at low levels (Turton and Herrington, 2012) and this fact impacts directly on local economic development and unemployment figures.

The Global Entrepreneurship Monitor (GEM) defines potential entrepreneurs as persons who perceive good business opportunities and believe they have entrepreneurial capabilities (Turton and Herrington, 2012). South Africa's rate of perceived opportunities is 36%, while the average rate for efficiency-driven economies is 41%; the perceived capabilities rate for South Africa is 40%, while the average rate for efficiency-driven economies is 52%. Cross tabulation of these figures result in a pool of potential

entrepreneurs of 19% of the adult South African population (Turton and Herrington, 2012). Entrepreneurs are like artists who dream, create and inspire. GEM views entrepreneurship as a process with stages in activity, namely: potential entrepreneurship (first phase), entrepreneurial intentions (second phase), early-stage activity (third phase) and established business ownership (fourth phase) (Turton and Herrington, 2012). Market dynamics, and research and development, impact most on perceptions of opportunities and more effort is required locally to enable the discovery, creation and exploitation of business opportunities in the marketplace. Education has the highest impact on perceptions of capabilities, and South Africa's education system must do more to effectively develop individuals with the required skills and confidence to consider entrepreneurship as a valid career choice (Turton and Herrington, 2012).

- Metaphor 7: Economic development is prospected as a quest for social justice.

The universal objectives of development include: to augment life basics: food, shelter, health and security; to advance levels of living by higher incomes, provision of employment, improved education, greater focus on cultural and human values, the enhancement of material well being and the formation of greater individual and national self esteem, and to increase the range of economic and social choices available to individuals and nations. LED is a process and growth is the hoped for outcome. The National Development Plan (2012) of South Africa aims to eliminate poverty and reduce inequality by 2030 by utilising the energies of South Africans, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society (National Planning Commission, 2012). However, it would be remiss not to point out significant divisive issues present in South African society including black economic empowerment, affirmative action and land distribution concerns, all mirrored in local economic development and forming an important and integral part of it.

- Metaphor 8: Economic Development as Political Expediency.

An additional metaphor has been added to the 7 metaphors of Bingham and Mier, (1993) by Jones, Dollery and Grant (2009); that of political convenience, since this appears to be a dominant feature of Australian LED initiatives. Jobs, growth and development are daily issues in South Africa. The economy needs rapid, more labour-absorbing growth to meet the country's challenges. This requires a growth strategy that forges partnerships between

government, business and labour to raise competitiveness, expand production and create employment through increased investment and trade. Strategic planning for local economic development has been assigned to local government level in terms of the Constitution and South African legislation, as will be seen in Chapter 5 in the form of the Integrated Development Plan (IDP). According to Bingham and Mier, (1993:269):

–Economic development is about what happens when individuals and organizations engage in the production, distribution and consumption of goods and services. It should not be confused with the exercise of power, self-governance and public debates over collective goals, the social interactions of people and the values and traditions that define the culture.”

In summing up: viewing local economic development in present-day divided South Africa with its many problematic issues, through the eight metaphors described, can assist in setting up a –people’s contract” by mobilizing the local population, the single biggest resource for economic growth and development, as well as convincing stakeholders of the necessity for drawing up a social compact, as persuasively articulated in the foreword to the visionary National Development Plan (2012:i):

–South Africa has the means, the goodwill, the people and the resources to eliminate poverty and reduce inequality. It is within our grasp. But it will not happen unless we write (a) new story; a story of people, their relationships, their dreams and their hopes for a better tomorrow”.

Bingham and Mier’s (1993) seven metaphors are applicable to LED, and in particular, economic development as exerting leadership, releasing human potential, running a business and building a growth machine, would result in social integration and structural change in uMshwathi, further contributing to the systemic competitiveness and the change in the local economy (Meyer-Stamer, 2008).

### **3.7 Conclusion**

LED in South Africa is mandated to Local Government and is thus focused on a territory, the Municipality. Chapter Three has confirmed the significant developmental role of the State, which through its central planning process has made provision for participative democracy in the Integrated Development Plan and resulting LED Plan; this is aligned to the definition of Local Economic Development namely, that it is a –bottom up” approach.

The National Framework for Local Economic Development (LED) in South Africa (2006 – 2011) of the Department of Provincial Government, with the theme of “Stimulating and Developing Sustainable Local Economies” (DPLG, 2006), recognizes that LED processes offer an integrated approach to development, stimulating local economic potential by bringing innovation to all growth components.

Thus local economic development in South Africa, notwithstanding its distinctive character, contains the essential elements of LED and conforms to the definition of LED. The inclusive literature review sets the stage for the practice of local economic development in South Africa. The presentation of contemporary theories of LED is affirmation that the connection between theory in LED and professional practice lies in the interpretation of the relevance of theory in the specific context. This expose provides the backdrop for the case study of uMshwathi in Chapter 5.

Rücker and Fiedeldei (2004) believe that LED in South Africa has become the panacea to overcome the numerous obstacles of minimal skills level, a poor culture of entrepreneurship, inappropriate support mechanisms, exclusion from financial and business development services, spatial marginalisation, local apathy and hopelessness. LRED confirms that the artificial territorial concept of the municipality in South Africa should be supplanted by a regional area of intervention which offers a series of inter-disciplinary approaches which can assist in rising above multiple interrelated obstacles. It is further anticipated that LRED and LED can resolve numerous other impediments and market failures that contribute to, what has been widely acknowledged as, “the evil triplets” (Seers, 1969, cited by Todaro and Smith, 2011:15), namely, high unemployment, inequality and poverty, as declared firstly by State President Zuma in his various State of the Nation Addresses, and subsequently reiterated mainly by politicians and leaders.

Thus LED has being recognised as a critical approach to pursue, within the context of empowered local authorities, pro-active actions by local citizens, and the need to ensure that development is pro-poor in its focus and outcomes (Rogerson and Rogerson, 2010). However, even though LED has been encouraged in South Africa for over ten years, difficulties are apparent and not all LED projects succeed. There are underlying problems with many projects, such as: grant-dependence, lack of capacity of staff, inappropriate use of resources, and difficulties in designing suitably economically sound projects. The valued move towards the professionalization of the LED profession could be important in

resolving some of these fundamental issues thus leading to a more profitable implementation and operation of local economic development.

According to Rowe (2009), the acquisition of knowledge on an array of subjects, accompanied by continuous reading, is important to persons in the field as metaphors and stories are fundamental features in the daily interactions of the economic development profession. Thus if practitioners want to successfully convert knowledge to action, they must perfect the craft of storytelling and learn to use metaphors effectively. Rowe (2009) believes that this acquired skill can generate ideas, which can provide leaps in understanding, which in turn leads to theorising.



## **CHAPTER FOUR RESEARCH METHODOLOGY**

### **4.1 Introduction**

This study has evaluated the general state of local economic development and specifically in the uMshwathi Local Municipality. The focus of Chapter Four is to review the research method and design appropriateness. The research purpose points to a research question and the question informs the choice of the qualitative research strategy, where the literature review acts as proxy for theory, and secondary data was collected and evaluated while the analysis of the case study of uMshwathi Local Municipality adopted an inductive approach to the relationship between theory and research. –Research should, and can, lead to general statements about economic development” (Bingham and Mier, 1993:ix).

–Research on local economic development has grown exponentially” (Nel, 2001:1006). The dissertation should be considered as a starting point for further research into the exploitation of both agriculture and the Dube TradePort Corporation (DTPC) (KwaZulu-Natal), in order to accelerate Local Economic Development (LED) in uMshwathi, and not as the end point of this growth process.

### **4.2 Research Process**

The report is built upon two main exercises, namely a literature review and a case study analysis of the Local Municipality of uMshwathi, District Municipality of uMgungundlovu, Province of KwaZulu-Natal. A qualitative approach to data collection was used in this study where the reorganising and verifying of several hypothetical patterns occurs in a continuous mode and the interpretation of a situational reality is carried out in a circular and iterative way. Such an approach is in contrast to the quantitative approach, which focuses on causality based on statistical data, and generally includes five sequential steps, namely: the deduction of a hypothesis from a theory, the representation of the hypothesis in operational terms, which proposes a relationship between two specific variables, testing of this operational hypothesis, the study of the particular result of the enquiry and, if necessary, modifying the theory in the light of the finding.

According to Smith (2004) time spent reading the literature for good evaluations of similar programmes may yield more useful results than a weak evaluation based on poor data,

completed by a poorly qualified evaluator using inappropriate methods. They believe that doing an evaluation may not make sense in all cases, particularly for smaller programmes. They state furthermore that no econometric evaluation estimator provides consistent estimates for most (or all) possible combinations of data, institutions and parameters of interest; this includes regression, matching, the bivariate normal model, difference-in-differences and independent variables. Smith (2004:58) concludes that:

–The search for such an estimator, which animated the literature for many years, has now come to an end, replaced by a more sensible research program designed to identify the mapping between characteristics of the data and institutions and the parameter of interest to the estimators likely to yield consistent answers”.

This study would ideally have benefited from the collection and analysis of primary survey data and whilst initially it had been envisaged that significant LED stakeholders would be interviewed, this was not practical and ultimately logistical constraints precluded the adoption of this field research strategy. As an alternative, the study has opted for a desk top review composed of a synthesis of accessible up-to-date South African and international research material on LED, spanning the disciplines of economics, geography, political science, public administration, regional science, sociology and urban planning. While academic writings are usually peer reviewed, government reports may contain political bias and development agency reports may include preconceptions. Moreover, often poorly qualified persons may report on the topic without accurately acknowledging their sources of information.

A researcher in search of useful secondary data in this field would be surprised at the abundance and the breadth of data available on LED. In more recent times the available information has increased exponentially as evidenced on the worldwide web (WWW). There are large numbers of national and international organisations that provide information on local economic development in the form of official surveys, government reports, policy papers, annual reports, academic writings and independent evaluations. They include international, national and local government agencies, quasi-government agencies, trade associations, universities, research institutes, financial institutions and professional consultants. Research material for this study was informed by such diverse organizations as the Department of Cooperative Government and Traditional Affairs

(CoGTA), the Department of Trade and Industry (dti), the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC), the South African Local Government Association (SALGA) and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the World Bank, the International Monetary Fund (IMF), International Fund for Agricultural Development (IFAD), the United Nations Development Programme (UNDP), the Food and Agricultural Organization of the United Nations (FAO) and the International Labour Organisation (ILO) and South African reports and statistics including parliamentary reports, population censuses, social surveys, family expenditure surveys, import/export statistics, production and agricultural statistics.

The review offers an extensive analysis of the available literature to better understand and address the role of LED as both a pro-growth (market-led) strategy and a pro-poor (market-critical) strategy with the examination of LED in the global, African and South African context. Desk top research includes a review of policy frameworks, development plans and reports from key South African institutions including The Presidency, National Treasury, Government Departments and Agencies, Provincial, District and Local Municipalities. Media sources, both traditional and electronic, should not be ignored. Local commentary is presented to reveal concerned opinion and reach into the social conscience of the population. The findings are indicative of broad trends that may help identify critical areas where the strategy, planning, design and/or implementation of policies may be improved. Personal communication, in the form of unstructured interviews, were held with selected significant stakeholders in the field including, among others: the CEO of an advertising agency, a KZN journalist, a project manager occupied with an LED project, the CEO of a Chamber of Commerce, a provincial land surveyor, a town planner in the uMshwathi Local Municipality, an academic in the field of Geography, a permaculture expert and an official from the South African Organics Sector Association (SAOSA).

### **4.3 Aim and Objectives of the Study**

The aim of the study is to add impetus to local economic development in the uMshwathi Municipality and surrounding area, as a consequence of the catalytic effect of the development of the Dube TradePort Corporation (DTPC) and the South African Government's repeatedly prioritized goal of stimulation of agricultural production. This is in line with the principle of agriculture-led growth as a main strategy to achieve the Millennium Development Goals (MDGs), 2000, of poverty reduction and as articulated by

the Comprehensive Africa Agriculture Development Program (CAADP), 2003, and the Comprehensive Rural Development Programme (CRDP), 2009. The Medium Term Strategy Framework (MTSF), 2009, the New Growth Path (NGP), 2010, and the National Development Plan (NDP), 2012, promote agriculture as a means to achieve all-inclusive growth, employment and food security. Furthermore the KZN Provincial Growth and Development Strategy (PGDS), 2011, states that the unleashing of the agricultural sector will contribute to job creation.

It is anticipated that the study will benefit the residents of the uMshwathi Municipality, and surrounding areas, by providing new work opportunities and opportunities for entrepreneurship. It is hoped that the underutilized local natural resources of prime agricultural land and plentiful labour will be used to best advantage. It is expected that new partnerships between communities, businesses and government may be formed, which will promote further local economic development in the area. It is envisaged that the study will stimulate discussion on agricultural production in KwaZulu-Natal, thus contributing to food security and South Africa's GDP. Furthermore, the detailed literature review, forming an integral part of the study, shall contribute to the body of knowledge on LED and LED in KZN.

#### **4.4 Research Design**

##### **4.4.1 The Literature Review**

Business and management research do not exist in a void. They are shaped by events in the real world of business and management, and further fashioned by the many intellectual traditions prominent in the social sciences, which in turn relate to the study of business and its diverse topics (Bryman and Bell, 2007). The authors suggest that this research may thus champion the mode to knowledge production developed by Gibbons et al., (1994), where there is trans-disciplinarity, in which the process causes the boundaries of contributing disciplines to be exceeded, and includes academics, policy makers and practitioners who apply their particular skills and experiences to a shared problem. Findings are often related to context, may not be effortlessly repeated and the process might not be a linear one. The literature review has confirmed that the successful implementation and outcome of LED depends on a multidisciplinary approach and that as a result of its local, demand-driven, inclusive and inter-sectoral approach, LED can be applied to any territory.

Bryman and Bell (2007) state that background literature acts as proxy for theory and that research is directed towards questions arising from examination of the literature in which theory is latent or implicit. Theories on local economic development have subsequently been extracted from the body of case studies in LED by academics and researchers who have collaborated with practitioners to refine methods and strategies in LED. In the present study the relationship between theory and research may be viewed in terms of deductive and inductive strategies, where the latter involves drawing general inferences out of observations from the case study and theory may be the outcome of research. According to Bryman and Bell (2007) it is common to describe qualitative research methods as being concerned with the generation, rather than the testing, of theories. However, the authors acknowledge that a theoretical position may emerge in the course of the research which encourages collection of data to test that theory.

The method of gathering knowledge and the types of useful knowledge are matters listed under the rubric of epistemology. The impression received from economic development documents is that economic development is rationalized on the basis of quantitative data that fit within a law like framework governing the workings of the economy. However, another type of knowledge takes priority in policy formulation – this knowledge is idiographic, particular stories about the economic successes of individual firms or regions and future investment opportunities (Bingham and Mier, 1993).

Social ontology is concerned with the nature of social entities and constructionism is the position which asserts that social phenomena and their meanings are continuously being accomplished by social actors and are in constant revision. The active role of individuals in the social construction of social reality is stressed and the processes by which the social world is constructed must be examined (Giddens, 1972, cited in Bingham and Mier, 1993). Culture is described as an emergent reality, acting as a point of reference, in a continuous state of construction and reconstruction (Becker, 1982, cited by Bingham and Mier, 1993). –Glocalization”, the global connected with the local (Ehlers and Lazenby, 2007) encourages extensive research on LED. The local in LED lends itself to finding and telling –stories that can often provide a far richer understanding of the human condition, and thus of (economic development) ..., than traditional social science, and for that reason alone, deserve more attention” (Sandercock, 2003:12, quoted by Rowe, 2009:101).

#### **4.4.2 Secondary Data Analysis**

The present study utilized mainly secondary data with the data collection process staffed by expertise and professionals, not normally available to a small research project. Secondary data is data which has been collected by individuals or agencies for purposes other than those of the particular research study. The focus of the study is uMshwathi and it is therefore important to look at the relevant documents. It is a historical study as it begins and ends at particular points in time. The case studied is too large to study directly, and a good collection of data already exists, deemed significant to answer the questions and to draw conclusions in this study (Emerald Research Guide, 2010). Analysis of secondary data is ideal for researchers who prefer to think of and test hypotheses. Advantages of working with secondary data include economy in terms of time and expense, and the breadth of data available. Examples of data used in this study include: a range of government reports, population census, agricultural and import/export statistics.

Researchers have to be aware of vested interests, leading to a source bias, as those responsible for the data may attempt to present a more positive or negative set of results for their organisation. Secondary data can, however, be cross-checked by the use of multiple sources of data. Aspects of research methodology that affect the reliability of secondary data are: the sample size, response rate, questionnaire design and modes of analysis. The estimate of inaccuracies in measurement, through the standard deviation and standard error, are not usually published in secondary sources. The researcher has to be careful of the definitions used e.g. geographical areas may have had their boundaries redefined by the Municipal Demarcation Board. Reliability of published statistics may vary over time e.g. the collection of labour market data was changed, when in 2008, the nationally representative Labour Force Surveys (LFS) conducted twice a year by Statistics South Africa was replaced by the Quarterly Labour Force Surveys (QLFS), conducted each trimester with data collected continuously during the same quarter. Since 1998, international trade statistics figures refer to South Africa only and no longer to the Southern African Customs Union. Time scale of statistics and other published sources may render them out dated at the time of use of the data (Boslaugh, 2007).

### 4.4.3 The Case Study

This study consists of an analysis of a single case, focusing on the complexity and particular nature of the case in question, a location, that of the Local Municipality of uMshwathi (District Municipality of uMgungundlovu, Province of KwaZulu-Natal). Theories encountered in the extensive literature review were tested. According to Silverman (1993) cited by Bryman and Bell (2007) this indicates a growing maturity of the qualitative research strategy. Blakely and Leigh's position that LED practice should incorporate in the fourth phase sustainable local economic development was adopted and the relationship: local and regional development =  $c$  (capacity) x  $r$  (resources), was utilised in the case study, to arrive at a competitive advantage for uMshwathi (Blakely and Leigh, 2010). The Concept of Systemic Competitiveness was employed to facilitate an understanding of the various factors that direct the performance of the economy of uMshwathi, with the case analysis focused on the four analytical levels: the micro, meso, macro and meta, and specifically the micro and meta levels in Chapter 5, the analysis of the case study (Meyer-Stamer, 2008). The seven metaphors of Bingham and Mier (1993) were applied in the case study to illustrate the significance of theory to the practice of local economic development in South Africa.

There is a tendency to associate case studies with qualitative research, because these methods generate an intensive detailed examination of the case. What distinguishes a case study is that the researcher is usually concerned with expounding the unique features of the case – an idiographic approach; although the present case could be considered nomothetic, in that it is concerned with generating common statements that apply regardless of time and place (Bryman and Bell, 2007).

When the predominant research strategy is qualitative, a case study tends to take an inductive approach to the relationship between theory and research. The central issue of concern is the quality of theoretical reasoning in which the researcher engages; whether it demonstrates connections between different conceptual ideas that are developed out of the data (Bryman and Bell, 2007).

The case study of uMshwathi can be considered representative, as the seven local municipalities in the District Municipality of uMgungundlovu share many similarities and characteristics; furthermore timely and revelatory information is collected and documented (Bryman and Bell, 2007). Evidence could however be limited as this method has restricted

external validity, although the case study method does provide a vehicle through which several qualitative methods can be combined, therefore avoiding reliance on a single approach e.g. use of more than one case, or the employment of a longitudinal research design. According to Rodríguez-Pose (2008) the outcome of the profusion of LED case studies is a compilation of works from which academics have extracted their theories on LED. In concert, the academic world has worked in partnership with practitioners to refine methods and strategies in LED with the anticipation of better field results.

The introduction of an LED Newsletter in the 1990s (co-funded by the DPLG and a German aid organization, circulated freely to municipalities and partners involved in LED), encouraged interest in recording of best practices and other experiences in LED planning and implementation (Xuza, 2007). It would appear that the innovative LMRF (Learning Monitoring Research Facility) website, which operated under the Gijima KZN Programme and the LED activities of the Provincial Department of Economic Development until a few years ago, is obsolete. The South African LED Network website ([www.led.co.za](http://www.led.co.za)) under the auspices of SALGA (South African Local Government Association) with a Community of Practice Forum is a mine of information for local researchers and practitioners in the field of LED. Its case study approach creates a platform for information sharing, and in the process, profiles promising local initiatives across the country.

According to Rodríguez-Pose (2008:22):

“LED processes are locally owned and participatory; and local actors or stakeholders play a leading role in designing the vision and the actual development strategy to be followed. Compared to other development partners, local people are often more aware of the strengths, needs and threats to their own territory. And the participatory process empowers all local actors, thus limiting opportunistic behaviour”.

The research method of the case study is thus the appropriate strategy to study local economic development in the uMshwathi Municipality.

#### **4.5 Conclusion**

The aim of the study is to drive local economic development in uMshwathi exploiting local underutilized resources of land and labour, the prioritisation of agriculture and the advent



of the Aerotropolis comprising the Dube TradePort Corporation (DTPC). This study consists of an analysis of a single case, the Local Municipality of uMshwathi. The use of the case study research method, a qualitative research strategy, was complemented by a comprehensive literature review and collection of primarily secondary data. Within the framework of the concept of Systemic Competitiveness ((Meyer-Stamer, 2008), a scan of the internal and external environments was undertaken: the social, cultural, ecological, political, economic and institutional. A locational competitive advantage for uMshwathi was revealed with the relationship: local and regional development =  $c$  (capacity) x  $r$  (resources), (Blakely and Leigh, 2010). The seven metaphors of Bingham and Mier (1993) were applied to stakeholders and rapports in the local economic development process in uMshwathi.

Xuza (2007) is of the view that South Africa has made considerable strides in LED design and to some extent, implementation. As an LED practitioner he believes that people working in the field have experienced many different aspects of LED but have not taken the time to contemplate on the knowledge created. Xuza (2007:121) is of the firm opinion that:

–reflection could assist LED workers in achieving a common understanding of economic development, its planning process and appropriate program development, tools and instruments required to implement it, and expected results that have the potential to go beyond job creation to ensuring effective community beneficiation”.

Xuza (2007) adds that a number of academic papers published as case studies on LED contain a record of experiences but there is little emphasis on the theoretical framework or the identification of the elements that contribute to developing the LED concept. The case study that follows in Chapter 5 is built on a theoretical framework and will encourage reflection, while the background literature provides for the recognition of the essentials of local economic development in general and in South Africa.

**CHAPTER FIVE**  
**A CASE STUDY OF THE UMSHWATHI LOCAL MUNICIPALITY**

**5.1 Introduction**

uMshwathi means little stream or river. The vision, mission and logo of the uMshwathi Local Municipality, uMgungundlovu District Municipality, KwaZulu-Natal Province, in consultation with the Community, are being revised. The vision is: “uMshwathi Owethu - Lets Build Together” and the mission is: “Provider of Municipal services for better quality of life for all” (uMshwathi Local Municipality, 2013a:55). The uMshwathi Municipality aspires to place at the core of its values the Batho Pele principles, namely to care for and place people at the centre of all development processes; being democratic, open and transparent; adhering to high standards of integrity and morality; championing an anti-corruption drive; constantly improve its business processes in the quest for excellence and best practice, promote the development of staff and councillors to build up local governance (uMshwathi Local Municipality, 2013a:56). The administrative seat is New Hanover.

Municipalities are at the forefront in dealing with poverty, development backlogs and unemployment and therefore it is indispensable that the growth prospects of the Municipality and its residents be maximised by LED initiatives. The analysis of the uMshwathi Municipality examines whether, the promotion of agriculture is an effective strategy for local economic development in uMshwathi, by addressing the research objectives derived from the research questions (Table 5.1).

<b>Table 5.1: Research Objectives</b>
1. To develop local economic development (LED) strategies in uMshwathi of diverse economic initiatives in an all-inclusive approach to local development, thus prioritizing job creation and poverty alleviation.
2. To promote LED strategies in uMshwathi to use local resources and skills to best advantage, so as to maximize opportunities for development.
3. To implement LED strategies in uMshwathi to timeously respond to changing circumstances at the local, national and international levels.
4. To foster growth of LED in uMshwathi so as to generate local, national, and international partnerships between communities, businesses and government to solve problems, create joint business ventures and build local areas.

Having reviewed the literature, a case study is deemed necessary as: “the language of scholarship is precise, clearly bounded and objective; that of practice, however, is fluid, subjective, unstable, contradictory and often paradoxical” (Bingham and Mier, 1993:x). The concept of Systemic Competitiveness (Meyer-Stamer, 2008) and the four analytical levels, micro level, meso level, macro level and meta level (section 3.6.1), assist with the comprehension of the complexity of factors that drive the performance of a given economy, and the scan of the internal and external environments, the social, cultural, ecological, political, economic and institutional, are carried out in order to arrive at the research objectives.

The local economy of the uMshwathi Local Municipality is a complex system as exemplified by Rogerson (2008), explicitly, that there is not a “one size fits all” solution to the problems of a local economy. An endeavour to stimulate the town’s economic growth entails large scale systemic change. The relationship between input and output is not one-dimensional, but a combination of response systems and unplanned consequences and therefore this complex process cannot be designed in detail in advance (Meyer-Stamer, 2008). The outcome of a territorial change process will be a change in the structure of the system “local economy”, the suppliers of goods and services. With a continued LED process the local economy will change its level of competitiveness and its position in regional, national and global markets, and in time, its sectoral structure (Meyer-Stamer, 2008).

Accordingly could the strategic prioritisation of agriculture be the effective strategy for local economic development in the uMshwathi Local Municipality and bring about systemic change? The case study reveals a contradiction between the palpable poverty and the under-utilization of natural resources, while the high unemployment rate suggests the availability of labour to practice agriculture. This state of affairs highlights the fact that the uMshwathi Local Municipality is yet to create, implement and review the appropriate LED strategy for uMshwathi.

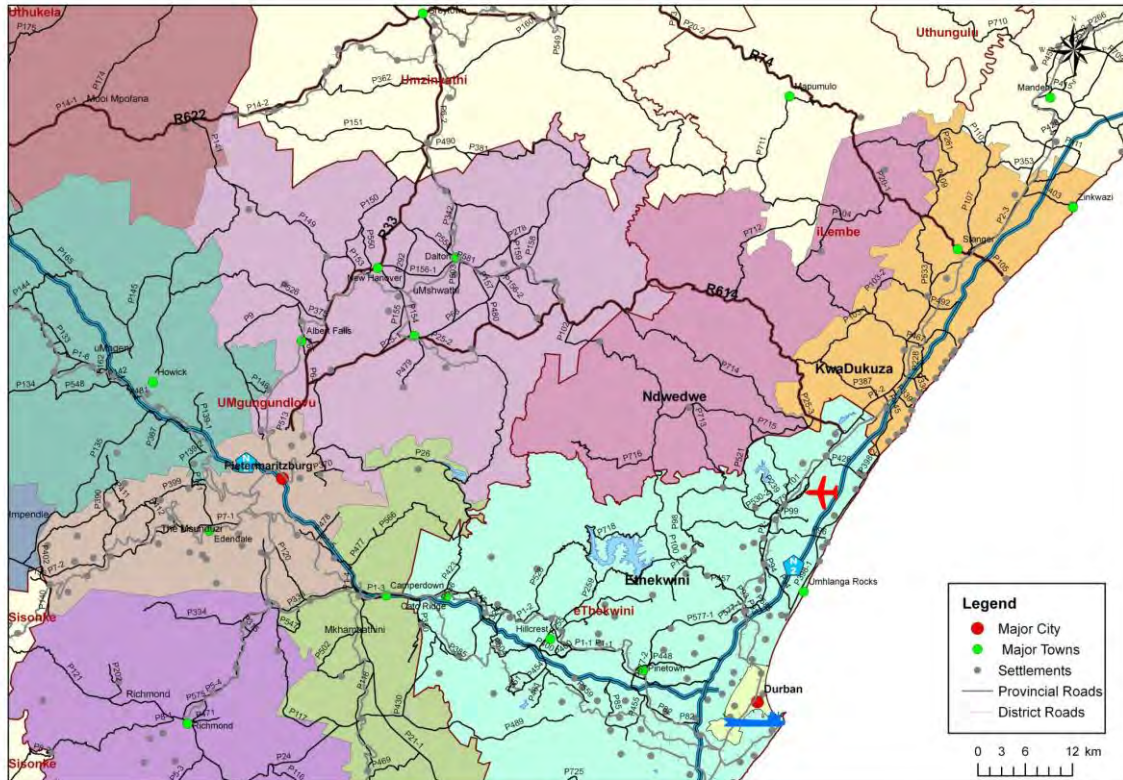
## **5.2 Review of the uMshwathi Local Municipality**

### **5.2.1 uMshwathi Local Municipality: Overview and Situational Analysis**

The subject of the study was uMshwathi Local Municipality (KZN221) in the uMgungundlovu District (DC22), about 120km northwest of Durban. Situated in the

Midlands of the KwaZulu-Natal Province, the uMgungundlovu District Municipality consists of seven local municipalities: Msunduzi, uMshwathi, uMngeni, Mooi Mpofana, Mkhambathini, Impendle and Richmond. Common boundaries are shared with Ndwedwe, uMvoti, Mpofana, uMngeni, The Msunduzi, Mkhambathini and the eThekweni Metropolitan Municipality. The headwaters of two rivers are located in uMshwathi Municipality: Mdloti River, Mdloti, having the Hazelmere Dam located on it, the primary source of water for the North Coast, and the Mvoti River, Mvoti. Two strategic dams are located partially within and close to the Municipal boundary, the Albert Falls and Nagle Dams (uMshwathi Local Municipality, 2012).

uMshwathi with its beautiful landscape is strategically located between the N2 on one side, and the N3 on the other side. It is important to appreciate the position of the uMshwathi Local Municipal area within the regional context so that comparisons and linkages with the broader economic community can be made. Map 5.1 shows uMshwathi favourably positioned between the major ports of Durban and Richards Bay, and at a 90km distance (along the R614, and 145km along the N3) from King Shaka International Airport and the Dube TradePort Corporation (DTPC) (uMshwathi Local Municipality, 2006). Research objectives 3 and 4 focused on the implementation of LED strategies in uMshwathi to respond to changing circumstances at local, national and international levels. At the meso level, Dube TradePort Corporation (DTPC) interventions are present to contribute to provincial and national microeconomic reform objectives, including research objectives 3 and 4, of: the creation of employment, the development of enterprise and partnerships, reduction of input costs, alleviation of rural poverty and the development of world class competitiveness and growth of exports. Personal communication with a journalist from The Mercury (15 October 2010), revealed that the FIFA World Cup 2010 requirements had accelerated the building of the Airport and the Dube TradePort Corporation (DTPC) and that no provincial strategy at the macro level had been put into place. This is supported by the scarcity of research information on the topic at the time. Thus the uMshwathi Local Municipality must look for opportunities linked to changing circumstances at the local, national and international levels and particularly to the advent of DTPC by the implementation of appropriate LED strategies, to generate local, national, and international partnerships between communities, businesses and government, to create joint business ventures and thus build up the local area.



**Map 5.1** Map of the Municipality of uMshwathi (KZN221), uMgungundlovu District (DC22). Source: Adapted from Municipality of uMshwathi, 2006.

According to Blakely and Leigh (2010) a new foundation for local economic development can be created with the evolving of development theories. In respect of the determinant of locality, they propose that there are locational development-inducing factors which embrace the quality of the local physical and social environment. They further suggest that this could signal changing opportunities for rural economic development. Thus the preservation of the area's picturesque scenery, country life style and concentration on the agricultural sector, could be exploited to provide a competitive advantage for uMshwathi's economic growth and that of the surrounding areas. This may be a case in point to use multiple frames to tell a story as suggested by the contemporary model of local economic development (Bingham and Mier, 1993), and meet research objective 1, more precisely, the development of LED strategies of diverse economic initiatives in an all-inclusive approach prioritizing job creation and poverty alleviation. Furthermore the theme of sustainability could be incorporated by the application of the relationship:

$$\text{Local and regional development} = c \times r^2$$

where,  $c$  = an area's capacity and  $r$  = its resources (Blakely and Leigh, 2010),

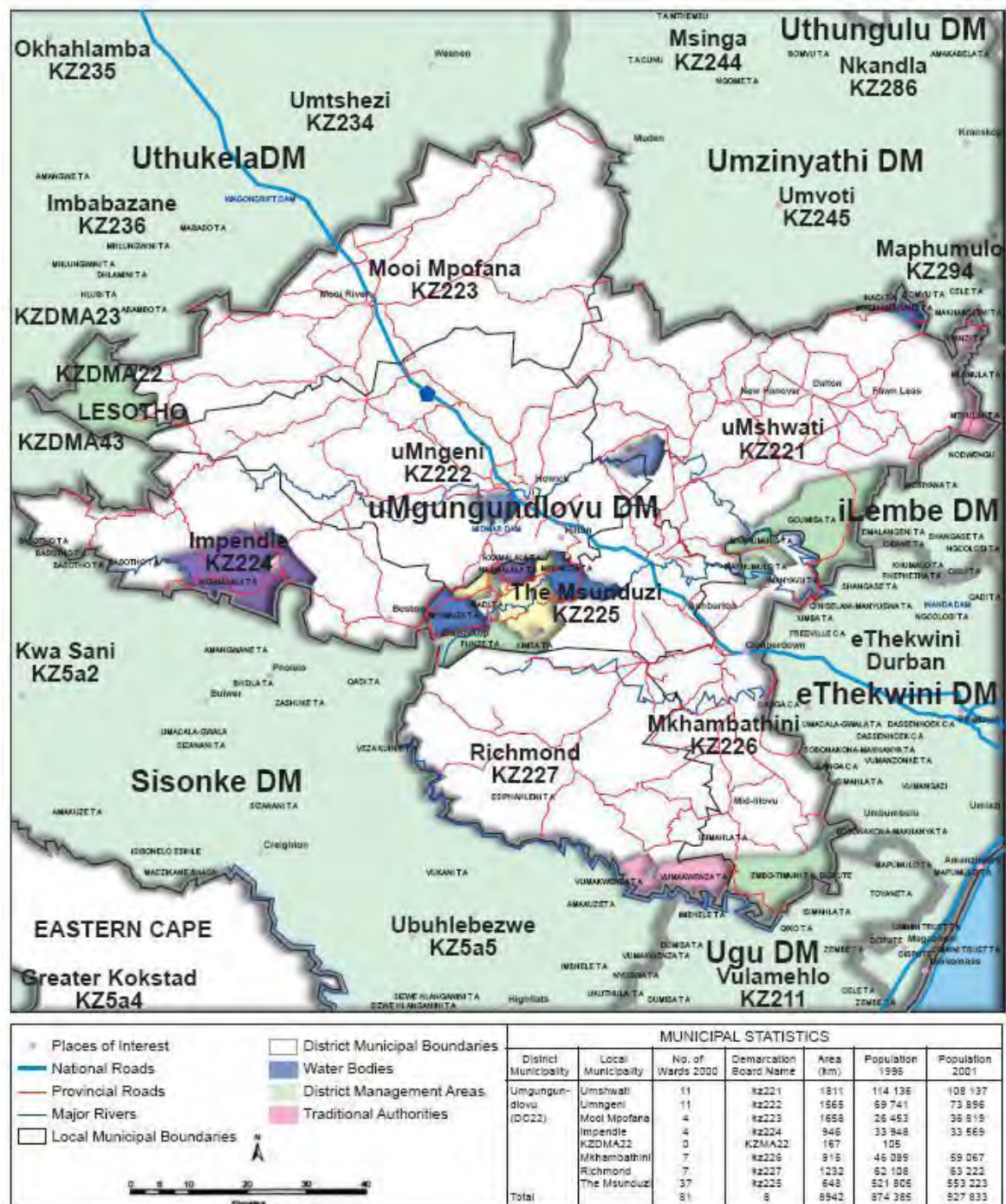
with, economic, technological, social and political capacity, and, natural resources, location, human capital, transport, communication links, investment and entrepreneurial climate, and national and local government spending . The area's resources are explored in sections 5.2.1, 5.2.2, 5.2.3 with the focus being on the natural resources, namely on the land of uMshwathi and the people of uMshwathi, while sections 5.2.4 and 5.3.2 focus on the economic and political capacity of the province and the local municipality respectively.

In terms of the categories developed for the Municipal Infrastructure Investment Framework (MIIF) (referred to as municipal categories, utilised here purely for analytical purposes) uMshwathi is categorized as "B4", local municipalities which are mainly rural with communal tenure and with, at most one or two small towns in their area (Municipal Demarcation Board, 2012). The uMgungundlovu District Municipality (UDM) population has been described as 45% rural and 55% urban, and was thus classified as urban, as more than 54% lived in an "urban centre" as defined in the 2001 census (WFA Pty Ltd and Graham Muller Associates, 2007).

uMshwathi Local Municipality, located in the north east quadrant of the uMgungundlovu District Municipality, is the largest municipality in the largest district in the Province of KwaZulu-Natal (KZN). uMshwathi accounts for approximately 1924 km<sup>2</sup> (1 km<sup>2</sup> equals 100 ha) of land area in the district and has the second largest population, after Msunduzi which hosts Pietermaritzburg, the capital city of KwaZulu-Natal. uMshwathi's population of 106 370, according to Census 2011 (StatsSA, 2012), living in 23 732 households, constitutes approximately 11% of the total 1 017 763 people living in the uMgungundlovu District Municipality.

uMshwathi Local Municipality took form following the merger of: the former Transitional Local Councils of Dalton, Wartburg, Cool Air, New Hanover; the tribal areas of Emathulini under Inkosi Mthuli, kwaGcumisa under Inkosi Gcumisa, Mhlangandlovu under Inkosi Ntanzi, Ngubane Tribal Authority (eFaye) under Inkosi Ngubane, Masihambisane Tribal Authority under Inkosi Ndlovu and Nadi Tribal Authority under Inkosi Zondi. These areas were originally managed by the former Development Services Board (DSB) and these include Albert Falls, Harburg, Trust Feed and Crammond (uMshwathi Local Municipality, 2010) (Map 5.2).





**Map 5.2** Locality Map of the Municipality of uMshwathi, uMgungundlovu District  
 Source: Urban-Econ Development Economists, 2007.

At present the municipality has thirteen wards comprising predominantly agricultural landscapes (timber and sugar cane) and rural-residential settlements. The 2012-2017 uMshwathi Municipality IDP reports that each ward, with an average of 3500 registered voters, totals 47 256 registered voters in the municipal area according to the National Common Voters Roll (uMshwathi Local Municipality, 2012). The Municipality has 26 Councillors comprising 13 Ward Councillors and 13 Proportional Representatives. Fully

functional Ward Committees operate in each ward to enhance public participation in municipal affairs. The four main urban centres within the Municipality are New Hanover (administrative hub), Wartburg, Dalton and Cool Air. The rural residential settlements within the Municipality are Swayimane, Mpolweni, Thokozani and Ozwathini (uMshwathi Local Municipality, 2013a).

The local municipality is situated in an area which was principally under the control of tribal authorities. Towns built by German immigrants some 150 years ago are found in the remaining area. In the 1850s, cotton planter families from Germany settled in the area, followed by missionaries and other colonists, mostly from Hanover. They founded New Hanover and Wartburg, Harburg, Kirchdorf, Lillienthal, Schroeders and Hermannsburg and brought with them the Lutheran faith and the German language and culture. Although not as well known as the legendary Midlands Meander nor the famed Battlefields Route, The Amble transverses a few districts, from the towns of Pietermaritzburg to Weenen, and in contrast to other KZN routes it includes a variety of activities (The Amble, 2013).

The aforesaid towns of German origin form part of “The Amble” and the Albert Falls with its water sport activities is the traditional heart of “Route 33”, while arts, crafts, curios and the Zulu culture appear to be represented. Renowned is the Blinkwater Trails mountain biking (near Greytown), and locals and tourists can select from activities such as walking, birding, fishing, canopy tours, golf, game drives and wild life. The hospitality industry is well represented and novelties include the Ntingwe Tea Estate and apiarists (The Amble, 2013). Opportunities exist for the inclusion of other interests including many activities associated with agriculture e.g. animal farm, lavender farm, picking fruit from farms, agro processing, aqua culture, organic farming, traditional herbs, homemade products as well as teas, meals and accommodation, giving rise to ecotourism, a particular form of tourism based in natural areas (Rivett-Carnac, 2009). It is evident that normal daily livelihoods without major additional investment could profitably become tourist attractions with increased numbers of people visiting the area resulting in a multiplier on general economic activity. These activities could be described as LED viewed in terms of the metaphors 4, 5 and 3 of Bingham and Mier (1993) where economic development is depicted as preserving nature and place, portrayed as the releasing of human potential, resulting in the building of a growth machine. Furthermore research objectives 1 and 2 could be realized, namely, the development of LED strategies in uMshwathi of diverse economic initiatives in an all-



inclusive approach to local development, using local resources and skills to maximize opportunities for development, thus prioritizing job creation and poverty alleviation.

Eighty to ninety percent of the entire geographical area of the region is used for agriculture (Coetzee and Oldham, 2007) and there are very few other land uses in the region, except for housing and some commercial uses. The major companies in uMshwathi are Sappi, Mondi, Triple AAA, Union Corp and Illovo. In general the agriculture sector in the region appears static, and has for many years experienced stagnant growth and development. Approximately 800ha of land ideal for agricultural production has been identified in the Swayimane/Gcumisa tribal area (uMshwathi Local Municipality, 2006). The potential for expansion in the Municipality is directly linked to the development of emergent farmers from rural and tribal communities and particular attention would have to be given to their training and support in accessing finance (uMshwathi Local Municipality, 2006). Research objective 2 aimed to promote LED strategies in uMshwathi to use local resources and skills to maximize opportunities for development. From the foregoing, the use of local resources in the form of the land and the people of uMshwathi does not currently appear to be maximised to best advantage, and the opportunities exist to implement LED strategies focused on agriculture. Agriculture sector investments in the region have concentrated on mechanisation thereby reducing the need for labour, rather than on output expansion, and growth in the sector was mainly as a result of the significant increases in agricultural commodities prices. Investment in the sector is further decreasing due to the uncertainty surrounding the agriculture sector in South Africa. Much of the existing commercial agricultural land in the province of KwaZulu-Natal is subject to land claims (uMgungundlovu District Municipality, 2006b).

Extensive areas of conservation significance are to be found in the uMgungundlovu District Municipality (UMDM). The most prominent areas are uMngeni, Impendle, Mpofana and to a minor degree Richmond and Msunduzi. The District is characterised by high levels of bio-diversity, relatively low levels of land transformation in some parts, and by the area's importance as a water production region, with the uMngeni as the predominant catchment of eight catchments within the District. Between 2045 and 2060 the average annual mean daily temperature is projected to increase by 2 degrees Celsius across the entire UMDM area which will result in general warming, put pressure on food security, swell vector borne diseases, contribute toward heat stress, and affect the

distribution of plants and animals (uMshwathi Local Municipality, 2012). Increased rainfall across the district include: future projections for daily maximum rainfall in January to increase in the central areas of the district; the eastern regions remaining the same, and the most significant increases occurring in the Lower Loteni region of Impendle Municipality, which will alleviate the projected water supply shortages in the uMngeni catchment. Storms and rainfall intensities will increase as a result of climate change with short duration rainfall events increasing across the entire district due to severe storms and flooding (uMshwathi Local Municipality, 2012). A District Strategy is required to identify new threats and opportunities created by changing climate. This was confirmed by Mkhize (2013) at the inaugural meeting of the KwaZulu-Natal Climate Change Council, attended by the private sector, non-governmental organizations, civil society and other significant stakeholders.

Within the tranquil setting illustrated, with predominantly agricultural land and conservation areas, the threats of climate change and the importance of food security, and the encroachment of land by real estate development and the DubeTradeport Aerotropolis (Mkhize, 2013), a comprehensive land audit is essential. Political will, the “area’s capacity) in local and regional development is required to build on the locational factors of the area, the “area’s resources) in the equation: local and regional development =  $c \times r$ , (Blakely and Leigh, 2010). This locality can be branded leading to a “destination effect” (Rivett-Carnac, 2009). Extended public work programmes could maintain the beauty of the area and simultaneously create much needed jobs. The Karkloof Spa, a 7 star establishment, has been described as one of KZN’s best kept secrets attracting a calibre of tourist that can freely spend money (personal communication with the CEO of the local Chamber of Trade and Industry, 30 August 2010). The building of retirement villages rather than life style estates could be an attractive strategy as this would lead to supplier development, create sustainable jobs in the service industry and contribute to the rates base, whilst preserving nature and place (metaphor 4 of Bingham and Mier, 1993) and contributing to research objective 2, the promotion of LED strategies in uMshwathi to use local resources and skills to best advantage so as to maximize opportunities for development. Thus land choices must be considered carefully and this raises many questions in respect of the uMshwathi City, a mixed urban infrastructure node development in the Albert Falls area (see section 5.4), moreover as the Albert Falls Dam is recognized as being one of the best bass fishing venues in the world.

### **5.2.2 Political Milieu, Traditional Authority and Related Land Issues**

The Province of KwaZulu-Natal (KZN), with a population of nine million people, is the second most densely populated province in South Africa and comprises 21% of the national population. It has the country's biggest and most homogenous population of any single province in South Africa, almost 85% of which is African, of which about 80% Zulu. According to Todaro and Smith (2006), rural development in South Africa is influenced more by past segregationist policies and political experiences than rural urban market economies.

KZN suffered years of hostility and political competition climaxing in a decade of violence from the mid-1980s in the townships of Durban, spreading up the peri-urban corridor to Pietermaritzburg (Msunduzi), to deep rural areas across KwaZulu-Natal leaving few places untouched (Beall and Ngonyama, 2009). During the 1985 to 1990 state of emergency, government repression increased and both the police and the army were deployed in the townships. Amakhosi and their izinduna summonsed people under their jurisdiction in traditional authority areas and in migrant workers' hostels in Durban. 20 000 lives were lost across the province and 100 000 people were displaced from their homes during that period (Jeffrey, 1997, cited in Beall and Ngonyama, 2009). More recent estimates revealed that between 200 000 and 500 000 refugees fled political conflict in KZN in the period 1984 to 1994 (Mariño, 1994, cited in Beall and Ngonyama, 2009). In comparison, more people died in KZN in a decade of conflict than in 20 years of fighting in Northern Ireland (Beall and Ngonyama, 2009). Mkhize (2013) recently referred to the resurgence of politically related conflict between and within political parties.

At the meta level, understanding the legacy of these events is important in explaining the innumerable development challenges still facing the Province. "Political killings in KwaZulu-Natal (KZN) continue: 40 politicians have been killed in that province alone since 2010" (The Economist, 2012:1). One of the reasons advanced for these events is that ward councillors are also a channel for development projects in the area and that they can influence the awarding of government contracts. The potential upside, earnings from bribes or secret deals, is high (The Economist, 2012). Research by Suckling (2005) revealed that psychological factors were the most important of eight nominated factors influencing new venture creation in KZN. Suckling (2005:274) states that: "The majority of the potential

KZN entrepreneurs are not psychologically prepared to break out of the mindset of cultural tradition and historical disadvantage”.

A significant outcome of this turbulent period was the Ingonyama Trust Act (Act 3 of 1994), signed on 25 April 1994, the eve of the historic election, which placed all communal land that was under the KwaZulu Legislature into a trust under the stewardship of the king. King Goodwill Zwelithini became the sole trustee of some 2.8 million hectares of former tribal land in the KZN province, 30% of the Province of KZN (Ingonyama Trust Board, 2011), which could only be accessed, allocated or alienated by amakhosi and isinduna with his blessing (Beall and Ngonyama, 2009). The Province of KwaZulu-Natal has always been proud of its institutions of traditional leadership (Mkhize, 2011) as demonstrated by improved relationships between Municipalities and Traditional Councils throughout the province. There are 11 Local Houses of Traditional Leadership and 267 elected Traditional Councils (with stipends and attendance allowances).

The Premier (Mkhize, 2011), stated that he would work with the Ingonyama Trust and Traditional Councils, to promote access to development opportunities in communal areas, for agricultural, commercial or industrial purposes. A change process in the locality leads to transformation in the systems “local economy” producers, companies and service providers; a functioning LED process in the local economy leads to a change in its level of competitiveness, its place in the markets and eventually its sectoral structure (Meyer-Stamer, 2008). This would address all the research objectives and specifically the development in uMshwathi of diverse economic initiatives in an all-inclusive approach to local development, prioritizing job creation and poverty alleviation. Premier Mkhize followed up the 2011 Ingonyama discourse at the KZN State of the Province Address on 21/02/2012:

“However, very few traditional leaders were able to identify and release a stretch of 100 ha of land as requested by ‘Isilo’ (Zulu for King). This matter needs to be pursued further in cooperation with Ingonyama Trust Board” (Mkhize, 2012).

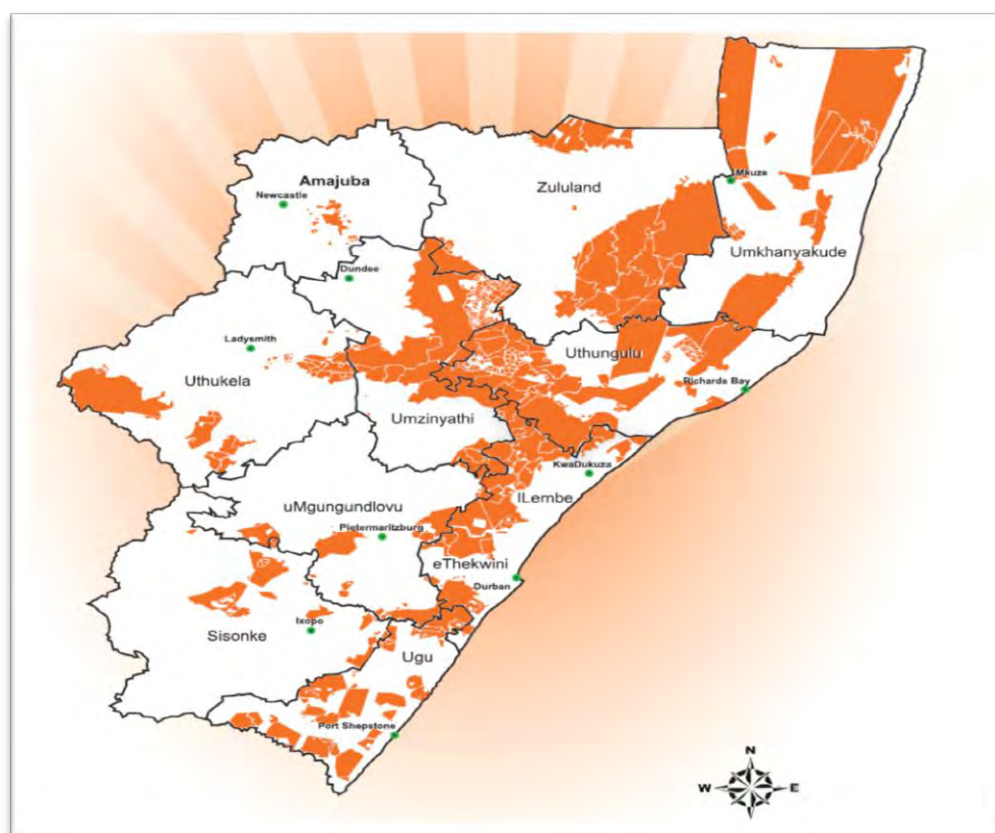
Consistent with Map 5.3 and Table 5.2 it can be demonstrated that the Ingonyama Trust Board (ITB), a schedule 3A Public Entity, reporting to the National Minister for Rural Development and Land Reform as Executive Authority, owns 2 542 161ha. It is a property management entity, the largest property owner in KwaZulu-Natal, responsible for the

administration of 1 600 titles on their land. In the region of 4 558 698 people live on Trust land, 267 elected Traditional Councils have jurisdiction on Trust land, with a total of some 300 traditional leaders (Ingonyama Trust Board, 2011). There are numerous Traditional Authority areas within the boundaries of the uMgungundlovu District (UDM). These areas amount to 102 800ha which, equates to 11,5% of the total area ( Table 5.3 and Map 5.3).

**Table 5.2** Traditional Communal Land Distribution per District Municipality

District Municipality (DM)	% Municipal area owned by ITB(ha)	ITB Extent (ha)	Total Area per DM (ha)
Amajuba	2,74%	18 971	691 186
<b>eThekweni Metro</b>	<b>34,86%</b>	<b>79 913</b>	<b>229 132</b>
Ilembe	56,48%	191 913	326 930
Sisonke	7,31%	68 677	1 103 520
Ugu	37,88%	191 183	504 757
uMgungundlovu	7,63%	68 883	903 141
Umkhanyakude	35,11%	486 724	1 386 147
Umzinyathi	40,11%	344 497	858 965
Uthukela	15,11%	171 196	1 133 120
Uthungulu	55,25%	453 840	821 420
Zululand	31,51%	466 364	1 479 978
Total Area		2 542 161	9 438 296

Source: Adapted from Ingonyama Trust Board, 2011.



**Map 5.3** KwaZulu-Natal: Ingonyama Trust Board Land per District Municipality

Source: Adapted from Ingonyama Trust Board, 2011.

**Table 5.3** Traditional Authority Areas per Local Municipality in uMgungundlovu District Municipality

<b>Name of Municipality</b>	<b>Area (ha)</b>	<b>TA Area (ha)</b>	<b>% of Municipality</b>
uMshwathi	181 800	25 800	14,2
uMgeni	156 700	0	0,0
Mooi Mpofana	165 200	0	0,0
Impendle	94 900	17 100	18,0
Msunduzi	63 400	23 100	36,4
Mkhambathini	91 500	23 300	25,5
Richmond	123 100	13 500	11,0
KZDMA22	16 800	0	0,0
Total	893 400	102 800	11,5

Source: Adapted from uMgungundlovu District Municipality, 2007.

Approximately 14% of uMshwathi Local Municipality is under Traditional Authority and only two local municipalities within the district, uMgeni and Mooi Mpofana, have no Traditional Authority areas within their boundaries. There would appear to be discrepancies in the figures reported by the Ingonyama Trust Board and the UDM Spatial Development Framework (SDF). Cadastral information for verification purposes was not available. From a spatial perspective, the needs and requirements of the Traditional Authority areas require specific attention in the Local Municipal SDF's to facilitate their integration into the mainstream economy (uMgungundlovu District Municipality, 2007).

According to Mkhize (2013) a close working relationship has been established between the Ingonyama Trust and the KZN Provincial Planning Commission. Negotiations are in progress in respect of the approximately 3.3 million hectares of land held in communal ownership to ensure its protection, without obstructing access to this land for economic development purposes, nor prevent the current occupants of the land to gain full benefit from this asset (Ingonyama Trust Board, 2011). In this regard the development of diverse economic initiatives could address all the research objectives by bringing about change in the systems –local economy”. Sale of land by the Ingonyama Trust Board is limited as this could have the effect of diminishing the area of land in Black ownership and leases are usually entered into. A two year short term lease for up to two years enables prospective developers to obtain planning and environmental consents and to secure finance for the development. Subsequently a lease for up to forty years, with an option to renew for a further forty years, may be granted. Shorter term leases are granted for agricultural uses and for short to medium term developments. Ownership of land thus remains with the Trust. Public infrastructure on the land is registered by a deed of servitude (Ingonyama Trust Board, 2011).

A land audit undertaken by Kwanulu (KwaZulu-Natal Agricultural Union) in September 2012 was based on the information relating to 53 000 agricultural properties submitted by 52 farmer associations. Results show that, of the 9,2 million hectares comprising the KZN Province, 48,59% is black-owned (this includes state land, land held by trusts and the Ingonyama Trust); 15,61% is white-owned, while the ownership of 35,8% is unknown. Thus KZN has surpassed the renowned 30% black land ownership target set down by Government to be achieved by 2014 (Farmers Weekly, 2012).

The Ingonyama Rural Development Forum (IRD Forum), set up in 2011, is a project under the leadership of the KwaZulu-Natal Monarch, designed to support the implementation of comprehensive rural development programmes in the Province (Ingonyama Trust Board, 2013). The project, much publicized in 2013 with the move of the Ingonyama Trust Board to new premises, is composed of stakeholders in the field of rural development: an informal network of traditional leaders, research institutes, experts, the private sector and policy makers. The Executive Director of the Ingabadi Group has been appointed to manage the IRD Forum. Recent events include The Colloquium on Rural Development in KZN (13-14 June 2013) and the Rural Mining Dialogue (22-24 October 2013). The IRD Forum claims to bring together parties engaged in rural development in KZN for the formulation and implementation of strategies, that can arrest rural-urban migration in KwaZulu-Natal through the creation and expansion of economic activity by means of the participation of all groups concerned (Ingonyama Trust Board, 2013).

The IRD Forum's point of departure is that traditional institutions should drive rural development, as they are assimilated into the lives of rural residents and therefore better understood; thus traditional leaders must become instruments of change and development in their area of authority (Ingonyama Trust Board, 2013). Although the King has emphasised the need for closer cooperation in driving development in the province between traditional leaders and elected public representatives in government, it remains to be seen whether the IRD Forum is a much needed coordination body, a replication of all other government and non-government entities involved in rural development, or if it has its own parallel agenda. In 2010, The Ingonyama Trust Board had less than 10 staff members (Ingonyama Trust Board, 2011). Their ascent to date seems expeditious. Moreover the IRD Forum does not appear to have been revealed in Provincial documents and in the Ingonyama Trust Boards' (ITB) position of a schedule 3A Public Entity, appears to be assuming an unusually high profile.

The IRD Forum does address food insecurity in KwaZulu-Natal, particularly in assisting rural women to have access to land and markets. A plan commissioned by the KZN Department of Economic Development and Tourism as far back as 2004, showcased and enhanced the principles of low external input sustainable agricultural (LEISA) practices as low cost and ecologically positive in the development of small scale farmers in the production of organically grown traditional and niche crops, thereby promoting food security and local economic development within rural areas, while coexisting with commercial farmers (Gori and Associates, 2004). According to Gori and Associates (2004), minimal pristine land is available for immediate use for organic production. In South Africa land used by rural communities on predominantly traditional authority areas is unpolluted and therefore ideal for organic farming, as it can take up to seven years to restore conventional farmland for organic production. Moreover, there exists the potential to maintain a traditional farming lifestyle, with the added advantages of accessibility to complex infrastructure, experienced mentors, and progressive production and marketing support services (Gori and Associates, 2004), thereby enhancing the locational advantage whilst meeting all the research objectives especially objective 2, to use local resources and skills so as to maximize opportunities for development. The detailed business plan for the “Development of Organic Small Grower Groups” (SGG), which still appears contemporary, plans to roll out a major development programme for organic SGGs in KwaZulu-Natal, where clusters and corridors and cooperatives, the mainstay of local economic development, would play an important factor together with value chains, and the story may well be recounted of the Province of KwaZulu-Natal being placed on the map for organic products.

The business plan cited above may be one of many. The IRD Forum claims that the KZN Province does not possess stored and managed data on rural development and that pragmatic implementation of a rural development programme should be based on comprehensive research. Thus research conducted in terms of the programme will lead to knowledge-based information, assist in capacity building and result in the development of a knowledge management and communications programme serving to promote and disseminate information (Ingonyama Trust Board, 2013). Following personal communication with Mr Gori (4 October 2012), it appears that government at national and provincial level do not support organic farming and have invested in the so-called “Green Revolution”, using fertilizers, pesticides and GMO seeds. Furthermore Mr Gori claims that



the Agrizone at the Dube TradePort relies on heavy subsidies and that the Agricultural Management Unit (AMU) at eThekweni Municipality has embraced organic farming. According to Mkhize (2013), the Rural Development Summit of 23 - 24 July 2013, would discuss the fate of 108 960 hectares of land handed back to claimants, currently unproductive, and how this situation can be reversed to ensure agricultural output.

Organic products are desired globally as people become increasingly aware of healthy lifestyle and diet. Furthermore low input costs and the environmental qualities of organic farming and permaculture are recognized as a primary example of sustainable development. According to the International Federation of Organic Agriculture Movements (IFOAM), organic agriculture is based on four fundamental principles: the principle of health, where the health of individuals and communities cannot be separated from the environment; the principle of ecology, where organic agriculture is based on living ecological systems and cycles, works with, imitates and helps sustain them; the principle of fairness, ensures integrity in respect of the common environment and life opportunities, and the principle of care, where organic agriculture is managed responsibly to protect the well-being of current and future generations and the environment (Department of Agriculture, Forestry and Fisheries (DAFF), 2011a).

Soil management is central to the organic farming system in a manner which optimises soil health through monitoring and control of inorganic and organic soil factors to enhance biological processes that improve plant health. Crop combinations and rotations improve the plant's competitive ability, creating a favourable environment for the presence of natural predators of crop pests (Institute of Natural Resources, 2008).

To date, South Africa does not have an organic standard. The 2008 study "To develop a value chain strategy for sustainable development and growth of organic agriculture" was commissioned by FRIDGE (Fund for Research into Industrial Development, Growth and Equity supported by the dti) (Institute of Natural Resources, 2008). The status quo reflected in the South African market include: fragmentation of the sector; inspection and certification challenges; unsatisfactory information and knowledge on organic farming; production and market access challenges and ambiguous claims leading to negative perceptions (DAFF, 2011a). The Department of Agriculture, Forestry and Fisheries (DAFF) states that a policy is required on organic production: for the protection of consumers from unfair practices; in order to document environmental benefits and health

benefits; climate change is addressed by organic production; social justice ensures that consumers have freedom of choice; and economic benefits and capital retention can ensue (DAFF, 2011a). The IPAP 2013/14-2015/16 has yet again endorsed the organic agricultural sector for development (Department of Trade and Industries, 2013).

Large numbers of South Africans can benefit from eating more nutritious organic food which will also reduce costs on the proposed national healthcare system, while food security will be ensured for many small growers. Retailers, wholesalers and specialist shops have recognised the growth in the organics market, and e.g. Woolworths and Pick-n-Pay source organic produce from suppliers although choice appears limited and is often in short supply. Franchisees in rural areas appear to source appropriate products from local residents with options ranging from contractual arrangements to spot market strategies (Louw, Jordaan, Ndanga, and Kirsten, 2008). Fresh produce and other markets and box sales appear to be popular, providing variety and certainty of products. Turmoil in neighbouring states and aversion to genetically modified products by many African states provide for an ulterior ready market in the region.

According to the European Commission for Agriculture and Rural Development (2010) there is evidence that the growth of demand for organic products in the European Union (EU) outpaces the growth of supply by the organic agri-food sector and imports from third countries represent a significant part of locally consumed organic products in most Member States. Growth in the sector can be attributed to: support provided to the sector, market developments and a facilitating environment, including extension services, vocational training and agronomic research. Predominantly younger persons are organic farmers in the EU. Oilseeds such as sunflower, rapeseed (canola) and soybean are well represented. Dried pulses (protein crops) have an important rotational value in the organic production systems, and the use of own cultivated protein crops for organic animal feed ensures the traceability of protein feed ingredients (European Commission for Agriculture and Rural Development, 2010).

Fruit and vegetables are the most important category of organic food products purchased by consumers in the EU and thus a willing market awaits South African products. Consumer awareness on the subject of organic products counts among critical factors for the development of the market; however, the overarching constraint to market growth is the purchasing power of consumers. Overall demand exceeds supply and this contributes to

maintain organic price premiums, which account for the profitability of the sector given lower yields and is consequently favourable to the development of the organic sector (European Commission for Agriculture and Rural Development, 2010). Anecdotal reading suggests that similar trends can be observed in South Africa and developments in this sector would embrace entirely the seven metaphors of local economic development of Bingham and Mier (1993).

### 5.2.3 Demographics, Social Assistance and Basic Service Delivery

uMshwathi Municipality's people are its most strategic asset as stated in their IDP of 2010 and 2012. uMshwathi Local Municipality is the most populous after Msunduzi (Table 5.4). The population of 106 374 as per Census 2011 (StatsSA, 2012), living in 23 732 households constitute approximately 11% of the total of the 1 017 763 people living in the uMgungundlovu District Municipality (UDM). A 5,9% reduction in the population count of 113 054 as per the 2007 StatsSA Community Survey confirms a manifest migration of residents to other cities and municipalities in search of greater employment possibilities and more favourable prospects. To reverse this effect, significant measures and new opportunities are required to enhance the Municipality's comparative advantage otherwise this outward migration will persist. During the next two decades continued rural-urban migration will lead to the outcome that the majority of poor households are likely to be in urban areas, mainly in informal settlements (National Planning Commission (NPC), 2012).

**Table 5.4** Population Distribution UDM Municipalities and Percentage Change

Municipality	Population				Growth Rate 1996/2001	Growth Rate 2001/2011	Growth Rate 2007/2011
	Census 1996	Census 2001	Census 2007	Census 2011			
C22: uMgungundlovu (UDM)	881,674	932,121	992,524	1,017,763	1.1	0.9	0.5
<b>KZN221: uMshwathi</b>	<b>114,924</b>	<b>108,422</b>	<b>113,054</b>	<b>106,374</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-1.2</b>
KZN222: uMngeni	69,742	73,896	84,781	92,710	1.2	2.3	1.8
KZN223: Mpofana	25,512	36,832	31,530	38,103	7.3	0.3	3.8
KZN224: Impendle	39,957	37,844	43,087	33,105	-1.1	-1.3	-5.3
KZN225: The Msunduzi	524,266	552,837	616,730	618,536	1.1	1.1	0.1
KZN226: Mkhambathini	45,174	59,067	46,570	63,142	5.4	0.7	6.1
KZN227: Richmond	62,099	63,223	56,772	65,793	0.4	0.4	2.9

Source: Adapted from uMshwathi Local Municipality, 2013a.

It is important to keep rural areas attractive, retain agriculture as the core of rural development, and provide the infrastructural and other support needed for its revival (NPC, 2012). According to Mkhize (2013:20): "We must bring development to rural areas to stabilize them".

**Table 5.5** Distribution of Population by Age and Gender, uMshwathi Local Municipality 1996, 2001 and 2011

KZN221: uMshwathi	1996			2001			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0 - 4	6 291	6 404	12 695	6 065	5 813	11 877	6 424	6 160	12 584
5 - 9	7 093	6 919	14 012	6 815	6 761	13 576	5 582	5 464	11 047
10 - 14	6 906	7 324	14 230	6 950	6 855	13 805	5 769	5 482	11 251
15 - 19	6 395	7 048	13 443	6 208	6 667	12 875	6 101	6 150	12 251
20 - 24	5 324	6 477	11 801	4 903	5 294	10 197	5 360	5 478	10 838
25 - 29	4 118	4 846	8 964	4 114	4 497	8 611	4 508	4 641	9 149
30 - 34	3 193	4 206	7 399	3 146	3 602	6 747	3 444	3 582	7 026
35 - 39	2 983	3 566	6 548	2 822	3 475	6 297	2 971	3 218	6 189
40 - 44	2 297	2 814	5 110	2 364	2 961	5 325	2 160	2 657	4 817
45 - 49	2 017	2 494	4 511	1 921	2 414	4 335	2 031	2 758	4 789
50 - 54	1 443	1 737	3 180	1 775	2 206	3 982	1 714	2 478	4 192
55 - 59	1 267	1 750	3 017	1 148	1 584	2 733	1 487	2 033	3 520
60 - 64	931	1 688	2 619	999	1 629	2 627	1 243	1 955	3 198
65 - 69	809	1 545	2 354	584	1 207	1 791	689	1 192	1 880
70 - 74	559	903	1 462	470	1 143	1 614	475	983	1 458
75 - 79	370	747	1 117	269	677	946	223	703	926
80 - 84	150	288	4 38	171	542	712	163	518	681
80 +	116	216	3 32	84	289	372	139	438	577
<b>Total</b>	<b>52 260</b>	<b>60 970</b>	<b>113 229</b>	<b>50 808</b>	<b>57 614</b>	<b>108 422</b>	<b>50 484</b>	<b>55 890</b>	<b>106 374</b>

Source: Adapted from uMshwathi Local Municipality, 2013a.

At the micro level more than 10% of the residents of uMshwathi are under the age of 4 years (Table 5.5). This statistic may be indicative of teenage pregnancy. The number of children in the 5-9 year age group and the 10-14 year age group has decreased. The resident population is young, as almost two thirds of the residents are under 35 years of age, while 23 600 children under 9 years of age live in uMshwathi. Approximately 29,2% of the South African population is younger than 15 years of age and in the region of 22% (3,42 million) live in KwaZulu-Natal (StatsSA, 2013). The youthfulness of the uMshwathi population contributes to a high unemployment rate. Further detailed investigation is required in this area and strategic long term goals set, with reference to educational facilities including further education and training colleges, creation of employment for the unemployed and for new entrants into the labour market, and services to cater for an increased number of aged persons with due reference to the dependency ratio discussed next. Women residents over the age of 50 figure more prominently than men. This could be attributed to migrant workers or the ravages of HIV/AIDS. The numbers of residents aged between 50 and 65 have increased and this may be as a result of persons who have come back to their traditional home to look after orphaned children or elderly family. These persons are likely recipients of government social assistance grants and would appear to have an ostensibly reduced cost of living in uMshwathi as opposed to the city.

The great majority of the uMshwathi population is Black, 101 172 residents of the total number of 106 119 (Table 5.6) due to the fact that 11,5% of the uMgungundlovu District Municipality is Tribal Authority Area. Table 5.6 shows that women headed households are common and whose livelihood may depend on or be supplemented by agricultural activities. Organizations such as Zimele, the Association for Rural Advancement (AFRA) and the Rural Women's Movement can play an important role in assisting women to become self-reliant thereby strengthening the social capital of the community.

**Table 5.6** Population Distribution Race and Gender, uMshwathi, Census 2011

Population Group	Number of People – Census 2011		
	Male	Female	Total
Black	47 833	53 339	101 172
Coloured	139	123	262
Indian/Asian	896	926	1 823
White	1 450	1 412	2 862
TOTAL	50 318	55 800	106 119

Source: Adapted from uMshwathi Local Municipality, 2013a.

The population in uMshwathi is predominantly rural – 81% of households live in rural areas. 51% of people in uMgungundlovu live in poverty, while in uMshwathi, it is estimated to be as high as 71% (Urban Econ, 2009). The high rate of unemployment confirms that the use of local skills is not maximised to best advantage (research objective 2) and that there is urgent need for appropriate LED strategies to reverse this situation. Poverty is not just a concept – poverty exists and the poor have a name. Nelson Mandela in his 1994 Inauguration Speech stated: “Let there be work, bread, water and salt for all” (Nelson Mandela's Inaugural Address, 1994) and almost 20 years into the New South Africa, South Africans’ expectations still run high.

The dependency ratio (Table 5.7) informs how many young people (under 14) and older people (over 65) depend on people of working age (15 to 64 years).

$$\text{The dependency ratio} = \frac{(\% \text{under } 14) + (\% \text{over } 65)}{\% \text{between } 15 \text{ and } 64} \times 100$$

A high dependency ratio indicates that there are more people who are not of working age, and fewer who are working and paying taxes. Therefore the higher the number, the more people who need looking after. Table 5.7 demonstrates that the dependency ratio in uMshwathi is relatively high but has decreased over the period 1996 – 2011, from 70 to 61,2.

**Table 5.7** Dependency Ratio by Municipality (UDM) 1996, 2001 and 2011

Municipality	Population Aged 14 Years And Younger			Population Aged 65 Years And Older			Population Aged Between 15 And 64 Years			Dependency Ratio		
	1996	2001	2011	1996	2001	2011	1996	2001	2011	1996	2001	2011
uMgungundlovu	275 097	290 688	288 104	42 372	47 003	54 098	551 830	594 430	675 561	57.5	56.8	50.7
uMshwathi	40 936	39 258	34 881	5 702	5 436	5 523	66 592	63 728	65 970	70.0	70.1	61.2
uMngeni	18 403	19 662	22 567	4 353	5 022	7 676	45 018	49 212	62 467	50.5	50.2	48.4
Mpofana	8 546	11 478	11 493	1 052	1 558	1 587	15 471	23 796	25 024	62.0	54.8	52.3
Impendle	16 644	15 645	12 479	2 238	2 501	2 144	20 752	19 698	18 482	91.0	92.1	79.1
The Msunduzi	153 234	161 380	164 614	24 031	26 458	30 986	341 375	365 000	422 936	51.9	51.5	46.2
Mkhambathini	15 913	21 368	20 007	1 967	2 808	3 051	26 126	34 892	40 074	66.4	69.3	57.6
Richmond	21 420	21 897	22 062	3 029	3 221	3 122	36 497	38 105	40 609	67.0	65.9	62.0

Source: Adapted from uMshwathi Local Municipality, 2013a.

This decrease in the dependency ratio could be attributed to the decline in the number of children under the age of 14, resident in uMshwathi, from 40 936 in 1996 to 34 881 in 2011, with the greatest decline evident in the age group 5 – 14 (Table 5.7). This drop in numbers could reflect an exodus from the rural area to urban areas by young adults or families with young children. This may be as a result of the toll of HIV and AIDS on children. It may point to evidence of a declining birth rate in uMshwathi. Further in-depth investigation for long term planning is required in this regard.

**Table 5.8** Education Statistics by Age and Gender, uMshwathi Local Municipality 1996, 2001 and 2011

KZN221: uMshwathi	1996			2001			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
No schooling	7 012	11 102	18 115	6 001	10 408	16 408	5 765	3 432	9 198
Some primary	5 376	7 723	13 099	6 161	7 951	14 112	7 197	4 961	12 158
Complete primary	1 852	2 300	4 151	1 918	1 909	3 887	1 820	1 503	3 323
Some secondary	6 927	7 527	14 454	7 025	7 174	14 199	9 599	9 038	18 636
Std 10 Grade 12	2 507	2 776	5 283	2 794	3 026	5 820	6 502	6 099	12 601
Higher	655	636	1 291	871	992	1 863	1 528	1 140	2 668
Total	24 328	32 065	56 393	24 769	31 520	56 288	32 412	26 173	58 584

Source: Adapted from uMshwathi Local Municipality, 2013a.

The number of matric qualifications has more than doubled from 1996 to 2011, while the number of people with no schooling has declined during this period (Table 5.8). More than 40 000 people of the total of 58 584 interviewed do not have a matric qualification. The statistics appear to reflect the well-known dropout rate of scholars who do not complete formal schooling. Functional literacy appears to be low which adds to the high unemployment rate and poses a threat to the development and sustainability of the local economy, compounded by the dependence on primary agriculture for employment (uMshwathi Local Municipality, 2013a). Lewis' classical dual-economy model explains rural-urban migration by increased productivity in the agricultural sector, leading to decreased demand for agricultural workers, who subsequently migrate to non-agricultural

sectors. Conversely weak agricultural development can also act as a push factor for rural-urban migration by failing to provide sufficient employment for increasing number of workers, as well as if the agricultural sector fails to provide satisfactory incomes ((Todaro and Smith, 2011).

Efforts to meet economic objectives must include explicit programmes to expand human capability, enhance the lives and sense of opportunity for individuals, and build up the broader business environment (Porter, 2003). The education and training sector in the uMgungundlovu District Municipality (UDM), with many and varied academic institutions, forms an important part of the local economy. It is thus well resourced to meet the demands for instruction, thereby contributing to the realization of research objectives 1, 2, 3 and 4 in uMshwathi, by up-skilling people and thereby opening new opportunities, being placed in a position to be able to respond to changing circumstances, building up the local community of uMshwathi and thus alleviating poverty. This further embodies metaphors 1, 5 and 7 (Bingham and Mier, 1993), where economic development is viewed as problem solving, can release human potential and be a pursuit for social justice.

A sum of 29 015 residents of uMshwathi's population of 106 374 are beneficiaries of state pensions (Table 5.9). This reflects the general trend in the country. Disability grants exceed the number of old age pensions paid out. Child support grants of Rand 290,00 are awarded in respect of children under 18 if the single person primary care giver earns less than R34 800 per year, and in the case of a married couple, the combined income should not be above R 69 600 per year.

**Table 5.9 SASSA uMshwathi Budget 2009/2010**

<b>Grant Type</b>	<b>Active Beneficiaries</b>	<b>Value Per Month (Rands)</b>
Old Age Pension	<b>4 701</b>	4 512 960.00
Disability Grant	5 636	5 410 560.00
Foster Care Grant	1 023	664 950.00
Care Dependency Grant	313	300 480.00
Combination grant	30	48 300.00
Child Support Grant	17 312	3 981 760.00
<b>TOTAL</b>	<b>29 015</b>	<b>14 919 010.00</b>

Source: Adapted from uMshwathi Local Municipality, 2009.

Table 5.10 records grant payouts in KZN at 31 March 2012, as 3 802 326 recipients of the total KZN population of 10 800 000.

**Table 5.10** Social assistance grants recipients in KZN province at 31 March 2012

Grant Type	Kwazulu-Natal
Old age	573 040
War Veteran	109
Disability Grant	325 459
Permanent disability	244 738
Temporary disability	80 721
Grant-in-aid	28 077
Foster Child Grant	142 114
Child Dependency Grant	34 969
Child Support Grant	2 726 635
Total 2006/07	2 931 722
Total 2007/08	3 119 502
Total 2008/09	3 302 953
Total 2009/10	3 515 750
Total 2010/11	3 684 894
Total 2011/12	3 802 326

Source: Adapted from Statistics South Africa, 2013.

The OECD (2010:28) states that “social protection programmes can be affordable and offer good value for money” as short-term coping strategies are linked with longer-term growth and poverty reduction and mutually reinforcing outcomes. Table 5.11 records that social assistance grants recipients in KZN are the highest in South Africa. The previous table documents that 2 726 635 persons receive a Child Support Grant which is indicative of the poverty levels in the province. Furthermore the number of grant recipients has increased by over 800 000 (almost 30%) in the six year period. While it is acknowledged that no proper conclusions can be drawn on the basis of this limited information, the increase in the number of grant recipients in KZN and associated costs is clearly unsustainable.

**Table 5.11** Social assistance grants recipients per province for the period 2010/2011\* and 2011/2012\*\* at 31 March 2012

	E Cape	Free State	Gauteng	KZN	Limpopo	Mpumalanga	NW	N Cape	W Cape
*	2 578 175	889 945	1 824 485	<b>3 684 894</b>	2 155 739	1 095 593	1 117 992	383 581	1 147 015
**	2 655 831	927 143	1 947 105	<b>3 802 326</b>	2 032 310	1 351 097	1 171 874	400 847	1 240 679

Source: Adapted from Statistics South Africa, 2013.

World Bank indicators for 2009 record the Gini coefficient for South Africa as 0,631 (World Bank, 2012). The Gini coefficient measures the extent to which income distribution or consumption expenses among individuals or households in the country deviates from a perfectly equal distribution. Thus a Gini coefficient of 0 represents perfect equality, while a coefficient of 1 implies perfect inequality. The South African Gini



coefficient is evidence of a high rate of inequality, one of the highest in the world, and commonly alluded to by politicians with the accompanying words of unemployment, poverty and inequality.

According to Porter (2003) extreme income inequality results in economic inefficiency. The higher the inequality, the fewer the number of persons who qualify for credit, are able to educate their children or start or expand a business. The overall rate of saving in the economy tends to be lower, leading to the inefficient allocation of assets. Placing an overemphasis on higher education at the expense of quality universal education leads to further income inequality (Porter, 2003).

The uMgungundlovu District Municipality has been identified for the development of a pilot project for the proposed South African National Health Insurance Scheme. Here systems will be developed that can form a platform for the implementation of National Health Insurance (NHI) at uMgungundlovu Health District in order to ensure universal health coverage for the population residing within Kwazulu-Natal and South Africa (Department of Health, 2012). uMshwathi Municipality has five Clinics within its jurisdiction, and since 2012 the Crammond Clinic is managed by the Provincial Department of Health. The pilot project will contribute to the improvement of the health of local residents to enable them to be proactive members of their society.

Poverty, unemployment, HIV/AIDS and other diseases, are regarded as the main socio-economic challenges that the municipality needs to address in the short, medium and long term and the objective is to mainstream and integrate these issues within the main development agenda of the municipality and to address them holistically (uMshwathi Local Municipality, 2013a). uMshwathi Municipality's cross-cutting development priorities, according to the Draft Integrated Development Plan 2013/2014, are a repeat of concerns raised in numerous preceding IDP's and bear out the daunting task still facing the Municipality These include: the creation of jobs and the alleviation of poverty; the construction of a Thusong Centre to house essential government services close to the people; water and sanitation, roads, housing development, electricity and energy provision; the high incidence of HIV/AIDS; crime prevention; the establishment of a skills development centre; uMshwathi Municipality's slums clearance projects; Youth Development and Women Empowerment Programmes; rural development and offices for ward councillors (uMshwathi Local Municipality, 2013a).

According to the Institute of Natural Resources (2010) the situation in respect of the level at which services are provided is disquieting. The municipality lacks an effective data management system to maintain records regarding the location and layout of services which impedes effective planning. The available information indicates a backlog in the supply of most services to required levels. The management of data relating to services infrastructure is poor and there may be services provided, but as these are not documented they cannot be corroborated. The poor level of certain services impacts on the health of the people and on the state of the natural environment with resulting long term consequences.

The uMshwathi Local Municipality IDP 2009/2010 uses the 2001 and 2007 household basic services comparisons (uMshwathi Local Municipality, 2009). These categories of statistics are not recorded in the 2013/2014 Draft IDP which uses a newer reporting format (uMshwathi Local Municipality, 2013a). Thus the figures are presented so as to trace the progress of residents and of the uMshwathi Local Municipality over that time period. All data presented in Section 5.2.3 is derived from Census 2011 statistics. Table 5.12 identifies the backlog of sanitation services as the second most significant challenge to water supply. Approximately 52% of the total households in the uMshwathi Municipal areas used pit latrines with no ventilation, whilst 5% had no toilet facilities at all according to 2007 Community Survey Data (Table 5.12). The backlog in water supply according to Census 2001 data confirms that about 46% of households sourced their water from standpipes (some 200 meters away), boreholes, springs, rainwater tanks, dams/pool/stagnant water, rivers/streams and water vendors. The present situation is still unacceptable especially in rural areas. The current electrification rate is 74%.

The basic service delivery issues faced by uMshwathi residents in terms of water, sanitation, and refuse removal, mirror the situation in many other municipalities across South Africa and in recent times have been the object of much publicized protests. The provision of these services as well as that of electricity and housing, by third parties, is rendered more difficult by the rural nature of many towns including uMshwathi. The Province has a complementary role to play in the provision of targets described as “other”, for example education, health and roads.

**Table 5.12 Household Basic Services Comparisons (2001 and 2007)**

<b>Percentage Distribution of Households by Type of Main Dwelling</b>	<b>Census 2001</b>	<b>Community Survey 2007</b>
House or brick structure on a separate stand or yard	43,9	48,7
Traditional dwelling/hut/structure made of traditional materials	42,1	36,7
Flat in block of flats		
Town/cluster/semi-detached house (simplex: duplex: triplex)	3,1	2,7
House/flat/room in back yard	0,5	-
Informal dwelling/shack	4,6	0,7
In back yard		
NOT in back yard e.g. in an informal/squatter settlement	2,8	0,5
Room/flat not in back yard on a shared property	2,0	1,1
Caravan or tent	0,5	-
Private ship/boat	0,3	-
Workers' hostel (bed/room)	-	-
Other	-	1,4
Total	100,0	100,0
<b>Percentage distribution of households by tenure status</b>	<b>Census 2001</b>	<b>CS 2007</b>
Owned and fully paid off	34,4	22,4
Owned but not paid off	8,6	2,9
Rented	9,6	12,5
Occupied rent- free	47,4	59,2
Total	100,0	100,0
<b>Percentage distribution of households by type of water source</b>	<b>Census 2001</b>	<b>CS 2007</b>
Piped water		
Inside the dwelling	14	17
Inside the yard	32	43
From access point outside the yard	18	9
Borehole	1	5
Spring	4	3
Dam/Pool	2	0
River/stream	22	19
Water vendor	0	1
Rainwater tank	1	0
Other	3	0
Total	100,0	100,0
<b>Percentage distribution of households by toilet facilities</b>	<b>Census 2001</b>	<b>CS 2007</b>
Flush toilet (connected to sewerage system)	13,5	12,5
Flush toilet (with septic tank)	6,4	7,7
Dry toilet facility	-	17,7
Chemical toilet	4,4	17,3
Pit latrine with ventilation (VIP)	7,7	39,4
Pit latrine without ventilation	51,8	-
Bucket latrine	2,3	0,4
None	13,8	5,0
Total	100,0	100,0

<b>Percentage distribution of households by type of energy used for lighting</b>	<b>Census 2001</b>	<b>CS 2007</b>
Electricity	53	64,3
Gas	0	-
Paraffin	0	3,7
Candles	44	30,4
Solar	0	0,3
Other	0	1,3
Total	100,0	100,0
<b>Percentage distribution of households by type of energy used for heating</b>	<b>Census 2001</b>	<b>CS 2007</b>
Electricity	21	30,1
Gas	1	1,2
Paraffin	6	7,3
Wood	64	60,4
Coal	2	0,5
Animal dung	0	-
Solar	0	-
Other	3	0,5
Total	100,0	100,0
<b>Percentage distribution of households by type of refuse disposal</b>	<b>Census 2001</b>	<b>CS 2007</b>
Removed by Local Authority/private company at least once a week	12,4	9,9
Less often	2,7	2,1
Communal refuse dump	1,9	2,9
Own refuse dump	66,9	81,2
No rubbish disposal	16,1	3,9
Other	-	-
Total	100,0	100,0
<b>Percentage distribution of household by type of energy/fuel used for cooking</b>	<b>Census 2001</b>	<b>CS 2007</b>
Electricity	24,9	40,3
Gas	3,4	4,3
Paraffin	11,7	16,4
Wood	57,2	38,5
Coal	0,6	-
Animal dung	0,6	-
Solar	0,4	0,2
Other	1,1	0,2
Total	100,0	100,0

Source: Adapted from uMshwathi Local Municipality, 2009.

The data reported in Tables 5.12 and 5.13 confirm that many of the minimum standard 2014 targets (Vision 2014) have not been reached and are unlikely to be reached. In fact the Municipality's priority developmental needs as per the 2013/2014 Draft IDP confirm that their targets (Table 5.13) have to date not been achieved (uMshwathi Local Municipality, 2013a). Research objective 1 and 2 focussed on the development of LED strategies in uMshwathi of diverse economic initiatives in an all-inclusive approach to

local development, using local resources and skills to maximize opportunities for development, thus prioritizing job creation and poverty alleviation. The non provision of basic services has a direct bearing on research objectives 1 and 2, in that poverty has not been substantially reduced as testified by the 47% poverty rate for the uMgungundlovu District (see Table 5.14). It is evident that the Municipality has not utilized LED strategies to make optimum use of local resources and skills so as to prioritize job creation and maximise opportunities for development.

**Table 5.13** Targets to be reached by uMshwathi Local Municipality by 2014

Sector	Minimum Standard 2014 Target
Water	All households to have access to at least clean piped water located at least within 200 m from the household.
Sanitation	All households to have access to at least a ventilated pit latrine on site.
Electricity	All households to be connected to the national grid.
Refuse removal	All households to have access to at least once-a-week refuse removal services.
Housing	All existing informal settlements to be formalised with land-use plans for economic and social facilities and with provision of permanent basic services.
Other (education, health, roads, transport, sports and recreation, street trading, parks, community halls, etc.)	Standards for access for all other social, government and economic services must be clearly defined, planned and where possible implemented by each sector working together with municipalities in the development and implementation of IDPs.

Source: Adapted from uMshwathi Local Municipality, 2011.

The indicators for uMgungundlovu District Municipality (Table 5.14) provide figures for employment (by sector) and unemployment. The loss of employment in agriculture, and the economic downturn, are reflected in soaring unemployment figures (24,2% for Africans), resulting in a high poverty rate and deprivation index. Housing backlogs in uMgungundlovu at 81 191 housing units (the second highest in KZN and 11% of the provincial backlog) further contribute to the deprivation index (Mkhize, 2012).

**Table 5.14** Indicators for the District Municipality of uMgungundlovu

uMgungundlovu DM Province KZN	Demographics	Notes	
Poverty rate	47%	<b>poverty rate:</b> proportion households with monthly income below R800 (2007)	
Deprivation index 2.4	2,4		
Number of households	217 876	<b>deprivation index:</b> a composite measure derived from demographic/ socio economic variables, including: children under five, female-headed households, household heads with no schooling classified as unemployed, traditional/informal dwellers, households without piped water in dwelling or on site, households using pit or bucket latrine or with no latrine, and households without electricity/solar power for cooking/heating/lighting. Scores from 1- 5 are given for each municipality (5 indicates highest level of deprivation)	
Population	988 839		
Male	48%		
Female	51,9%		
—Aged 0-14	30,4%		
—Aged 15-39	45,2%		
—Aged 40-64	19,5%		
Aged +65	49%		
—African	81,9%		
— Coloured	4,1%		
— Indian	7,8%		
—White	6,3%		
— Rural	49%		
— Urban	51%		
<b>Education</b>			
Matric pass rate 2008	64,5%		
Number of pupils	242 500		
Pupil-to-teacher ratio	30 - 1		
<b>Employment</b>			proportion of <b>potential workforce</b> in each race, that is people aged 15 to 64, who are employed, unemployed, or not economically active (figures for this section do not add up to 100% due to exclusion of two categories: unspecified and institutions)
African	35,1%		
Coloured	52,4%		
Indian	49,9%		
White	60,8%		
<b>Unemployment</b>			
African	24,2%		
Coloured	14,2%		
Indian	11,0%		
White	3,6%		
African NEA	35,7%	<b>NEA is the not economically active</b> population, which includes people who are not classified as employed or unemployed.	
Coloured NEA	22,3%		
Indian NEA	32,9%		
White NEA	25,6%		
<b>Employment by industry</b>			
Agriculture	9,5%		
Mining/quarrying	0,6%		
Manufacturing	12,1%		
Electricity, gas, water	0,6%		
Construction	4,3%		
Wholesale/retail trade	9,0%		
Transport/storage/ communication	2,9%		
Finance/insurance/real estate	11,5%		
Community/social/personal services	15,6%		
Private households/other	33,9%		

uMgungundlovu DM Province KZN	Demographics	Notes
<p><b>Dwelling occupied</b></p> <p>Formal Informal Traditional Hostel/other</p> <p><b>Household access levels</b></p> <p>No water No electricity No sanitation No refuse disposal No computer No internet No postal facilities No telephone No cellphone No radio/television No refrigerator</p> <p><b>Transport to work/school</b></p> <p>Public transport Car Minibus taxi Bus Train Bicycle/motorcycle On foot</p> <p><b>Social security recipients</b></p> <p>Child support grants Old age pensions</p> <p><b>Health</b></p> <p>Medical aid cover TB cure rate Male condom distribution rate HIV prevalence Proportion tested for HIV Nevirapine uptake rate (pregnant HIV+ women) Nevirapine uptake rate (newborn babies of HIV+ women) Immunisation coverage &lt;1 year Immunisation dropout rate</p> <p><b>Crime and security rates</b></p> <p>Murder Residential robbery Business robbery Rape</p>	<p>64,6% 3,8% 25,8% 5,8%</p> <p>18,8% 18,6% 32,6% 33,0% 84,2% 92,7% 60,9% 76,6% 30,6% 33,0% 33,7%</p> <p>10,0% 20,1% 16,2% 3,8% 0,4% 1,2% 58,3%</p> <p>12,4% 4,6%</p> <p>14,9% 49,7% 5,9 40,8% 67,3% 99,7% 88,7% 123,9% 8,1%</p> <p>47,4 23,3 16,4 55,9</p>	<p>proportion households not receiving service (water) from their local authority</p> <p><b>condoms distributed</b> per man (15 and older) via public health facilities by the Department of Health in a year <b>HIV prevalence</b> indicates proportion of antenatal clients tested for HIV who test positive <b>proportion of women</b> who attend antenatal care tested for HIV</p> <p>percentage of children under one year who have received immunizations</p> <p>murder/robbery/rape rates indicate the number of incidents per 100000 population</p>

Source: Adapted from South African Institute of Race Relations (SAIRR), 2010.

Table 5.14 demonstrates that 58,3% of persons travelling to work and school are pedestrians. HIV prevalence rates are recorded at 40,8% for the uMgungundlovu District Municipality. Crime and security rates are high with 47,4 murder incidents and 55,9 rape incidents per 100 000 people. Over 70% of residents have a cell phone but over 92% of residents do not have internet access (SAIRR, 2010). KZN Broadband is a pilot project for the Nationwide Broadband Network and included in the SIP 15 (Strategic Integrated Projects of the Presidential Infrastructure Coordinating Commission (SIPICC)). Mkhize (2013) stated that Sentech had completed site preparation for wireless backbone for 10 districts and confirmed the provision of internet connection to 88 schools in 2012.

The significant number of cell phone users (70%) is an invitation to the Municipality to continually keep residents informed of all and any events in the Municipality, thus exercising their leadership role as per Bingham and Mier's (1993) metaphor 6, while demonstrating that they are running the Municipality as a business, contributing to the releasing of human potential and building a growth machine (metaphors 2, 5 and 3), so confirming that their role is not just one of political expediency as per metaphor 8 (Jones et. al., 2009). Advances in information technology and social media have opened up endless opportunities for their use in LED, especially in the field of education and employment, including permitting access to information in real time and allowing for detailed research.

Tables 5.12, 5.13 and 5.14 confirm that the developmental needs and expectations of the majority of residents have not been met by the institutions at the meta level. This study patently exposes testing daily living conditions for many residents in uMshwathi and extrapolating from the many publicized service delivery protests country wide, the status quo is replicated in many areas. Thus the inconsistency of bottom up development or top down development becomes glaringly obvious. The KZN Province having calculated the great need for social workers in rural areas, mainly as a result of the adverse effect of HIV and AIDS, has worked with tertiary institutions to provide 1 000 scholarships per financial year to deserving students. On completion of their studies they will be absorbed in mostly rural areas where social workers are scarce, thereby also contributing towards the national priorities of job creation for the youth (Mkhize, 2011). Thus Provincial and National Authorities are conscious of the developmental needs of the communities as the following accounts of government and non government services testify, which can certainly contribute to all the research objectives of this study by building social capital.



Community Development Workers (CDWs) are multi-skilled public servants deployed at community level to liaise in respect of government provision of services and community access. In the role of facilitator and organiser they help communities develop and articulate needs, facilitate the set-up of community structures, assist public participation in government development projects, identify service blockages in the community and assist with problem solving in respect of identified needs and blockages by interacting with the various government structures. Whilst providing a voice for those in need, they are ideally positioned to become change agents from within. Significantly according to Meyer-Stamer (2008), systemic competitiveness without social integration is a project without prospects and the development of systemic competitiveness, is not only a modification of the macroeconomic framework but a social transformation endeavour. Bingham and Mier's (1993) seven metaphors applicable to LED, and in particular, economic development as exerting leadership, releasing human potential, running a business and building a growth machine, would result in social integration and structural change in uMshwathi.

The National Rural Youth Services Corps (NARYSEC), established in September 2010, under the national leadership of the Minister of Rural Development and Land Reform, and the provincial MEC's for Rural Development, has the aim of recruiting and equipping rural youth with the necessary skills to enable them to perform community service in their own communities. The NARYSEC is rural wards-focused and its recruitment target is four youths per 2 920 rural wards resulting in the employment of more than 10 000 youths. It is registered with the National Youth Development Agency. Applicants must be between 18 and 35 years of age, be in possession of Grade 8, reside in a rural area and be prepared to commit to the programme for a two year period (Department of Rural Development and Land Reform, 2013).

NARYSEC plays a central role in the Comprehensive Rural Development Programme (CRDP) of 2009, where rural communities must take charge of their own development based on the needs expressed by residents. Thus the youths are trained for a period of four months in household profiling, a participatory research methodology, to record and prioritise needs expressed by the community in order to arrive at the direction of development to take place in the rural areas. A month of skills training follows, focusing on basic administration skills, project administration and basic budgeting, while the next six months training phase focuses on hard skills, including programmes in construction, agriculture and disaster management. In the final phase, the Community Service phase, the

youths have an option of workplace application deployment or become a job creator where they are assisted with identification of business opportunities and mentoring. There is a monthly stipend of R1 320 throughout the two year period and they may migrate to better employment or business opportunities earlier. As the lack of housing has emerged as a main concern, NARYSEC has prioritised the construction of houses in rural areas in line with the CRDP framework of development of rural infrastructure and the emphasis is on qualifying the youth as bricklayers, electricians, plumbers, carpenters, welders and related trades.

Zimele with its roots in Swayimane (uMshwathi) has led social development and women's empowerment projects in KZN since 2007. Approximately 1 200 women involved in the self-sufficiency project have collectively accumulated savings of more than R350 000. The aim of these funds is to empower these women in rural areas to develop their communities with local social development programmes and achieve self-sufficiency by owning and operating small businesses. The Office of the Premier allocated R8.485 million for the Zimele Developing Community Self Reliance project in 2012/13 and R7.555 million in 2013/14, for the purpose of rolling out the programme throughout KwaZulu-Natal.

Thus the above services are focused on improving both the area's capacity and resources as per Blakely and Leigh's (2010) relationship: local and regional development =  $c \times r$  where,  $c$  = capacity (the social capacity in the present case) and  $r$  = resources (human capital and entrepreneurship). The analysis of the case study clearly demonstrates the high unemployment rate, contributing to an elevated poverty level and resulting in a high dependency level. Approximately 30% of residents are recipients of social assistance grants. Education levels are inadequate and functional literacy is low. The poor provision of basic services compounds the problems. The services delineated focus on expanding human capability and improving the lives and sense of opportunity for individuals, thereby contributing to the social capital of the community, the pattern and intensity of networks among people and the resultant shared values.

#### 5.2.4 Provincial Economic Outlook and Rural Development

Mkhize (2012:1) in his State of the Province Address pronounced the words: “KwaZulu-Natal: a catalyst to growth and job creation”. However, Premier Mkhize declared that the combined effort and investment of national departments, para-statal, provincial government, local government and the private sector is required to grow the provincial economy ( $c \times r$ , and  $c$  = capacity and  $r$  = resources (Blakely and Leigh, 2010)). He announced that rural development would in future be located in the Office of the Premier, thus underscoring the magnitude of the prominence of rural areas in the province. One of the objectives of the Integrated Sustainable Rural Development Strategy (ISRDS) is that by the year 2010, rural areas would achieve the internal capacity for integrated and sustainable development (ISRDS, 2000). In April 2009, the National Comprehensive Rural Development Programme (CRDP) initiated the third phase of rural development policies in South Africa.

Provincial governments have concurrent legislative and executive power with national government in the domain of urban and rural development, trade and industrial promotion, agriculture, public transport and tourism. In this regard they are ideally positioned at the meta, macro, meso and micro levels with an understanding of the provincial economy and are in a strong position to provide strategic direction to the promotion of regional economic development cooperation with national and local government (Altman, 2002). Helmsing (2001: 2850) states that: “the only justifiable form of industrial (trade) policy is in fact, regional industrial development policy”.

According to Altman (2002) the absence of an overarching policy framework was undoubtedly disadvantageous to sustainable economic development and a policy framework for the province’s economic development was required that focused on particular sectors and geographic areas. The KwaZulu-Natal Provincial Growth and Development Strategy (PGDS) of 2006 guided strategic development in the province until the adoption of the 2011 Provincial Growth and Development Strategy (PGDS). According to Mkhize and Hamadziripi (2010), under the 2006 Provincial Spatial Economic Development Strategy (PSEDS), the KZN government invested in numerous infrastructure projects, including the Dube TradePort (DTP), the construction of the Moses Mabhida Stadium, upgrading of stadiums in the province and road renovations. The authors are of

the opinion that for the most part these projects cannot be directly attributed to the PSEDS but that events such as the FIFA World Cup 2010 played an important role in influencing investment in these infrastructure projects.

The KZN Industrial Development Strategy and the Provincial Spatial Economic Development Strategy (PSEDS) are the strategies supporting the implementation of the PGDS (2011). The range of instruments at the disposal of provincial government in supporting industrial expansion in KZN covers national and local government as well as the resources and programmes of the dti, IDC, DBSA and National Treasury. The province has successfully mobilised social partners towards the implementation of these strategies: the Growth Coalition, the Provincial Planning Commission, the BBBEE Council and the KZN Economic Council, so as to effectively advance local economic development in the province. Thus the province, with economic and political capacity (Blakely and Leigh, 2010), can play a lead role in the promotion of regional and local economic development.

Most of the provincial departments tend to continue to operate according to their mandated function (section 3.1) with duplication rife. In KwaZulu-Natal, rural development is located in the Office of the Premier; CoGTA (Department of Cooperative Governance and Traditional Affairs) promotes local economic development by building up the capacity of local government to provide leadership and direction in the context of the LED programme, while the Department of Public Works manages extended public works programmes. The Department of Agriculture and Environmental Affairs in the 2013 Budget Policy Speech propose a new integrated model to achieve cooperative production and marketing of agricultural products (Department of Agriculture and Environmental Affairs, 2013).

The KZN Department of Economic Development and Tourism (DEDT) is assisted in its promotion of economic development and tourism in the Province by a number of Special Purpose Vehicles, which present the instruments for achieving KwaZulu-Natal's economic development objectives (Department of Economic Development and Tourism (DEDT), 2013), including contributing to rural development. They include the following:

- Dube TradePort Corporation (DTPC), a Schedule 3C Provincial Public Entity charged by the Provincial Government to develop KZN's biggest infrastructural development, Dube TradePort, 30km north of Durban.

- The KwaZulu-Natal Growth Fund (2008) is a debt-fund, structured as a unique public-private partnership between the KZN government and the Development Bank of Southern Africa, Standard Bank and the Infrastructure Fund of South Africa. It is a project finance facility to fund large economic projects (+R30 million) in the Province which can promote faster growth and job creation (DEDT, 2013).
- Ithala Development Finance Corporation Limited (Ithala) has a Black Economic Empowerment Policy, with the intention of successfully redressing the imbalances of the past.
- Tourism KwaZulu-Natal, is responsible for the development, promotion and marketing of tourism into and within the province (KwaZulu-Natal Tourism Act, 1996 as amended by Act 2 of 2002);
- Durban Investment Promotion Agency (DIPA) an independently managed, local government/private sector partnership, set up to promote Durban as an advanced business centre, to attract new business and retain existing business in the City.
- The Richards Bay Industrial Development Zone (RBIDZ) is a purpose-built secure industrial estate on the north-eastern coast, promoting international competitiveness through excellent infrastructure, tax and duty-free incentives, and very low electricity rates.
- The Moses Kotane Institute (MKI) has the objective of enhancing economic development with science, engineering, technology and mathematics skills, imparted through focused programmes as per national government's objective of a developmental state, to both current and future workforces and to all levels of government officials, thus contributing to a people-centred economic development (DEDT, 2013).
- The Agribusiness Development Agency (ADA) (2009) is mandated to provide agricultural support services to emerging black commercial farmers who have acquired land through the Land Reform Programme and on a private basis, including those who have fallen into distress. Initially located in the Department of Agriculture, Environmental Affairs and Rural Development, the agency has been transferred to the Department of Economic Development and Tourism as a Public Entity. It is foreseen that the ADA will become a Schedule 3 Provincial Government Business Enterprise. It is a client-centred agency, identifying clients

by consultation with government, the private sector and stakeholders. Its services include: capacity building, training, mentoring and skills development; technical support; the provision and development of infrastructure essential to commercial agricultural production; assistance with accessing funding and resources, utilising partnerships with public and private institutions and donors, and facilitating entry into the agribusiness value chain (Mkhize, 2011).

- Trade and Investment KZN (TIKZN) has operated as a section 21 company since inception but as of March 2012, is a fully-listed public entity (Department of Economic Development and Tourism (DEDT), 2013).

Thus the future economic growth of KwaZulu-Natal, with abundant environmental resources, unparalleled scenic beauty and bio-diversity, a unique multi-cultural heritage and vast human potential and resources (PGDS, 2006), the  $r$  in Blakely and Leigh's (2010) relationship, an area's resources, namely, natural resources, human capital, transport, communication links and entrepreneurial climate, will according to Mkhize (2013) result from the key strategies of infrastructural development programmes identified in the PGDS (2011). These include: the dig-out port and the Durban-Free State-Gauteng Logistics and Industrial Corridor (which form part of the 18 National Strategic Integrated Projects (SIPS)); expansion of the Dube TradePort Corporation (DTPC); the upgrading of regional airfields, including Oribi Airport at Msunduzi (uMgungundlovu); implementation of Special Economic Zones (SEZs) and the Green economy projects identified in the Green Economy strategy (although this last project does not appear to be included in the KZN DEDT Strategic Plan 2013/14 – 18).

South African sectors with the highest output multiplier effects are agriculture and manufacturing; a one rand (R1) investment spending in these sectors will lead to more than a rand value in overall output, and a boost in the manufacturing sector will lead to an improved agricultural sector due to the direct linkages between them, especially in the area of agro-processing industries (Pan-African Investment and Research Services, 2011). The authors estimate that about eleven decent and sustainable jobs will be created as a result of a million rand additional investment spending in the agricultural sector, in line with the labour-intensive nature of the sector. Fiscal revenue will be boosted by an estimated R0.56 for every rand invested in agriculture (for every rand invested in the manufacturing and construction sectors, fiscal revenue will increase by R0.35 and R0.26 respectively).

Therefore, government incentives to boost the sector's global competitiveness through increased investment spending will strengthen the country's fiscal revenue base (Pan-African Investment and Research Services, 2011). Premier Mkhize (2011:1) reflects these very sentiments:

–The agricultural potential ..., the diverse topography, climate and soils of KwaZulu-Natal virtually make this Province a "world-in-one," yet its potential is still under-utilized. This Province can produce sufficient agricultural products for own consumption and export. However, South Africa remains a net importer of many agricultural products. This sector, which once was a major creator of jobs, has consistently shown decline. Bold steps are needed to turn it around”.

Decisions made at the macro level impinge on and influence decisions made at the micro level. Following on from Altman's (2002) detailed economic sector review, it was recognized at least a decade ago (McCarthy, 2004) that KwaZulu-Natal is South Africa's best watered province, has a larger area of high quality agricultural land than any other province, is the national leader in several agricultural products and that a shift had been recorded to higher-value, lower-mass niche products, often for export, e.g. organic foods and cut flowers. Niche areas in KZN are likely to be facilitated by the DTPC (McCarthy, 2004), if effective use is made of the top quality local soils and climate to cultivate tropical flowers and fruits for export. With the adoption of twenty-first century agri-business management methods the areas surrounding KSIA and the DTPC could become world leaders in this field. The unintended effects of policies have in the past contributed to sub-optimal growth and investment in the agricultural sector (Department of Agriculture, 2001).

The numerous investigative reports that have been written about the uMgungundlovu District and the uMshwathi Local Municipality, many commissioned by government authorities in the past decade, form the basis of this section. The detailed SWOT analyses and other techniques employed to analyse the environment have already transpired on those occasions. Many reports are not accessible to the public and it is not clear if such reports form part of the body of incremental knowledge of the Municipality, the District or the Province. These reports should, in addition, form part of the IDP so that all relevant information collected becomes a component of institutional memory. The macro level

dictates that in respect of the micro level, the first strategic goal of the PGDS (2011) is —job creation” and the first strategic objective is —unleashing the agricultural sector”.

The uMshwathi Draft Final LED Strategy (2007) stated that while there are opportunities in agriculture, agri-processing, wood and wood products, tourism, logistics, ICT and manufacturing it is important to assess theoretical opportunities against market demand and local capabilities (uMgungundlovu District Municipality, 2007). The report recognized three different types of agriculture occurring in the uMgungundlovu area. The first is commercial farming of an intensive nature such as poultry farming and piggeries, large scale crop, cattle and dairy farming. Opportunities for intensive poultry farming in uMshwathi were identified. The second is subsistence farming where families farm to eat, therefore the crops must be suitably productive to provide food security for the family and the surplus traded. Community garden strategies are evident as well as attempts to build cooperative structures which invest in intensive farming such as poultry and pigs, supported by government procurement contracts for institutions such as prisons and hospitals. This is important for uMshwathi with high levels of poverty and low levels of employment. The third type of agriculture is the small landowner/plot holder who cannot make a living via farming alone, but combines this with agri-tourism, low intensity agri-processing and creative industries. Some of this land is under claim and the slow pace of the outcome of claims in KZN creates an unpredictable investment environment.

The Local Economic Development Strategy for uMshwathi Municipality 2012/13 - 2016/17 reports that as farming plays such an important role in the local economy, the municipality needs to make the necessary institutional arrangements (uMshwathi Local Municipality, 2013a). This may entail establishing an agricultural desk within the municipality and facilitating the formation of local farmers associations, including the association of Black Farmers. In South Africa, agrarian reform, and specifically the development of Black farmers, is considered a key driver to economic development and poverty reduction in rural areas (Jacobs et al., 2008).

Coetzee and Oldham (2007) have written numerous reports on the locality mainly investigating the agricultural potential of uMshwathi. They reported that it would be difficult to meet a requirement of 10 000m<sup>3</sup> per month of wooden logs from local sources or even from the wider area of Mpumalanga or the Eastern Cape. The enquiry from Vietnam asked for a guarantee of at least 100 000m<sup>3</sup> per year. This cannot be given by the



local authority and would require negotiations with South African producers and saw mills (Coetzee and Oldham, 2007). Sugar cane, the dominant farming activity in uMshwathi, together with beef and forestry accounts for almost 90% of the agricultural goods produced in the municipality. Sugar farming has become less profitable and farmers are affected by depressed sugar prices and rising input costs for fertiliser, fuel, chemicals and wages. Limitations on forestry expansion include the non-availability of land and a government imposed moratorium on the expansion of forestry land (Coetzee and Oldham, 2007).

At present there do not appear to be any projects for aquaculture and mariculture ventures in the Municipality, nor does it appear that there are plans to establish such enterprises in the foreseeable future. There seems to be no land readily available for such an undertaking and the accessibility of water in the region is a major factor (Coetzee and Oldham, 2007). It is doubtful whether the uMshwathi region will prove suitable for such a venture, which will be significantly capital intensive at the outset and the deciding factors will be the accessibility of capital and the availability of water. There appears to be a demand both in South Africa and in the global market for a range of cultured fish products (Coetzee and Oldham, 2007).

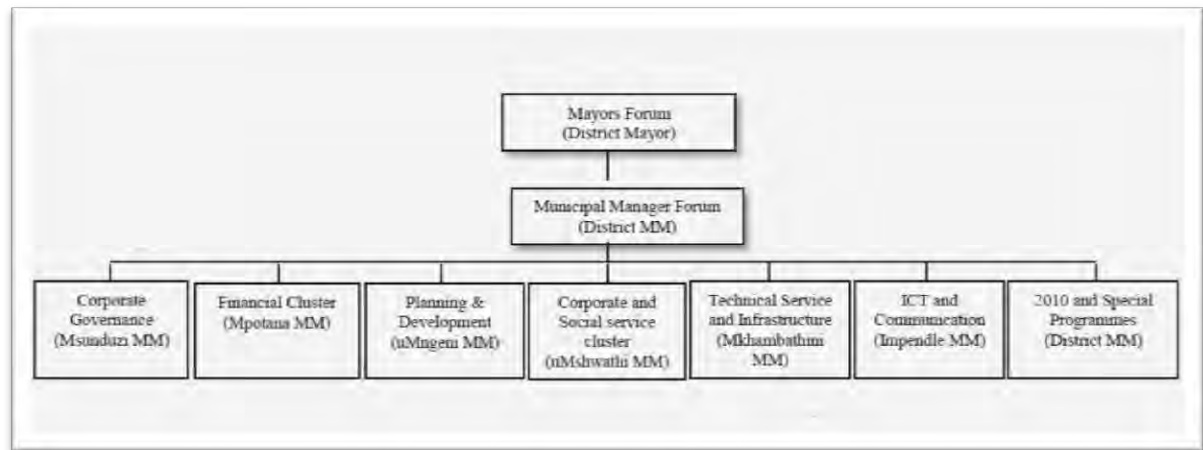
The State of the Environment (SOE) Report (see section 5.4) acknowledges that land acquisition remains the most contentious issue in South African land reform. Agriculture is the dominant economic sector in uMshwathi and employs over 50% of all formally employed people in the municipality (INR, 2010). A large portion of uMshwathi has been designated as an agricultural priority area. Provincial policy requires that more detailed agricultural assessments must be done at a local level to determine the location of high potential land, and appropriate control measures should form part of local spatial development frameworks (SDFs) and land use management systems (LUMS) (INR, 2010).

Urban-Econ (2009) undertook a composite feasibility study with the purpose of establishing a business case for the development of the R614 route, traversing the uMshwathi and Ndwedwe Municipalities with linkages into the uMngeni and KwaDukuza and eThekweni Municipalities. The project would provide development proposals in respect of various economic nodes within the uMshwathi and Ndwedwe Municipalities, in order to integrate areas of high development potential with those of high agricultural development potential. The attraction of private, community and public sector investment would stimulate the overall economic, social and physical development of the

municipality. The report concluded that the corridor could not function as a mass alternative transport route to the N3/N2 and no advantages would accrue to the respective municipalities and their districts. The internal development potential of the municipalities renders the development corridor viable with road upgrades and the agricultural and tourism potential of the area can be realised through public and private sector action.

Significantly, the state of the roads needs swift attention if uMshwathi is to be considered an investment locality. All the roads assessed within the uMshwathi Municipal areas amounted to 112,33km (23,40km paved roads, 49,74km unpaved roads, 39,19km tracks or earth roads) (INR, 2010). All roads which fall outside or link the urban/township developments are the responsibility of the Department of Transport (DoT). The paved road network, assessed according to national specifications for the visual condition assessment of surface roads, reveals evident distress over the entire road network with the poor, brittle and aged condition of the surface binder resulting in potholes and severe failure distress. Repair actions to be implemented by the uMshwathi Municipality are: re-gravelling, heavy blading, re-shaping, drainage upgrades and repairs as well as pothole and local repairs (INR, 2010). The Municipality could investigate further the Zibambele Road maintenance programme of the KwaZulu-Natal Department of Transport, an extended public works programme, which provides work for more than 14 000 people who maintain sections of rural road network across the Province by the employment of households (Mkhize, 2012).

The Cluster Model (Figure 5.3) has led to the establishment of shared services in the District of uMgungundlovu, which also leads to better utilisation of resources (uMgungundlovu District Municipality, 2012). Shared services are present in the fields of Internal Audit, Performance Management, Integrated Development Planning and Information and Communications Technology. Thus the family of Municipalities in the District are all benefitting from the scarce resources and expertise available within the District. This could be a significant step forward for better coordination of all services rendered by the municipalities. As Integrated Development Planning (IDP) is a shared service and the LED Plan and SDF form part of the IDP, the sequential step would be one common regional LED strategy.



**Figure 5.3** Intergovernmental Relations Fully Operational Cluster Model (IGR System)  
Source: Adapted from uMgungundlovu District Municipality, 2012.

Examples of poor coordination in strategy between the Province and the Local Municipality are unacceptable. Pronouncements, reports and facts are not reflected in uMshwathi Municipality's Integrated Development Plan (IDP), the planning and implementation instrument for the locality (uMshwathi Local Municipality, 2013a). This poor coordination leads to duplication of planning and implementation and is a waste of scarce resources. Clearly an agricultural strategy must be articulated within the PGDS (2011). The following actions are examples of communication by the Province that are not alluded to in the uMshwathi IDP.

Special economic zones in each district municipality and metro were announced in the 2011 KZN State of the Province Address by Premier Zweli Mkhize (Mkhize, 2011). Included amongst these, the uMgungundlovu cluster was identified to revive the leather industry. These initiatives would be accommodated in a selected location and productivity promoted by packages and incentives. Clusters of industries may consequently be attracted as they are supported by higher institutes of learning which train in the particular skills and promote innovation, research and development. This set-up promotes further opportunity for small business development through mentorship, incubation, access to micro finance and markets, as supply and demand sides offer opportunities. Furthermore, according to Mkhize (2013), by creating nodes of economic growth and development, job creation is directed to different parts of the Province. In addition the Office of the Premier is currently working in consultation with the Department of Higher Education and Training to create a Provincial Human Resource Development Council to guide in skills development, which will include representatives of industries and academic institutions (Mkhize, 2011).

There is a mechanisation programme for farmers. Investors have agreed to partner with government and farmers in a variety of agricultural ventures which will be catalysts for further agricultural development. These special projects include: the Midlands Vegetable Cluster (Craigieburn, Muden and Weenen) fresh vegetable and fruit production (Mkhize, 2011). A "one village one product" approach is advanced for KZN (Mkhize, 2011). In co-operation with Ingonyama Trust Board traditional leaders were requested to identify and release a stretch of 100 ha of land for agricultural purposes (Mkhize, 2011). Moreover, Mkhize stated that details of the strategy to change the structural inequalities and foster sustainability in agriculture in the Province, in partnership with the Agri-Business Development Agency, would be announced (Mkhize, 2011).

The significant role which should be played by the Dube TradePort Corporation (DTPC) at a local level is not apparent. According to Gori and Associates (2004) the establishment of a Pilot Organic Farm and related support systems was planned for the proposed Dube TradePort, where farming units would be leased to farmers for five years and in addition to supplying the pack house, farms could be visited by aspirant organic farmers and could provide a venue for testing of economic models. Dube TradePort Corporation is a world-class passenger and airfreight hub occupying a Greenfield area of 2 040 hectare, comprising four development zones. This airport-related project within a competitive business operating environment is the foundation of an emerging aerotropolis, which will lead to major systemic change. DTPC, a wholly-owned Government company, is mandated to drive the development of Dube TradeZone, Dube City, Dube Cargo Terminal and Dube AgriZone, as well as the support service, Dube iConnect. Airports Company South Africa owns and operates the King Shaka International Airport. De Steenhuijsen Piters (2007), states that pro-poor growth focuses on general economic growth with particular efforts to include the poor in economic activities thus accelerating poverty and inequality reduction. The dti has approved the proposal that the Dube TradePort Corporation be considered a new Special Economic Zone (SEZ) for the Province (Mkhize, 2013). This may signal new opportunities for uMshwathi relating to research objectives 3 and 4 of implementing LED strategies in uMshwathi to respond to changing circumstances at the local, national and international levels so as to generate local, national, and international partnerships between communities, businesses and government, to create joint business ventures and build local areas.

Following on the mandate from KZN Department of Economic Development and Tourism, the Deloitte report (Deloitte, 2012) identifies 12 sectors that are aligned to local and national industrial policy, incentives and funding, and scored high on the economic metrics designed to evaluate potential. The 12 key sectors selected are: Agribusiness (including food processing); Metals Fabrication; Automotives; Clothing and Textiles; Forestry, Wood Products, Paper and Pulp; Plastics and Chemicals; Tourism; Cultural and Creative Industries; Transport and Logistics; Mining; Construction; and call centres and Business Process Outsourcing. Table 5.15 summarises the economic scene in KwaZulu-Natal (KZN). Whilst the metal sector and service sectors are the most labour intensive, agriculture has the highest proportion of semi or unskilled workers. Agriculture, tourism, clothing and textiles and furniture have a good employment to GDP ratios. Metals, mining and automotives are the most successful for imports, whilst wholesale and retail, communication and business services have performed the best from a GDP perspective in recent times.

KZN requires imports for many of its sectors with the result that its output and GDP multipliers are smaller than the equivalent multipliers for the South African economy. Agriculture, tourism, food, construction and furniture, with strong backward linkages, score the highest in KZN as these sectors use a larger proportion of the inputs sourced from local producers in other sectors. In KZN the biggest output multipliers are in respect of construction, agriculture, furniture, food, communication and tourism (Deloitte, 2012). Financial services, agriculture, some service industries and food processing have the biggest GDP multipliers due to a high value add, and in some cases higher profits. Income multipliers show that agriculture, forestry, wood and paper and furniture, rank the highest as they either have a higher proportion of wages or are linked to such sectors. Tourism, clothing and textiles, agriculture, culture and arts and furniture enjoy high employment multipliers (Deloitte, 2012). Table 5.15 demonstrates that agriculture rates highly in economic metrics (gross value added, number of employed workers, capital required per employed worker), multipliers and linkages.

**Table 5.15** Economic Sectors in KwaZulu-Natal

Sectors	Policy, Funding, Incentives	Current Economic	Market Attract	Multipliers and Linkages	Overall Ranking	Selected
	Total	Total	Total	Total		
Agriculture	3.30	4.05	1.80	4.10	7	✓
Manufacturing	4.10	3.50	2.90	2.85		
Metals fabrication	4.20	3.15	3.80	3.00	4	✓
Automotives	4.10	2.35	3.30	2.55	13	✓
Clothing and textiles	4.00	3.05	2.60	3.25	8	✓
Forestry, paper and pulp	3.80	2.55	1.50	3.25	18	✓
Plastics and chemicals	4.20	2.25	3.10	2.70	14	✓
Food (Agro-processing)	4.20	2.65	3.70	3.85	2	✓
Beverages	2.45	2.05	3.10	3.30	19	
Machinery	2.90	2.75	3.70	3.20	12	
Electrical machinery	2.85	2.05	3.00	1.95	21	
Furniture	2.70	2.85	3.30	4.00	9	
Electricity, Gas and Water	4.40	2.10	2.50	2.60	17	
Tourism	4.60	2.90	3.70	3.65	1	✓
Cultural (crafts, music, film)	4.20	2.50	3.70	3.25	6	✓
Transport and Logistics	3.50	2.85	3.80	2.50	11	✓
Mining	3.75	3.15	3.10	2.00	15	✓
Construction	3.15	3.60	3.50	3.90	5	
Communication	3.25	1.85	4.50	3.15	10	
Financial Services	1.70	2.35	3.60	2.85	20	
Wholesale and Retail Trade	2.15	3.45	3.10	3.00	16	
High Level services (BPO)	4.40	3.20	4.30	2.35	3	✓
Overarching						
Green economy	4.15					
Infrastructure	4.40					
Trade	3.85					
Skills Development	4.15					

Source: Adapted from Deloitte, 2012.

On the balance of the evidence presented, the Deloitte report (2012) concludes that the agricultural sector is worthy of investment. Thus the KZN Summit on Rural Development held on 22 July 2013 in Durban, following the IRD Forum of 13-14 June 2013 entitled Colloquium on Rural Development in KZN, with participants from the three spheres of government, traditional leadership and civil society organisations, with the aim of consolidating a sustainable Rural Transformation Agenda for KwaZulu-Natal, is an important step forward in the prioritisation of agriculture in the province. Table 5.16 provides a list of funds accessible per sector to potential investors in KZN as per Deloitte's mandate. Funds available for the agricultural sector include: IDC funding for agro-industries, green industries and for women entrepreneurs; the DBSA's Jobs Fund promotes job creation, while the NEF provides funds for Rural and Community Development.

**Table 5.16** Funds available to Investors in KwaZulu-Natal identified by Sectors

<b>Department of Trade and Industry (the dti)</b>	Automotive Investment Scheme (AIS) Bavumile Business Process Services Incentive (BPS Incentive) Critical Infrastructure Programme (CIP) Foreign Film & Television Production Incentive Isivande Women's Fund Manufacturing Investment Programme (MIP) (under the Enterprise Investment Programme (EIP) ) Production Incentive (PI) Section 12i Tax Allowance Incentive (12i TAI) Sector Specific Assistance Scheme (SSAS) Support Programme for Industrial Innovation (SPII) Tourism support programme (TSP) (under EIP) Employment Creation Fund
<b>Development Bank of South Africa (DBSA)</b>	Energy and Environment Partnership Grant; Renewable Energy Market Transformation (REMT); The Jobs Fund
<b>Industrial Development Corporation (IDC)</b> ( Finance sectors covered)	Africa Strategic Business Unit Agro-Industries/ Agro-Industries flood Relief Scheme Chemicals and Allied Industries Community Fund (under the Transformation and Entrepreneurship scheme) Development fund for Workers (under the Transformation and Entrepreneurship scheme) Equity Contribution Fund (under the Transformation and Entrepreneurship scheme) Forestry and Wood products / Green Industries Gro-E- Scheme / Healthcare Information/Communication technology; Media/Motion pictures Metal transport and machinery products Mining and Minerals Beneficiation People with Disabilities Fund (under the transformation and entrepreneurial scheme) Risk Capital Facility Programme Strategic High Impact Projects and Logistics Support Programme for Industrial Innovation Textiles and clothing; Tourism; Venture Capital Women Entrepreneurial Fund (under the Transformation and Entrepreneurial Scheme)
<b>Khula Enterprises Limited</b> (see above NOTE)	Anglo-Khula Mining Fund; Identity Development Fund ( IDF) Izibulo SME fund
<b>National Empowerment Fund (NEF)</b>	Acquisition finance (under the Corporate Fund) Entrepreneurship Finance (under the iMbewu fund) Expansion Capital (under the Corporate Fund) Franchise finance (under the iMbewu Fund) Procurement Finance (under the iMbewu Fund) Project finance (under the Corporate Fund) Rural and Community Development (under the iMbewu Fund)
<b>Other funds</b>	Business Partners Limited - Risk Financing Department of Economic Development & Tourism of the Western Cape Provincial Government - LED Growth Fund Technology Innovation Agency- Innovation fund Future Growth Agrifund
<b>PIC</b>	Isibaya Fund

Source: Adapted from Deloitte, 2012.

How do the economic factors reported previously affect the workers, and in this case the residents of uMshwathi? In terms of household income, the multipliers presented in Table 5.17 do not differ noticeably. Invigorating the sectors does not always convert into higher income for those in the lowest income deciles. Due to the nature of the unemployment problem and the poorest households often having a larger number of unemployed persons, income almost always tends to be earned by the upper income households, regardless of the sector being stimulated (Deloitte, 2012). Some sectors tend to be better at creating jobs for unskilled labour, the most successful one of which is the agricultural sector (Table 5.17) (Deloitte, 2012).

**Table 5.17** Disaggregated Labour and Household Multipliers

Sector	Labour Multipliers			Household Multipliers		
	Skilled	Semi-Skilled	Unskilled	Low Income	Medium Income	High Income
Agriculture	0.41	5.66	5.00	0.15	0.17	0.51
Manufacturing	0.76	3.28	1.00	0.13	0.15	0.49
Mining	0.33	3.54	0.95	0.17	0.19	0.53
Tourism	1.79	4.12	1.80	0.14	0.17	0.54

Source: Adapted from Deloitte, 2012.

Economic growth will not inevitably lead to an increase in the number and sustainability of jobs. However, the outcome of a stagnant or declining economy is a decrease in the number of jobs in general and in particular for the poor. It is acknowledged that markets and local and regional economic competitiveness are linked and cannot be separated. –The logical extrapolation is then that strategically targeted high job absorption sectors, (or value chains or clusters) combined with competitive well functioning markets, are the most likely interventions that will lead to an increase in sustainable new jobs and entrepreneurial activity” (Mitchell, 2009:5).

Thus the support of the agricultural sector with the implementation of a comprehensive plan such as the –Development of Organic Small Grower Groups” (SGG) (Gori and Associates, 2004) could lead to an increase in employment and economic activity. The promotion of agriculture as an effective strategy for local economic development in the uMshwathi Local Municipality is examined further in Section 5.3.



## **5.3 uMshwathi Local Municipality: Integrated Development Planning, Local Economic Development and the Strategic Prioritization of Agriculture**

### **5.3.1 Introduction**

Development is a significant feature of the South African constitutional framework. Local government is a distinctive, interdependent and interrelated sphere of government. Local government is an obligatory development agent as per Sections 152(c) and 153(a) (Act 108 of 1996). According to Venter (2012:v) ~~the~~ South African Constitution has made LED compulsory for municipalities”. Section 5.3 will investigate the Integrated Development Plan as the vehicle for Local Economic Development, facilitated by the Local Economic Development Plan.

The national statutory framework for local government (the national suite of local government legislation) sets out local government’s powers, functions and duties (also with respect to development, including rural development) in the following laws:

the Local Government: Municipal Demarcation Act 27 of 1998; the Local Government: Municipal Structures Act 117 of 1998; the Local Government Municipal Electoral Act 27 of 2000; the Local Government: Municipal Systems Act 32 of 2000; the Local Government: Municipal Finance Management Act 56 of 2003; the Local Government: Municipal Property Rates Act 6 of 2004; and the Municipal Fiscal Powers and Functions Act 12 of 2007 (Olivier et al., 2010:117).

### **5.3.2 Integrated Development Planning**

The Municipal Systems Act (Act 32 of 2000) requires each municipality to adopt an Integrated Development Plan (IDP), a single, comprehensive, strategic 5 year plan reviewed annually, for the development of the municipality. The municipal Integrated Development Plan must unite and co-ordinate all municipal plans (see Figure 5.4). An effective mechanism for integration specifies what happens at all levels, who does what, how the integration will be accomplished (ISRDS, 2000). In South Africa, each sphere of government plays a defined role, but the primary locus of integration is at municipal level through the IDP process. Implementation of decisions arrived at through the IDP process is achieved by drawing on an ~~amalgamated~~ resource envelope” comprised of the municipal budget, the commitments of the line departments and other resources (ISRDS, 2000).

This whole process takes place at the micro level within the framework of the PGDS as well as the IDP of the uMgungundlovu District Municipality and those of bordering municipalities. According to Theron (2008:75), under the Reconstruction and Development Programme (RDP) in South Africa during 1995 and 1996, National Departments were members of the Forum for Effective Planning and Development (FEPD) which contributed to the formulation of integrated development planning guidelines, including its definition:

—..a participatory approach to integrate economic, sectoral, spatial, social, institutional, environmental and fiscal strategies to support optimal allocation of scarce resources between sectors, geographical areas and across the population in a manner that provides sustainable growth, equity and empowerment of the poor and marginalized”.

Thus the Integrated Development Plan, generally referred to as IDP, ought to be:

**Integrated:** Fit together, with parts united into a whole;

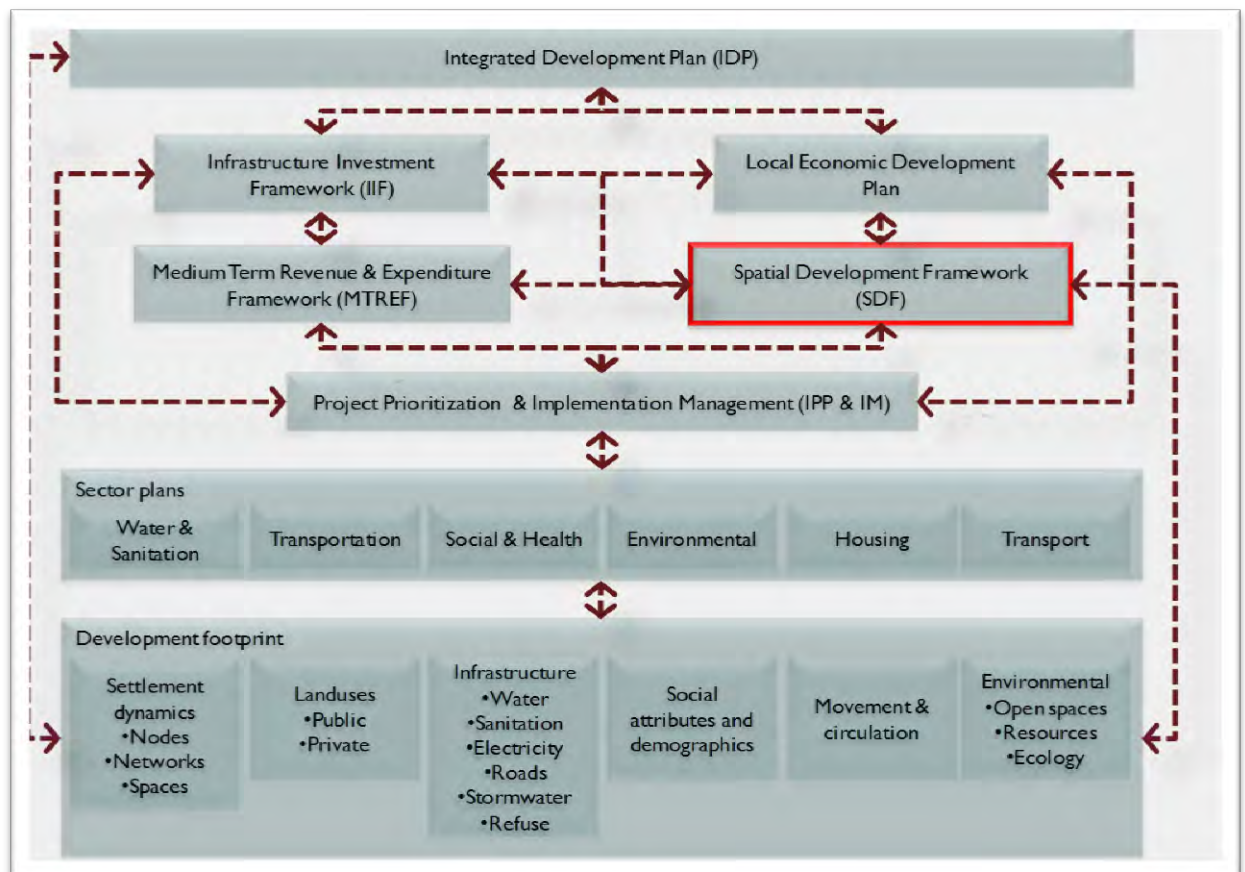
**Develop(ment):** Stand for progress and long-term growth;

**Plan:** Design and prepare for the future.

When referred to by its correct name, rather than the acronym, it is evident that the plan is much more than merely complying with a format and this “renaming” should be encouraged. According to Rivett-Carnac (2008), the policy making system in South Africa is constrained by the lack of an adequately robust and encompassing developmental vision. The National Development Plan (NDP, 2012) is now the overall blueprint for development leading up to 2030 and all government frameworks and plans will take the NDP as point of departure including the Medium Term Strategic Framework (National Planning Commission, 2012).

The IDP process and strategic planning are synonymous, and this planning process serves as a management tool that enables a municipality to determine the broad strategic view of its development requirements and address all key issues holistically. Thus the Integrated Development Plan (IDP) is “conceived as a tool to assist municipalities in achieving their developmental mandates” (DPLG, 2000:21), and as a planning and implementation instrument to bring together the various functions and development objectives of municipalities (see Figure 5.4).

The following plans prescribed by the Municipal Systems Act (Act 32 of 2000), rely on the development footprint, the actual use of land, as a source of information: Integrated Development Plan, Spatial Development Framework, Infrastructure Investment Framework, Sector Plans (Water, Sanitation, Transportation, Social and Health, Environmental, Housing, Transport) and Disaster Management Plan (Department Rural Development and Land Reform, 2009). Local Authorities are furthermore obliged to prepare a town planning scheme of all land situated within their area of jurisdiction. It is evident that a highly professional and competent staff, under strong leadership, is required to conceptualize and coordinate the IDP and associated plans, to interpret the problems and aspirations of the constituents sincerely, and to implement the IDP successfully with the resources available and within the practical constraints, with the full acknowledgement of their responsible role in that the Municipality is the primary locus of integration.



**Figure 5.4** The Integrated Development Plan

Source: Adapted from Department Rural Development and Land Reform, 2009.

Figure 5.4 depicts the IDP in action, demonstrating the position of LED within the IDP and the consequent operation of LED within the Municipality. The Local Economic Development Plan is cross-cutting and occupies a central position; it interacts directly with

the Infrastructure Investment Framework, the Medium Term Revenue and Expenditure Framework and the Spatial Development Framework as well as the Project Prioritisation and Implementation Management Plan, into which all the “Development Footprint” and the Sector Plans feed. Although LED is identified as one of the five Key Performance Areas (KPAs) of the Five Year Local Government Strategic Agenda, it will be seen that it does not occupy a predominant position in uMshwathi in that LED reports to Community Services, whereas prior to 2012, LED was situated in the Office of the Municipal Manager, together with IDP and Planning (uMshwathi Local Municipality, 2010).

The term of office of the new Council became effective following the Municipal elections of 18 May 2011 and the confirmed results of 25 May 2011, and local government commenced the third generation of integrated development planning. The 2012/2013 - 2016/2017 integrated development planning cycle focuses on outcomes based planning. The Provincial Growth and Development Strategy (PGDS, 2011) aligned with the Medium Term Strategy Framework (MTSF) priorities (Figure 3.2, section 3.2.2) dictate the priorities of the Council in the IDP process (see Tables 5.18 and 5.19). Therefore Goals 7 and 9 of the MSTF (The Presidency, 2009) should have been prioritised in the uMshwathi IDP since 2010 and would have been mandatory from 2011.

**Table 5.18** Medium Term Strategy Framework (MTSF) Goal 7

<b>7 Vibrant, equitable and sustainable rural communities and food security for all</b>	
<b>Outputs</b>	<b>Key spending programmes (examples)</b>
1. Sustainable agrarian reform and improved access to markets for small farmers	<ul style="list-style-type: none"> <li>• Settle 7 000 land restitution claims</li> <li>• Redistribute 283 592 ha of land by 2014</li> <li>• Support emerging farmers</li> </ul>
2. Improve access to affordable and diverse food	<ul style="list-style-type: none"> <li>• Soil conservation measures and sustainable land use management</li> </ul>
3. Improve rural services and access to information to support livelihoods	<ul style="list-style-type: none"> <li>• Nutrition education programmes</li> </ul>
4. Improve rural employment opportunities	<ul style="list-style-type: none"> <li>• Improve rural access to services by 2014:               <ul style="list-style-type: none"> <li>- Water - 74% to 90%</li> <li>- Sanitation - 45% to 65%</li> <li>- Electricity - 55% to 70%</li> </ul> </li> </ul>
5. Enable institutional environment for sustainable and inclusive growth	

Source: Adapted from The Presidency, 2009.

The information assembled in the case analysis confirms that Outputs 4 and 5 of Goal 7 (vibrant, equitable and sustainable rural communities and food security for all), to “improve rural employment opportunities” and to “enable institutional environment for sustainable and inclusive growth” (Table 5.18) have not been met by the uMshwathi Municipality. The research objectives focused on the development of local economic development strategies in uMshwathi of diverse economic initiatives, using local resources

and skills to prioritize job creation and poverty alleviation, to respond to changing circumstances at the local, national and international levels so as to generate local, national, and international partnerships between communities, businesses and government to solve problems, create joint business ventures and build the local area. This would confirm that the Municipality, being the entity with the economic and political capacity (Blakely and Leigh, 2010), has not achieved Goal 9, that of a “responsive, accountable, effective and efficient local government system” (Table 5.19). From the above it follows that local and regional development will not occur unless both the capacity and the resources are present in the equation.

**Table 5.19** Medium Term Strategy Framework (MTSF) Goal 9

9 A responsive, accountable, effective and efficient local government system	
Outputs	Key spending programmes (examples)
1. Differentiate approach to municipal financing, planning and support	<ul style="list-style-type: none"> <li>• <i>Municipal capacity-building grants:</i> <ul style="list-style-type: none"> <li>- Systems improvement</li> <li>- Financial management (target: 100% unqualified audits)</li> </ul> </li> <li>• <i>Municipal infrastructure grant</i></li> <li>• <i>Electrification programme</i></li> <li>• <i>Public transport &amp; systems grant</i></li> <li>• <i>Bulk infrastructure &amp; water grants</i></li> <li>• <i>Neighbourhood development partnership grant</i> <ul style="list-style-type: none"> <li>- Increase urban densities</li> <li>- Informal settlements upgrades</li> </ul> </li> </ul>
2. Community work programme	
3. Support for human settlements	
4. Refine ward committee model to deepen democracy	
5. Improve municipal financial administrative capability	
6. Single coordination window	

Source: Adapted from The Presidency, 2009.

The written IDP Process Plan, adopted by Council, precedes the IDP. This plan includes: a time line for every planning stage; processes and procedures for consultation and participation of all role players in the IDP drafting process - communities, organs of state, traditional authorities; organisational arrangements, policy and legislation for the IDP process, and mechanisms and procedures for vertical and horizontal alignment. Community participation in the development processes is vital to ensure that developmental needs and priorities are properly addressed. Ward Councillors and Committees ought to play an important role.

A comprehensive IDP for the uMshwathi Municipality covering the period 2006/07 to 2010/11 was adopted in May 2007 in terms of the Municipal Systems Act, Act 32 of 2000. In October 2007, the then National Department of Provincial and Local Government (DPLG) introduced a new format to be used in developing the IDP’s described as “A plan for all Government”. Therefore uMshwathi Municipality developed its 2011/12 Integrated

Development Plan and the subsequent plan, using the new format (Table 5.20) with the public participation process (uMshwathi Local Municipality, 2012).

**Table 5.20** Outline of the uMshwathi Local Municipality IDP 2011/12

Section A: Executive Summary
Section B: Situational Analysis
Section C: Development Strategies
Section D: High Level Spatial Development Framework
Section E: Sector Involvement
Section F: Implementation Plan
Section G: Projects
Section H: Financial Plan and SDBIPS
Section I: Organisational Performance Management System
ANNEXURES
J.1 uMshwathi detailed 2010/2011 IDP Process Plan
<b>J.2 Detailed Spatial Development Framework (SDF)</b>
<b>J.3 Detailed LUMS</b>
<b>J.4 Detailed LED Plan</b>
J.5 Detailed Housing Plan
J.6 Detailed Performance Management System
J.7 Draft Environmental Management Framework uMshwathi ‘City’ Develop Node
J.8 Adopted By-Laws; reference to Environmental Management issues
J.9 uMshwathi Municipality’s Annual Report
J.10 uMshwathi Municipality’s Communication Strategy

Source: Adapted from uMshwathi Local Municipality, 2011.

The present study focused specifically on local economic development, whilst acknowledging that LED is cross cutting, affecting and being affected, by all activities and functions taking place in the Municipality and Community, in particular the provision of basic services, with the other Key Performance Areas “integrating” to form the whole. Development Strategies for the uMshwathi Municipality, Section C of the IDP, deal with the long term growth and development goals. Section C covers strategic objectives and strategies by aligning these to the Five Key Performance Areas of the Five Year Local Government Strategic Agenda, as laid down by the Department of Cooperative Governance and Traditional Affairs (CoGTA) namely: basic service delivery; municipal institutional development and transformation; local economic development; municipal financial viability and management; and good governance and public participation. These permit CoGTA to assess progress in the municipality’s performance by comparing it to targeted goals, creating measures for improvement, and identifying municipalities that have underperformed, proposing remedial action to improve performance (uMshwathi Local Municipality, 2013a). Short term objectives are not evidenced in Table 5.21, nor linked to long term objectives, an indispensable requirement for effective strategy



formulation. Land reform and agricultural development do occupy prime position as per the Provincial Growth and Development Strategy (PGDS). Local economic development is equated to unemployment, while the creation of work opportunities is associated to the Community Work Programme and the Expanded Public Works Programme. In addition, the strategic issues flowing from the environmental scan and identified in Table 5.21, are a repetition of those recorded in the 2012 IDP (uMshwathi Local Municipality, 2013a).

**Table 5.21** Strategic Issues to be addressed by the uMshwathi Local Municipality: National Key Performance Areas of Economic Development

<b>Objectives</b>	<b>Performance Indicators</b>
Land Reform & Agricultural Development	Number of agricultural projects implemented in each ward
Local Economic Development (LED) & Unemployment	Number of work opportunities created through LED initiatives
Tourism and Investment Promotion	Number of Investment initiatives signed and concluded
Maintain approval time for Land and Planning applications	Percentage of Land use applications finalised within the statutory time frames
Creation of work opportunities	Community Work Programme/ Expanded Public Works Programme implemented

Source: Adapted from uMshwathi Local Municipality, 2013a.

The strategic objective in respect of economic development, in terms of the uMshwathi IDP, is to facilitate growth and development by: the creation of opportunities for sustainable job creation; poverty reduction; rates base increase; improvement of broad-based black economic empowerment; the development of small and medium enterprises, particularly in agriculture and tourism (uMshwathi Local Municipality, 2013a). Thus, the articulated strategic objectives as planned in the uMshwathi IDP, concord with the four research objectives of the present study (section 5.1). In respect of the LED implementation plans, the IDP states that the municipality must develop strategies and programs by building on existing sectors whilst tackling the various socio-economic challenges, promote diversification of the economy, support local education and contribute to the general skills development of the local community, and proceeds to make specific reference to the LED Plan.

Table 5.22 identifies the specific IDP projects, the affected ward/s, budget sources and allocations, the responsible municipal and provincial departments, the status of the project (commencement and timeframe for completion) and alignment with the Provincial Priorities and the Outcomes of National Government.

**Table 5.22** Economic Growth and Development Projects: uMshwathi Local Municipality Draft IDP 2013/2014

<b>Project Name And Ward</b>	<b>Budget Source Allocation</b>	<b>Department Stakeholders</b>	<b>Status</b>	<b>Links To National Targets</b>
Establish a Crafts Hub at Albert Falls  WARD 1	uMshwathi Municipality  LED Vote and/ or R2million	Municipality , Dept of Arts and Culture and DEDT, local crafters Grant funding	Reports Council resolution, tender advert 2012/13-2012/14	Rural development and economic growth
Upgrade stalls in Dalton/Wartburg; establish new stalls in Bhamshela  WARD 7	uMshwathi Municipality Grant funds from DEDT, CoGTA  R4million Municipality, DEDT	Municipality, DEDT and CoGTA	Reports and plans 2012/13–2015/16	Economic growth and job creation
Increase number of stalls in Swayimane Taxi Rank & Greengate  WARD 8	uMshwathi Municipality Grant funds from DEDT, CoGTA  R2million	Municipality , DEDT, IDC, CoGTA	Reports and plans 2012/13-2013/14	Economic growth and job creation
Land acquisition & preparation to support R33/ R614 Corridor Development  WARDS 1,9,10	Grant funding from DEDT & CoGTA; loans from DBSA  R100million	Municipality, DBSA, CoGTA, DEDT	Reports 2012/13-2030	Economic growth and job creation
District Broadband  ALL WARDS	Grant funding from MCT Seta  R10million	Municipality, DBSA, CoGTA, DEDT	Reports 2012/13-17	Economic growth and job creation
Establishment of mini factories at Schroeders, Bhamshela, Dalton and Wartburg	Grant funding from DEDT & CoGTA and loans  R100million	Municipality, DBSA, CoGTA, DEDT	Reports 2012/13-20	Economic growth and job creation
Rehabilitation of New Hanover, Wartburg, Dalton (small towns)	National Treasury  R75million			
Commercial, retail, mixed use development	IDC, Jobs Fund, CoGTA, Corridor development	Similar budget to Edendale Mall		

Source: Adapted from uMshwathi Local Municipality, 2013a.



Table 5.21 does not correlate with Table 5.22, and they are both concerned with economic growth and development! Moreover there is no mention of agriculture in the latter table. It may be that the IDP was compiled by various authors. It is observed that the projects described in Table 5.22 (also included in Table 5.23) all involve multiple stakeholders, that budgets are high, that they were mostly initiated in 2012 and that they will run over a period of years. These projects could also be described as LED as they arise within the defined locality of uMshwathi.

Prior to 2012, the Integrated Development Plans for uMshwathi confirm that the Local Economic Development Unit was situated in the Office of the Municipal Manager and occupied a central position (uMshwathi Local Municipality, 2010). The Units of Economic Growth and Development, Integrated Development Planning, and Town and Regional Planning, together with 11 other Units currently report to the General Manager of Community Services, uMshwathi Local Municipality. This position can be reflected on against the background of LED as a Programme as per the CoGTA structure (section 3.2), where the aim of LED is to exploit the economic potential of municipal areas and to contribute to strong growth at the macro level, through progress in the local economy, the creation of employment and the design of development proposals, within a sustainable setting (CoGTA, 2013). Thus it would appear that the Municipality shares the limited view of LED previously advanced. The impression is accordingly created that, in uMshwathi, the Economic Growth and Development Unit focuses on the bigger more important projects (Table 5.21) while the LED Plan is the component of the IDP which deals with community projects. This status underscores the pro-growth and pro-poor positions espoused by Rogerson (2009) and other authors and may be representative of either “conflicting paradigms” or portray a symbiotic affiliation.

Apart from participating in the Intergovernmental Relations Fully Operational Cluster Model (section 5.2.5), uMshwathi Municipality participates actively in the following IGR (inter governmental relations) structures: Mayors Forum and KZN Premier’s Co-ordinating Forum (Mayor and Municipal Manager); Municipal Manager’s Forum; District Waste Management Forum, District Technical Cluster and CFO’s Forum. Table 5.23 shows catalytic projects at the district level, including an Industrial Development Zone and an Arts and Craft Hub at Albert Falls Dam. Section 5.4 examines the uMshwathi City Development Node.

**Table 5.23** uMshwathi Local Municipality (KZ221) Catalytic Projects for inclusion in the uMgungundlovu District Service Delivery Plan (SDP)

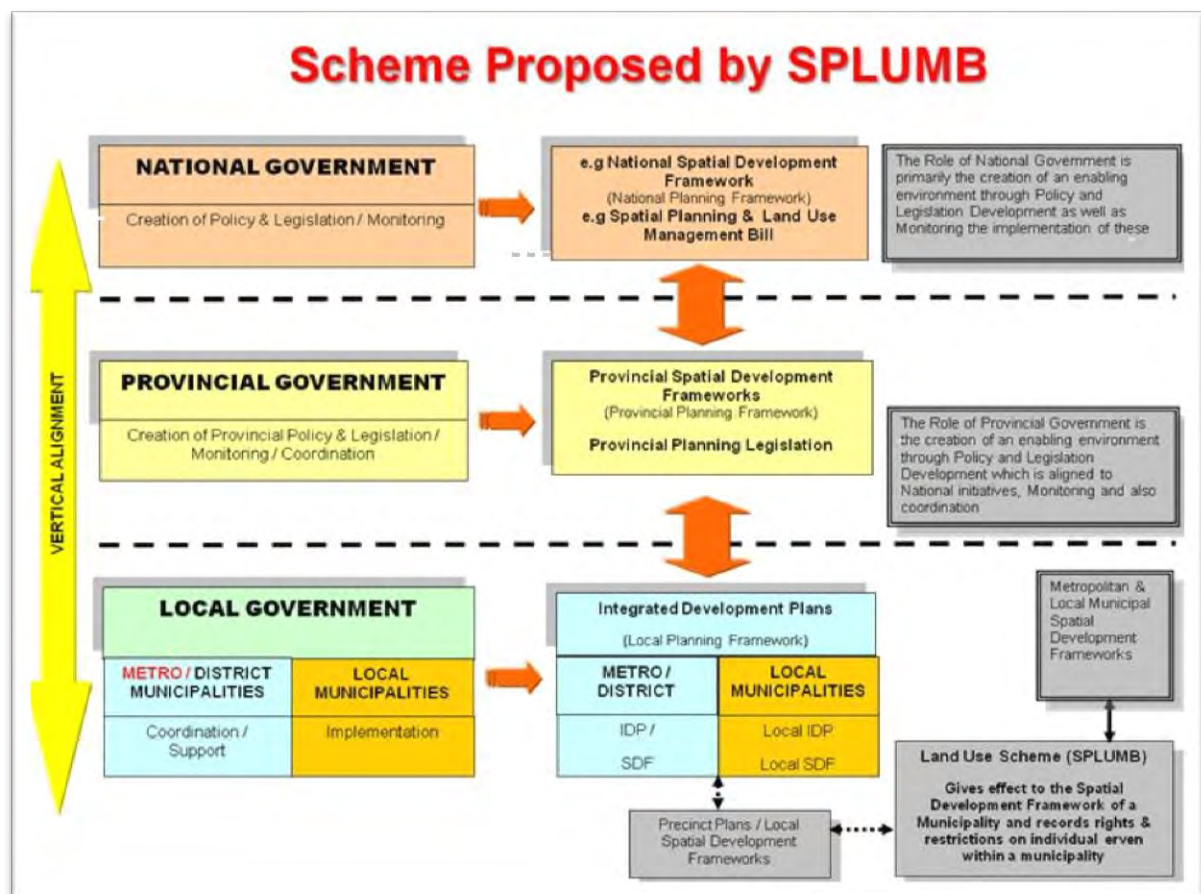
<b>Project Name: Economic Growth And Job Creation Projects</b>			
<b>Project Description</b>	<b>Budget/ Priority</b>	<b>Funding Source</b>	<b>Beneficiary</b>
1. Establishment of “Industrial Development Zone” at Schroeders (between Wartburg & New Hanover)	R60 Million Priority 6 F	Department Economic Development/Industrial Development Corporation (IDC)	Ward 9. Greater opportunities for residents/businesses in whole Municipality (more employment and access to wider scope of industrial services and facilities)
2. Establishment of an “Arts and Crafts Hub” at Albert Falls Dam	R2 Million Priority 6 B	uMshwathi Municipality and Department of Arts and Culture	Ward 1. uMshwathi Municipality will have additional industrial properties for prospective investors and developers
3. “uMshwathi City” Development Node around R33/R614 Intersection (Phased Implementation of mixed-uses i.e. commercial, retail, industrial, residential and agricultural, etc)	R150 Million Priority 6 D	IDC, Jobs Fund (DBSA), CoGTA - Corridor development, uMgungundlovu District Municipality for bulk infrastructure	Ward 9. All uMshwathi residents will benefit from new employment opportunities, access to one-stop centre for services/amenities; Municipality will derive additional rates from the development

Source: Adapted from uMshwathi Local Municipality, 2013a.

Section D of the IDP is an overview of uMshwathi Municipality’s Spatial Development Framework (SDF) and Land Use Management System (LUMS). The uMshwathi SDF was last reviewed in October 2007, and the municipality is planning to review it during the 2012/2013 financial year (uMshwathi Local Municipality, 2013a). The Constitution compels Local Authorities to prepare a town planning scheme of all land within its area of jurisdiction (Republic of South Africa, 1996). Land use in South Africa at municipal level was administered by Town Planning Schemes (TPS) and replaced by the LUMS, with the primary purpose of identifying incompatible land uses. Thus each Municipality needs detailed land use information on a regular basis, to maintain a database of all zonings for each land parcel. Zoning datasets provide an input into the land use classification process. There was no single recognised national classification in South Africa (Department: Rural Development and Land Reform (DRDLR), 2012). The Spatial Planning and Land Use Management Bill, 2012, illustrated in Figure 5.5, proposed the facilitation and regulation of land use in a uniform manner. The 2013 Bill was signed into law on 5 August 2013.

The Spatial Land Use and Management Act, Act 16 of 2013 (SPLUMBA) provides that: National and Provincial government are required to create enabling environments; Municipalities through the IDP retain the Municipal planning mandate and Municipal SDFs must be prepared every 5 years.

The IDP, SDF, LUMS, sector plan development, environmental management and development control are pivotal to the functioning of the municipality. Thus municipal development planning is vital and requires an effective and well resourced planning department, essential for the growth and development of the municipality (Ovens, 2009). Development promotion and revenue generation depend on municipal development planning. Releasing land for development, certifying correct zoning, confirming that municipal land uses are accurately linked to the rating and billing systems, is critical to generating revenue and to the long-term sustainability of the municipality.



**Figure 5.5** Spatial Planning and Land Use Management Bill, 2012

Source: Adapted from Department: Rural Development and Land Reform, 2012.

According to the organogram for the uMshwathi Municipality, there are two positions vacant in the planning department. The shortage of staff in key positions has a direct bearing on research objectives 3 and 4, namely the implementation of LED strategies in uMshwathi to respond to changing circumstances and the growth of LED in uMshwathi to generate partnerships to solve problems, create business ventures and build local areas.

Management at the uMshwathi Local Municipality consists of: the Municipal Manager, the Chief Financial Officer; the General Manager (GM) Technical Services (acting), GM Community Services and GM Corporate Services (vacant). Vacancies include: Personal Assistant, and Line Managers in Communications, Internal Audit, Service Delivery (M&E) & Finance (M&E). Departmental Managers of Traffic, Housing, Planning and Economic Growth and Development Units, report to the GM Community Services. The post in Economic Growth and Development is vacant (tourism officer). Youth, Library and Cemetery Departments report to GM Community Services as do Gender/Disability and HIV/AIDS Coordinators (both posts are vacant) (uMshwathi Local Municipality, 2013a). The absence of “*e*” (capacity) in *c x r* (Blakely and Leigh, 2010), implies that successful regional and local and development (LRED) cannot be the desired outcome, unless both the capacity and the resources are present in the relationship, signifying that the research objectives cannot be met.

According to Xuza (2007) municipalities are generally not in the business of doing business. The Municipality must be run as a business (metaphor 2, Bingham and Mier (1993)) as it has numerous and varied functions and powers (see Table 5.24), administers large sums of money and is accountable to citizens. It must be appreciated that especially in rural municipalities, skilled personnel may not be available and the vacancies highlighted are testimony to difficulties faced by the Municipality of uMshwathi in delivering its mandate. The Municipality, was identified in need of assistance to enhance capacity and performance, and enrolled in Project Consolidate, a hands-on Local Government support and engagement programme. The two year programme provided the Municipality with an opportunity to fast-track access to new financial and technical resources in order to exit the Project Consolidate status (uMshwathi Local Municipality, 2006). The Project Consolidate Audit results focused on the mechanics rather than the status of the local residents. The Department of Cooperative Governance and Traditional Affairs (CoGTA) in reviewing Project Consolidate and the 5 Year Strategic Agenda (the 5 KPAs on which the uMshwathi Municipality IDP is based), acknowledges that these

interventions have been incapable of effectively addressing multifaceted problems and capacity challenges (CoGTA, 2009).

Similarly a review of government initiatives and programmes to advance service delivery and institutional support, including: the Planning and Implementation Management Support (PIMS) Centres, the ISRDP and URP nodal programmes, Siyenza Manje, the Bucket Eradication programme, the Ilima project (Old Mutual), and the donor sponsored Consolidated Municipal Transformation Programme (CMTP), have not had the desired outcomes (CoGTA, 2009). Moreover numerous limited interventions have taken place in the local sphere of government e.g. the IDP analysis and training weeks. According to Trah (2009), assessments of local governments' ability to perform LED have revealed noteworthy limitations in their competence and capacity to implement LED at local government level, despite innumerable trainings, conferences, seminars, study tours, etc. undertaken and on offer, particularly for LED officials and councillors in local government. The absence of "e" (capacity) in  $c \times r$  (Blakely and Leigh, 2010), implies that successful LRED cannot occur unless both capacity and resources are represented and thus the research objectives cannot be realized.

All the powers and functions listed in Table 5.24 impinge on the activities of local economic development and it is in these areas that the Municipality can contribute most to the local economy by cutting red tape, namely reforming the demand side of the local business environment. Identifying the regulations to be reformed revolves around implementing the LED concept of partnership, between local government and local business (LMRF Viewpoint, 2008). Local economies grow through multiplier effects. By removing the hurdles to enterprise development, SMME's establish themselves and grow, and public-private partnerships are activated. Thus an initial investment gives rise to various associated activities e.g. sale of food and liquor promotes local tourism; erection of new buildings invites new businesses; a partnership is formed to place amusement facilities in municipal parks; municipal health services and private child care facilities could entice new residents to the area and prevent outward migration. The Batho Pele Principles should obviously be applied. From both the municipality's and the business's perspective this is economic development as problem solving, as running a business, as building a growth machine and as releasing human potential (Bingham and Mier, 1993). The metaphors and images are endless and there is opportunity for a win-win situation. LED is a process and growth is the outcome.

**Table 5.24** Powers and Functions of uMshwathi Municipality assigned by the MEC for Cooperative Governance and Traditional Affairs, performed by the Municipality

Air, noise and broadband pollution	Amusement facilities	Billboards and display of advertising in public places
Building regulations	Cemeteries, crematoria and funeral parlours	Child care facilities
Cleansing	Control of nuisances	Control of undertakings that sell liquor to the public
Facilities for accommodation, care and burial of animals	Fencing and fences	Licensing and control of undertakings that sell food to the public
Licensing of dogs	Local sport facilities	Local amenities
Local tourism	Markets	Municipal health services
Municipal parks / recreation	Municipal planning	Municipal roads
Municipal public works	Pounds	Public places
Traffic and parking	Public transport	Refuse removal, refuse dumps and solid

Source: Adapted from uMshwathi Local Municipality, 2013a.

The cumulative five year plan is not reflected in the IDP, an essential element for long term planning, and monitoring and evaluation. Municipalities finance their expenditure using own revenues (property rates, user charges (e.g. water), unconditional grants, conditional grants and municipal borrowing) augmented by intergovernmental transfers from National Government and private financing (Table 5.25). The major unconditional grant is the equitable share transfer, which dispenses the pooled local government equitable share (LES) across municipalities using the formula  $LES = BS + I + D - RRC \pm CBS$ , (see Table 5.25) adopted in the 2005/06 financial year (Financial and Fiscal Commission, 2011b). The Municipal Infrastructure Grant (MIG) endeavours to eliminate fragmented grants which result in duplication and inefficiency and promotes the harmonization of efforts in the implementation of national policy priorities. It is a conditional grant for the advancement of developmental outcomes, destined for infrastructure and capacity building. Thus it attempts to subsidise the capital costs of providing basic services to poor households by prioritising the provision of appropriate bulk, connector and internal infrastructure in key services. It is further committed to enhancing the development capacity of municipalities through supporting multi-year planning and budgeting systems. Municipalities are moreover legally authorised to borrow from credit markets. Additional support is provided by the dti to advance the Industrial Policy framework in respect of selected sector development enterprise support, critical infrastructure and spatial development initiatives.

**Table 5.25** Funding Sources for Municipalities

Funding Source	Challenge
Local Government own revenue	Municipalities to generate more own revenue by increasing economic activity: property taxes, sale of municipal services
<p>Equitable Share (LES)            BS = Basic Services Component for basic service provision to poor households/ municipal health services for all. I = Institutional Component to meet administrative/ governance costs            D = Development Component (inactive) RRC = Revenue Raising Component to achieve horizontal equity in allocation system (smaller municipalities face revenue-raising constraints)            C = Correction component a guarantee mechanism to ensure consistent/predictable allocation to support proper municipal planning/budgeting.</p>	<p>LES = BS + I + D – RRC ± CBS</p> <p>(1) Increase in national growth generates extra revenue for municipalities; high growth to support low growth municipalities through national transfers i.e. redistribution.            (2) Fund development function of municipality through currently undefined development component of equitable share.            (3) Improve utilisation of provincial equitable share and transfers to municipalities to support integrated sustainable human settlements and robust local economies</p>
<p>Municipal Infrastructure Grant (MIG) includes: Consolidated Municipal Infrastructure Programme, Local Economic Development Fund (DPLG); Water Services Capital Grant (DWAF); Community Based Public Works Programme (Public Works); Building for Sports &amp; Recreation Programme (Sport &amp; Recreation SA); Urban Transport Grant (Transport).</p>	<p>(1) At present supports mainly basic infrastructure development that needs to be spent and efficiently utilized by municipalities.            (2) The MIG does support infrastructure for economic development; this –E” portion could be increased e.g. Infrastructure for street traders</p>
<p>Sector support (National departments/State Owned national departments. Enterprises) includes range of dti support to give effect to the Industrial Policy framework for customised sector development enterprise support, critical infrastructure and spatial development initiatives</p>	<p>(1)A range of funding sources for sector specific initiatives from national departments. Enhanced communication by departments required in respect of funds; municipalities to be more proactive in linking with these initiatives. (2)Improved institutionalised inter-governmental coordination at district/metro level, should further address this challenge through joint planning.            (3) Many sector programmes delivered directly in municipal areas. In concert with funds to be channelled through municipalities, better organization is required for optimum outcome of economic development in the local space.</p>
<p>Development Finance Institutions (DFIs) such as IDC, DBSA, National Empowerment Fund, IDT, NDA; and private banks, companies</p>	<p>The challenge is to effectively link local enterprises to support instruments through expanded communication/ information. Growing the venture capital number and size of local businesses is the key for local economic development. Mobilising corporate social investment and support for cooperatives to be expanded by public-private partnerships.</p>
<p>Donor funding</p>	<p>Coordination/ownership of donor support by government is critical with mainstreaming of these support instruments into government programmes. The large EU support for LED in KwaZulu-Natal, Limpopo and Eastern Cape to be optimised around government’s vision for local economies in these areas expressed through the PGDSs and LED programmes.</p>

Source: Compiled from DPLG, 2006 and Financial and Fiscal Commission, 2011b.

uMshwathi Municipality's Draft Budget for the 2013/2014 financial year includes total revenue estimates of R122,973 million, with an operating expenditure of R89,655 million and a capital expenditure of R33,318 million. The main income results from the rates income and equitable share as follows: rates: R22,000 million; services: R1,887 million; Operational Grants: R65,620 million; Capital Grants: R22,296 million and other income: R11,170 million. This revenue is utilised to meet expenditure incurred in the normal administration of council business: councillor allowances and salaries: R44,464 million (an increase of 7% is budgeted for salaries); general expenditure: R34,788 million, and repairs and maintenance: R10,203 million. The total capital budget estimated at R33,318 million is divided as follows: roads: R17,900 million; halls: R7,818 million; land: R0,800 million; grader: R0,500 million; sports field: R2,800 million; vehicles: R1,700 million and other: R1,800 million. Thus it is evident that income resulting from rates and Operational Grants are insufficient to meet the normal running expenses of the Municipality (uMshwathi Local Municipality, 2013b).

The uMshwathi Municipality will apply an aggregate rebate of 83% in respect of agricultural properties, as follows: in cases where limited services are provided to owners by the municipality; where agriculture contributes to the continued sustainability of the local economy, by job creation with salaries/wages of farm workers in line with sector averages, and harvesting of agricultural produce occurs; where the property owner assists the municipality in attaining service delivery and development obligations, by installing infrastructure required for the provision of services and making land available to the municipality for clinics, schools, recreational facilities, water works, housing development, etc.; where there is evidence by the agricultural property owner of caring for the social and economic welfare of farm workers by the provision of employment, housing, schools, a safe environment, and land to be used as a burial site as per established practice (uMshwathi Local Municipality, 2013b). This is further evidence of cutting of red tape, in recognition of the contribution of agriculture to the economy, and to stimulate a further contribution from agricultural property owners. Moreover it is demonstration of the implementation of the LED concept of partnership.

Provincial revenue and expenditure are currently affected by two significant factors. Following the 2011 Census results revealing that there is a decline in the growth rate of the population in KZN, there has been a reduction in the provincial equitable share allocation



and KZN's equitable share is reduced by R1 124 billion, R2 387 billion and R3 261 billion over the 2013/14 MTEF. Although National Treasury has allocated funding to mitigate this reduction, it is insufficient to finance the decrease. The second concern stems from the national fiscal policy of limiting unsustainable growth in public spending over the medium term, so as to stabilise the national debt portfolio. Debt service costs are rising at an alarming rate and unless curtailed, they will in the near future exceed service delivery expenditure. Therefore National Cabinet approved 1, 2 and 3 per cent reductions in the baselines of government agencies. For provinces, these reductions are effected on 20% of provincial equitable shares; this results in reductions of R170 million, R358 million and R555 million for KZN over the 2013/14 MTEF (uMshwathi Local Municipality, 2013b). Therefore although LED takes place at the micro level, it is affected at the macro level by National and Provincial budgetary policies.

The uMshwathi Municipality acknowledges in the IDP the applicability of the MSTF priorities of government (see Table 3.2) particularly Outcome 9, that of a responsive, accountable, effective and efficient local government system, with its seven outputs specifically directed at local government (uMshwathi Local Municipality, 2013a). The analysis of uMshwathi and particularly section 5.3.3 clearly demonstrated that the Municipality is not bringing to fruition vibrant, equitable, sustainable rural communities contributing towards food security for all, and therefore has not achieved the objectives of Outcome 9 (see tables 5.18 and 5.19) and similarly neither the research objectives of the implementation of appropriate LED strategies.

Meyer-Stamer (2003b) states that while the IDP focuses on needs and problems, LED ought to be driven by opportunities; the IDP looks at long-term investment, whereas LED looks at short-term opportunities; the IDP involves a process of convening communities, where LED can be based on the activities of only a limited number of stakeholders. He is of the opinion that there is no need to form a consensus about the details of LED; it is sufficient that local stakeholders agree that there should be LED which is based on economics and business principles. According to Ovens (2009), municipal IDPs are still the best tools to coordinate and align various rural development initiatives by other spheres of government, although there is greater emphasis on projects rather than on developing systems and strategies aimed at supporting rural people out of their plight of rural poverty. Furthermore in the implementation of priorities identified in the IDP, availability of

funding for specific projects, changing priorities of political leaders and availability of capacitated and willing project champions at a community level, all tend to influence the implementation programme (Ovens, 2009).

A Councillor's Guide to Local Economic Development in South Africa lists responsibilities of local municipalities as the key LED implementation agents of government (SA LED Network, 2011). These responsibilities resound with the four research objectives of this study in uMshwathi.

Research objective 1: the development of diverse economic LED strategies in an all-inclusive approach thus prioritizing job creation and poverty alleviation. To ascertain that social and economic development enjoy primacy within IDP's, thus improving the quality of life and facilitating economic opportunities of residents by addressing infrastructure and service delivery backlog.

Research objective 2: the promotion of LED strategies to use local resources and skills to best advantage so as to maximize opportunities for development. To build and maintain an economic database to inform decision making; to motivate and support individuals, resident community groups and local authorities to initiate and sustain economic initiatives, and assist in the marketing of new economic opportunities.

Research objective 3: the implementation of LED strategies in uMshwathi to respond timeously to changing circumstances at local, national and international levels. The promotion of LED strategies to use local resources; to establish and continuously develop capacity within the municipality to promote interdepartmental collaboration, while simultaneously establishing an LED Forum within the community to mobilise the efforts and resources of local stakeholders around a common vision.

Research objective 4: the growth of LED to generate local, national, and international partnerships between communities, businesses and government to solve problems, create joint business ventures and build local areas. To build understanding and communicate complex local economic relations, limitations and advantages to key role players; mobilise civil society to participate in LED and encourage public participation network with key sectors and role players to create partnerships and projects; establish sector linkages and clustering of economic activity.

Thus it emerges from the study that the research objectives based on the definition of local economic development (LED) may not be aligned with LED in practice in the uMshwathi Municipality. Section 5.3.3 examines LED in uMshwathi further.

### **5.3.3 Local Economic Development, The LED Plan and the Strategic Prioritization of Agriculture**

The outline of the Integrated Development Plan includes the annexed detailed Local Economic Development (LED) Plan as per the Municipal Systems Act (Act 32 of 2000) and therefore satisfies Sections 152(c) and 153(a) of Act 8 of 1996 (see Table 5.20). As the stated annexures were not attached to the IDP electronically, a personal request had to be made for the plan (8 pages which read like a school report). Subsequently a study was undertaken of the Local Economic Development Strategy for uMshwathi Municipality 2012/13 - 2016/17, attached to the uMshwathi Local Municipality Draft IDP 2013-2014 (uMshwathi Local Municipality, 2013a). The internal environmental analysis, where the organisational resources, management capabilities and core competencies of the Municipal organisation were observed, and the external environmental analysis, where the political, economic, socio-cultural, technological and ecological environments were studied, was undertaken in the IDP (see Table 5.20).

It follows that the LED Plan ought to consist of the next steps in the strategic management process, namely strategy formulation and strategy implementation. A reading of the literature suggests that a disproportionate amount of time and effort appears to be spent on the analysis, while insufficient time and endeavour are allocated to the creation of the strategy and the execution of the plan. The LED Strategy Model illustrated in Figure 5.6 depicts the LED Strategy feeding into the IDP, underscoring the centrality of LED. It is however put forward that all interaction between the different activities is two ways, eventually feeding both in and out of the IDP, through the LED Strategy, as it is the IDP that is the strategic management tool. This would correspond to the schematic representation of the Integrated Development Plan (IDP) depicted in Figure 5.4.

This concurs with Ackron's (2010) view cited by Rabie (2011) that LED is not a separate function to be assigned to one unit of the municipality, but that it is a cross-cutting function that runs throughout all municipal plans and programs. Thus Local Economic Development (LED) is not an activity that is independently implemented, but should more precisely be viewed as an opportunity through which all the functions of the municipality could and should be accomplished.



**Figure 5.6** LED Strategy Development Model  
 Source: Adapted from Mkhambathini Local Municipality, 2007.

According to Rogerson and Rogerson (2010) the preparation and implementation of LED strategies helps make local institutions more transparent and accountable, thereby contributing to developing civil society. The participative democratic process required by law in the preparation of the IDP has been alluded to (section 5.3.2). Bodhaya (2010) is of the firm opinion that, there is a systemic relationship between infrastructure and service delivery and economic growth, so that LED must not be treated separately. The connection between the lack of provision of services and the quality of life, impacting on the potential propensity for proactive participation of the population of uMshwathi in LED processes, has been amply demonstrated in section 5.2.3.

Rücker and Trah (2007:15) go further and state that while the activity of LED signifies a clear economic focus, it is not merely about economic growth, but rather “a sustainable development pattern which accommodates and reconciles economic, social and ecological issues and objectives”. Rodriguez-Pose (2008:23) sums up the objective of LED as follows:

“to mobilise the local economic potential by bringing innovation to all its growth dimensions which range from infrastructure, to local SMEs and their skills, to attracting foreign direct investment, fostering territorial competitiveness, strengthening local institutions, better management of the development process and internalising local resources”.

Municipalities have been criticized for using professional consultants to prepare their IDP and the LED Plan. As an example, the uMshwathi Final Local Economic Development Strategic Plan 2007, undertaken by Consultancy Group Blueprint, KZN, was a joint effort by the uMgungundlovu District Municipality and the Gijima KZN Programme of the Department of Economic Development and Tourism of KwaZulu-Natal in partnership with uMngeni, uMshwathi, Msunduzi, Mkhambathini, Impendle, Richmond and Mpofana Local Municipalities and various local economic development (LED) stakeholders within the district geographical area, thus embodying Local and Regional Economic Development (LRED) (uMgungundlovu District Municipality, 2007). Studies of subsequent IDPs and LED strategies of the uMshwathi Local Municipality do not demonstrate evidence of having taken that detailed report into consideration (see discussion in section 5.2.4) although the Local Economic Development Strategy for uMshwathi Municipality 2012/13 - 2016/17 (uMshwathi Local Municipality, 2012) states that the Municipality's:

–continuous efforts to be an effective, efficient, self-sustaining and productive municipality underpinned by its leadership's will to develop and sustain service excellence, underline the fact that the review of its LED strategy is a step forward towards the further transformation of uMshwathi into an economically vibrant, safe and healthy environment, with all its citizens enjoying a high quality of life, with special emphasis on job creation and a better standard of living”.

It is apparent that uMshwathi Municipality's current LED Strategic Plan does not adequately document or add to previous LED activity (being merely a repetition of the previous plan). LED is a process and thus all efforts in the community should build up, amass and expand, to encourage and contribute to growth for all. Therefore it is imperative to ascertain the role of externally co-ordinated programmes in the municipality and the extent to which they align themselves with municipal business (see Appendix B, Tables B.2, B.3 and B.4). The need and role of non-governmental organisations (NGOs) within the local community must also be made clear. These points with regard to external programmes, persons and organizations are not dealt with in the LED Plan and will be further discussed. Clearly the LED plan did not follow the structure as per Table 5.26, as the current LED Plan repeatedly refers to future reviews of the existing LED Strategy document, the continuous review of the LED Strategy, and the rewriting of a new,

advanced and detailed LED Strategy. From the foregoing discourse there is support for the premise of a limited understanding of local economic development.

**Table 5.26** Key Performance Area (KPA) 3: Local Economic Development

<b>Analysis Phase: LED Evidential Criteria / KPIs</b>	<b>Strategies Phase: LED Evidential Criteria / KPIs</b>	<b>Projects Phase: LED Evidential Criteria / KPIs</b>	<b>Integration Phase: LED Evidential Criteria / KPIs</b>	
Is the current economic profile and economic development potential of the municipality well outlined in the analysis?	Are the “Local Economic Development” strategic objectives (priorities) of the municipality clearly articulated?	Do all LED programmes/projects have: targets and indicators; major activities; timing; cost and budget, and implementing agent?	Does the municipality have a Local Economic Development Plan?	
Does analysis provide a clear indication of the comparative and competitive advantages of the local economy?	Are there strategies for: BER; PPP and community partners; enhancing cluster/ sector competitiveness; promoting intergovernmental dialogue on shared priorities/collective economic actions/ attract private/non-government sector; place marketing; align municipal LED with national/district provincial LED aims particularly infra - structure/skills dev.	Is there a link (relation or logical sequencing) between the LED strategies and the LED projects?	Does the strategy respond to economic constraints of the locality?	
Is there a clear indication of the state of the local skills base and challenges and opportunities thereof?		Are there other complimentary LED programmes /projects initiated by other spheres of government/ nongovernment agencies in the municipality?	Is there evidence of how intergovernmental dialogue informs spatial and regional economic investment choices?	
Number of jobs created in the municipality through the Expanded Public Works Programme since inception in 2004	Indication of strategies of promotion of environmentally sound practices and social development in the course of developing the local economy?	Is there any alignment between LED projects initiated by the municipality and those of other spheres of government/non-government partners?	Is the strategy aligned to key planning documents such as the NSDP, PGDS, etc?	
Does analysis provide clear indication of strategic land (municipal/communal, private/governmental) on which LED projects can be initiated and sustained?	Is there a link (relation or logical sequencing) between the “socio-economic” analysis findings and the “Local Economic Development” strategies?		Does the quality of the Local Economic Development Plan meet the minimum and required standard?	
<b>QUESTIONS TO BE ASKED Yes/No</b>	<b>Improvement Measure</b>	<b>Who will assist the Municipality?</b>	<b>By when?</b>	<b>Rating</b>

Source: Adapted uMshwathi Local Municipality, 2009.

Table 5.26 identifies four phases in the development of the LED strategy and plan: analysis, strategies, projects and integration, as well as the queries to be addressed during each phase, including the participants and time frames. The present IDP states that the municipality must develop strategies and programs building on existing sectors (see column 2, Table 5.26), deal with socio-economic challenges, encourage economic diversification, support education and intensify skills development in the local community, and makes reference to the LED plan. The LED plan, however, does not elaborate further on these statements.

The study has confirmed that local government structures are key to the exploitation of national, regional and local resources to promote their areas, and in facilitating strategic local partnerships to enhance and sustain economic growth. Local communities and authorities can play an active role in determining their own economic paths but according to Rodríguez-Pose and Tijmstra (2005), challenges facing a locality may be especially difficult for local governments to manage. “LED will not be successful in the absence of an appropriate asset base and infrastructure and associated service delivery” (Gijima KwaZulu-Natal, 2009:7). Assessments and research reveal that most municipalities, especially the poorer performing ones, are principally required to dedicate their energies to providing basic services and infrastructure (CoGTA, 2009). The analysis of the uMshwathi Local Municipality, drawing on the environmental scan and an internal scan, indicates that the Municipality may well fall into this category. However, “in 2009 and beyond, there is a need to ensure that municipalities are responsive, efficient, effective and value for money is realised with the allocated public resources” (CoGTA, 2009:6). This is in sharp contrast with the recent much publicized in the media, often violent, service delivery protests, and accompanying reports which damage the credibility, reputation and image of municipalities.

At this point it would be remiss not to present Gijima funding and projects, as the programme forms an important part of the LED landscape in KZN. The KZN Gijima Project, an EU-funded project with the objective of stimulating Local Economic Development (LED) in KwaZulu-Natal (excluding the eThekweni Metropolitan area), was implemented in November 2004 and was a six year funded programme. The Project consisted of three programmes: the Business Enabling Fund (BEF), made funds available for strategic LED plans to assist provincial and local government to create an enabling environment for LED; the Local Competitive Fund Competitive Action Plan (LCF CAP)

supported the development of business plans; while the Local Competitive Fund Implementation (LCF IMP) was designed as an implementation fund to launch selected projects (Table 5.27). The Network and Cooperating Fund (NCF) was not a grant fund and the Technical Assistance Fund (TAF) was directed at local and provincial government (LMRF Viewpoint, 2009). The DEDT's LED sub-programme had disbursed R141m for 2007/08 (at 31 March 2008) to 180 projects; this transfer leveraged R84m in co-funding and created nearly 1 500 permanent and temporary jobs (LMRF Viewpoint, 2008).

The DEDT has continued the programme by committing R60 million over three years. Funds have furthermore been made available for various LED academic programmes at the University of KwaZulu-Natal, including a Masters Degree Programme (Gijima KwaZulu-Natal, 2009). The newly designed Gijima KZN LED Support Program, based on the first programme, announced the LCF II Call for Proposals focused on Implementation Projects only (submission of applications by 25 September 2012) (Gijima, 2013).

The Gijima funds illustrated in Appendix C had three main objectives: to promote pro-poor LED; to build local government capacity to managing LED; and to increase local competitiveness through building partnerships (LMRF Viewpoint, 2009). Table 5.27 lists Gijima funded projects in uMshwathi Local Municipality and the uMgungundlovu District Municipality (annotated as complete, 27 September 2012; still in implementation at the date of 20 April 2011) (Gijima, 2013). With regard to the first four projects directly involving the Municipalities, the aim of the BEF Fund is to assist provincial/local government to create an enabling environment for LED; however there appears to be no evidence of these projects, nor mention of Gijima in the recent IDPs or LED Plans. Similarly with the LCF CAP Fund, which funds business plans, there appears to be no indication of the prospective cut flower hub, the Agri BEE Support Desk, or verification of agri processing and alternate supplies of poultry. The only project implemented appears to be Swayimane Group Farming Project which established 288ha sustainable cane production and founded three cooperatives. This may well signal lacunas in institutional memory, the allocation of funding to unsuccessful projects or the poor implementation of projects.



**Table 5.27** Gijima Funded Projects uMshwathi LM and uMgungundlovu DM

<b>Project &amp; Fund (at 27.09.2012)</b>	<b>Grant Beneficiary Location &amp; Sector</b>	<b>Budget</b>	<b>Grant</b>	<b>Status &amp; Description</b>
LED Strategic Planning <b>BEF</b>	uMgungundlovu DM LED Planning	R 1200000	R 756000	<b>Completed:</b> produce district wide LED strategy
Establishment of Base Line & Business Agricultural Economic Data Set <b>BEF</b>	uMshwathi LM ICT	R 217850	R 152150	<b>Completed:</b> create a basis for analysis - sectors & stakeholders
Development: Informal Economy Policy uMgungundlovu DM <b>BEF</b>	uMgungundlovu DM LED Planning	R 160335	R 111735	<b>Completed:</b> guide DM to manage/ support workers in informal sector
Development of an Investment Incentive for uMgungundlovu DM <b>BEF</b>	uMgungundlovu DM LED Planning	R 160000	R 112000	<b>Completed:</b> prepare uniform Investment/Incentive plan for LM's in District
Edendale Construction Centre of Excellence Incubator <b>LCFCAP</b>	uMgungundlovu FET College uMgungundlovu DM LED Planning	R 100872	R 70611	<b>Completed:</b> contribute to growth & employment in Edendale
Preparation of LED & Financial Services Models for Excluded Areas <b>LCFCAP</b>	Project Preparation Trust of KZN uMgungundlovu DM LED Planning	R 537500	R 375480	<b>Completed:</b> develop area interventions with economic/social impact on poverty
KZN Furniture Industry Cluster Development Program <b>LCFCAP</b>	KwaZulu-Natal Poultry Institute; Furniture & Wood Products uMgungundlovu DM	R 149854	R 104898	<b>Completed:</b> promote development of KZN furniture industry
Gateway Tourism Initiative Interpretive Master Strategy Plan <b>LCFCAP</b>	The Gateway uMgungundlovu DM Tourism	R 351235	R 245735	<b>Completed:</b> maximisation of Gateway Tourism competitiveness
Midlands Meander Economic & Marketing Research Project <b>LCFCAP</b>	Midland Meander Association uMgungundlovu DM Tourism	R 400000	R 280000	<b>Completed:</b> Imple - mentation of plans to improve products/ services of Meander
Kwanulu Agri-BEE Desk <b>LCFCAP</b>	S A Cane Growers Association	R 151694	R 105694	<b>Completed:</b> Kwanulu to establish Agri-BEE Support Desk
Ikusasa Forestry Cooperative Project <b>LCFCAP</b>	Ikusasaletu Trust uMgungundlovu DM Agriculture & Agri- processing	R 697640	R 488348	<b>Completed:</b> form black-owned timber growers' cooperative & marketing agency
Formation of Cut Flower Hub <b>LCFCAP</b>	KZN Cut Flowers Growers Association uMgungundlovu DM Agriculture/Agriprocess	R 756107	R 519669	<b>Completed:</b> develop floriculture hub & commercial training unit
Investigation: alternate hatchery/chick supply from Pietermaritzburg <b>LCFCAP</b>	Scientific Roets (Pty) Ltd; uMshwathi LM Agriculture & Agri- processing	R 1002744	R 640680	<b>Completed:</b> potential economic viability of small & informal sector
Swayimane Group Farming Project <b>LCFIMP</b>	Noodsburg Cane Growers Association uMshwathi LM Agri- culture/Agriprocessing	R 5512240	R 3800000	<b>Completed:</b> establish 288ha sustainable cane production 3 coops

Source: Adapted from Gijima, 2013.

Thus it is observed that the LED sector in KwaZulu-Natal consists of various activities undertaken by an array of stakeholders with different degrees of organisation, that do not necessarily share a common and clearly articulated LED understanding, vision or strategy. LED interventions are endeavours across disciplines and institutions, relating to issues of agriculture, fisheries, health, banking, transport, tourism, education, water supply, energy and environmental protection as demonstrated by the KZN Regional and Local Economic Development Summit 2013, hosted in Durban on 12 - 13 November 2013, by the Department of Economic Development and Tourism, the Department of Agriculture and the Department of Cooperative Governance and Traditional Affairs (Gijima, 2013).

The case analysis has revealed that the first strategic goal of the PGDS (2011) is “job creation” and the first strategic objective is “unleashing the agricultural sector”. The principal economic sector in uMshwathi is agriculture which employs over 50% of all formally employed residents (INR, 2010). A large section of uMshwathi has been designated as agricultural priority area (INR, 2010). The agricultural sector in South Africa is recognized as having the highest output multiplier (Deloitte, 2012). Exceptionally high poverty and unemployment are present in uMshwathi and one third of residents are recipients of social assistance grants (uMshwathi Local Municipality, 2013a). Types of agriculture occurring in the uMgungundlovu area include commercial, subsistence and small landowner/plot holder (uMgungundlovu District Municipality, 2006).

A “one village one product” is advocated for KZN, investors have agreed to partner with government and farmers in a range of ventures which might promote further agricultural development and traditional leaders may well be potential partners (Mkhize, 2011). The Dube TradePort Corporation embodies “the big push”, a concerted economy-wide and public-policy-led effort to accelerate economic development (McCarthy, 2004). Notwithstanding enduring land issues and sector wage problems, the Deloitte report (2012) concludes that the agricultural sector in KZN is worthy of investment. Agriculture is a national strategic priority with numerous issues, including food safety and food security; however, viable projects based on adequate information bases, can create success stories that stimulate confidence and contribute to a cumulative and widening process of growth.

The uMshwathi LED Strategy Plan (2012/13 - 2016/17), has aptly recommended the establishment of an agricultural desk within the municipality and the facilitation of the formation of local farmers associations. The Plan recommends the development and

implementation of locally targeted agricultural initiatives and the possibility of self-funding (stokvels, cooperatives, etc.). The Plan mentions 250 farmers involved in sugar cane production, which may include the Swayimane Small Cane Growers Project. The proposed development of agricultural activities include: sugar cane, timber, poultry, pig farming, abattoirs, feedlots and the production of maize, vegetables, avocado pears and flowers. Diversification from sugar and timber has been suggested (Coetzee and Oldham, 2007). Cattle farming, game farming, crocodile farming, cabbage and amadumbe production also play a significant role in the local economy (uMshwathi Local Municipality, 2013a). Youth and women who are in greater need of employment opportunities could be mobilised to become involved in agricultural job creation.

The LED Plan advises the proper implementation through an LED Forum of Expanded Public Works Programmes, Zibambele and the Community Work Programme. It is not clear whether these programmes are in operation in uMshwathi. Similarly it is not apparent to what extent cultural tourism as described in the LED Plan plays a role. Activities in this sector, including, community-based arts and crafts, eco-tourism, agricultural, historical, and sports and cultural tourism, would contribute to the locality concept (Blakely and Leigh, 2010). Women and youth could be encouraged to come forward with proposals for job creation and innovative strategies, through the Youth Forum and the proposed Women's Forum. These initiatives will complement urbanisation trends in New Hanover, Dalton and Wartburg and new initiatives in the rural areas of the municipality.

The study has revealed that strategy is about making choices in respect of pertinent sectors and activities, where interested parties subscribe to an image of the prime potential of the territory, which can be managed to create a location based competitive advantage. The study has unveiled that uMshwathi has the highest agricultural land potential in the uMgungundlovu District (Table 5.28) and, in concert with the overwhelmingly rural nature of the town agriculture could form the basis of its competitive advantage. This concept embraces a mix of diversified sustainable strategies, releasing human potential, previously described in section 5.2.1.

According to Knorringa and Meyer-Stamer (2008), vibrant local economies usually result from interactions between market forces, entrepreneurship and chance, and occasionally may be the outcome of national governments planning and development efforts. The Comprehensive Rural Development Programme (CRDP) is strategic priority 3 within the

government's current Medium Term Strategic Framework (MTSF, 2010). “The importance of agriculture in uMshwathi cannot be overemphasized” (uMgungundlovu District Municipality, 2012:13).

Table 5.28 undoubtedly demonstrates that 92% of uMshwathi is endowed with high, good or moderately good land potential, the “resources” in Blakely and Leigh’s (2010) definition of local and regional development. Table 5.28 documents the superior agricultural potential of the whole uMgungundlovu District Municipality, and herein lies the prospect for the collaborative development of a regional agricultural strategy in LRED. Research into the completed Gijima Projects in the uMgungundlovu District should provide background material for this initiative, namely, the completed business plans for a district wide LED strategy, and the creation of a basis for the analysis of sectors and stakeholders (Table 5.27). The land potential figures cited for the uMgungundlovu District (Table 5.28) assume greater significance in the light of comparative South African statistics (UNEP, 2013). In addition, section 2.5 revealed that land is highly sought after in Africa and that agriculture is the engine of growth in Africa. Moreover the “green economy” is filled with opportunities.

The role of Local Government is to promote LED, to create awareness of potential and to create an enabling policy, knowledge and investment climate (Hardman, 2012). Rowe (2009), states that the most important task of the LED practitioner is to enhance the competitive advantages of the area. The Municipality of uMshwathi, mandated with the task of LED, in the persons of the Municipal Manager and the General Manager of Community Services, acting as champions, are well advised to set up an Agriculture Forum at the earliest, thus assuming the role of the brokering entity that will bring together actors to form productive networks so as to ensure that the focus on agriculture is strategic and capable of transforming the local economy of uMshwathi (Gijima, 2009).

**Table 5.28 uMgungundlovu Agricultural Land Potential by Local Municipality**

	Mkhambathini		The Msunduzi		uMshwathi		Mpofana		Impendle		Mgeni		Richmond		Total (DM)	
Agricultural Land Potential	Area(ha)	%	Area(ha)	%	Area(ha)	%	Area(ha)	%	Area(ha)	%	Area(ha)	%	Area(ha)	%	Area(ha)	%
High Land Potential	10696.7671	12	15516.6653	25	<b>59486.3071</b>	<b>32.7</b>			11827.352	13	17898.8919	11	73636.27	60	189062.2570	22
Good Land Potential	38047.6945	41.6	27641.5080	45	<b>79989.6128</b>	<b>44</b>	96876.8795	59	7628.3667	8	119938.7157	77	25751.34	21	395874.1150	45
Moderately Good Land Potential	10072.564	11	12521.3701	20	<b>28146.0279</b>	<b>15.5</b>	35.499437	0.021	60823.917	64	12429.3269	8		3	128496.4162	15
Restricted Land	12832.7765	14	6229.3343	10	<b>1698.7592</b>	<b>1</b>	26791.5889	16					9343.185	8	56895.6439	6.2
Very Restricted	15311.6271	16.7			<b>3255.4773</b>	<b>1.8</b>	4054.79414	2	6312.3483	6	220.7469	0.1			32911.6218	4
Low Land Potential	4230.1752	4.62			<b>8391.6335</b>	<b>5</b>	27280.0858	17			2103.2956	1.4	3756.628	3	48195.0553	5.5
Very Low	217.1328	0.24					10150.1523	6					6189.865	5	10367.2851	1.1
Vlei									8318.0153	9	2744.7598	2			11062.7751	1.2
Total	91539	100	63393	100	<b>181803</b>	<b>100</b>	165189	100	94910	100	156683	100	123145	100	876662	100

Source: Adapted from uMgungundlovu District Municipality, 2006b.

South Africa has limited agricultural land: of the country's 122 million hectares total land surface, it is estimated that only 16 million hectares (7.5%) can be used for crop production (UNEP, 2013).

South Africa has a relatively low annual rainfall and water is extracted from most of the country's 22 major rivers: it is estimated that national water requirements will exceed availability by 2025 (UNEP, 2013).

The Agricultural Forum, within the Local Government Constellation, is well placed to deal with Provincial and District Authorities, with the local business communities, civic organizations, academia and local residents (Gijima, 2009). Thus there is present the germ of LED in action: a strategic emphasis upon a defined territory, participation and social dialogue, locally-owned or managed processes, and mobilization of local resources for competitive advantage (Rogerson, 2009), with the goal of ultimately achieving a sustainable development pattern in uMshwathi inclusive of economic, social and environmental issues, thus addressing both pro-growth and pro-market issues. Hardman (2012) confirms that the LED manager is required to play the role of LED broker building a network of stakeholders and encouraging the search for innovation and growth. The voluntary participation of a range of cooperative institutional agents thus needs to be enticed by the whole Municipal team.

Farmers' organizations are the first persons to win over, including Kwanulu (KwaZulu-Natal Agricultural Union), the Agribusiness Development Agency (ADA) and the Ingonyama Rural Development Forum (IRD Forum). On the ground networks are already in place: 26 uMshwathi councillors and 26 youths from the National Rural Youth Services Corps (NARYSEC), must begin and continue to inform constituencies (3500 registered voters in 13 wards) of all developments through group meetings, and with the aid of electronic and social media, thus building up social capital and drawing residents, particularly women and youth, into the vision. Community workers and social workers can also be trained to become change agents – agriculture must be viewed as a business. Every consultant who has provided recent services to the Municipality should be kept informed. The data-base must be updated regularly and personal invitations issued to participate in the forum (the public participation process utilized in the Environmental Management Framework for the uMshwathi City Development Node, see section 5.4, identifies interested stakeholders). Educational institutions, especially those involved in agriculture, must be represented. Representatives of primary schools must also be invited to participate, as it is at this level that the seeds of entrepreneurship can be sown. A research team must be appointed so that municipal and other repositories can be searched for business plans lodged with government and non-government structures and not implemented (a case in point being the "Development of Organic Small Grower Groups" (SGG) (Gori and Associates, 2004). A data-base of funding and programmes (many are available in this study) must be compiled without delay and opportunities actively sought

out. The Comprehensive Rural Development Programme (CRDP), strategic priority number 3 within the Medium Term Strategic Framework (2010) must also be resourced.

This goal directed activity aptly describes the uMshwathi Agriculture Forum as taking on a more opportunistic structure and shedding the traditional institutional image. Support for this can be found in the seven metaphors of local economic development (Bingham and Mier, 1993) namely, economic development as problem solving; economic development as running a business; economic development as building a growth machine; economic development as preserving nature and place; economic development as releasing human potential; economic development as exerting leadership, and economic development as a quest for social justice. The potential of agriculture in uMshwathi combined with the comparative advantage of locality including the proximity to the Dube TradePort Corporation (DPTC), constitute the competitive advantage for uMshwathi and form the basis of coordinated and sustained efforts directed toward achieving long term objectives. This is described as a grand strategy, a general approach which will guide uMshwathi and which will provide basic direction for strategic actions (Ehlers and Lazenby, 2007). The New Growth Path (2010) and the National Development Plan (2012) promote agriculture as a means to achieve all-inclusive growth, employment and food security and this opens up new opportunities including funds available for agricultural initiatives.

Having confirmed the grand strategy, functional strategies must be prepared to ensure that the chosen strategy is implemented successfully with the formulation of short term objectives and integration of action plans. The Public Works Programmes and Zibambele Road Maintenance Programme should form part of the functional strategies, in that they will promote the locational competitiveness of uMshwathi. The particular areas of aquaculture and permaculture may be attractive to potential investors and partners and funding should be actively sought. Natal (today KwaZulu-Natal) was generally known as the Garden Province. National and international factors, the neglect of agriculture (Department of Agriculture, 2001; Patel, 2011), uncertainty over land issues; the poor development of agricultural extension officers (Mkhize, 2012); traditional leadership; lack of capacity and competence of local municipalities, with weak vertical communication, and poor coordination vertically and horizontally (Stanton, 2009) are among the many factors that have contributed to the decline in the agricultural sector. The pressing urgency of confirming the strategic prioritisation of agriculture is to speedily focus on the rigorous development of a green oasis in the midst of swiftly encroaching urbanization e.g.

smallholder farmers and organic farming; wind mills grinding produce, instead of wind towers; solar water heaters instead of increasing number of electrification poles; mixed use residential areas, and so forth. The list is endless, as are the potential multipliers. Alternative visions require a new social construction of reality and new patterns of perception (Bingham and Mier, 1993).

To this end and to prevent political or other high jacking as a result of the forthcoming political General Elections in April 2014, consideration should be given to inviting the German Technical Co-operation (GTZ) to provide their expertise in the convening of the Agriculture Forum and the subsequent transition to an LED Unit or fully fledged LED Agency (special purpose vehicle) (Gijima, 2009). Simultaneously and through the Cluster Model (IGR System) of the uMgungundlovu District Municipality (see Figure 5.3), Agricultural Forums could be set up or renewed in the neighbouring local municipalities, and a District Agricultural Strategy announced with a District LED Agency planned and implemented. GTZ, with years of experience in KZN, appears to have a proven track record as evidenced in the Ilembe District Municipality. The comparative advantages of Ilembe include: the proximity to the Dube TradePort Corporation, the coastal location, smaller district size with only four local municipalities thus facilitating coordination, interventions of GTZ over many years and starting LED with surplus fruit from residents' gardens (Rücker and Fiedeldei, 2004). Enterprise Ilembe, the proactive LED Agency, enjoys a high profile and had a former development bank official as their CEO.

A functioning forum is a great asset as many experts are present and this could develop into an Agricultural Desk without taking anything away from the Youth Forum and the future Women's Forum, which are important structures. The Community Work Programme could be dealt with at the level of the Youth and Women's Forum. An urgent pressing issue is that of the proposed uMshwathi City Development Node, its place in the vision for uMshwathi and alternative proposals, and to this end the project is described further in Chapter 5.4. Advantage must be taken of "The Amble" route which must be dynamically promoted and developed in the regional context.

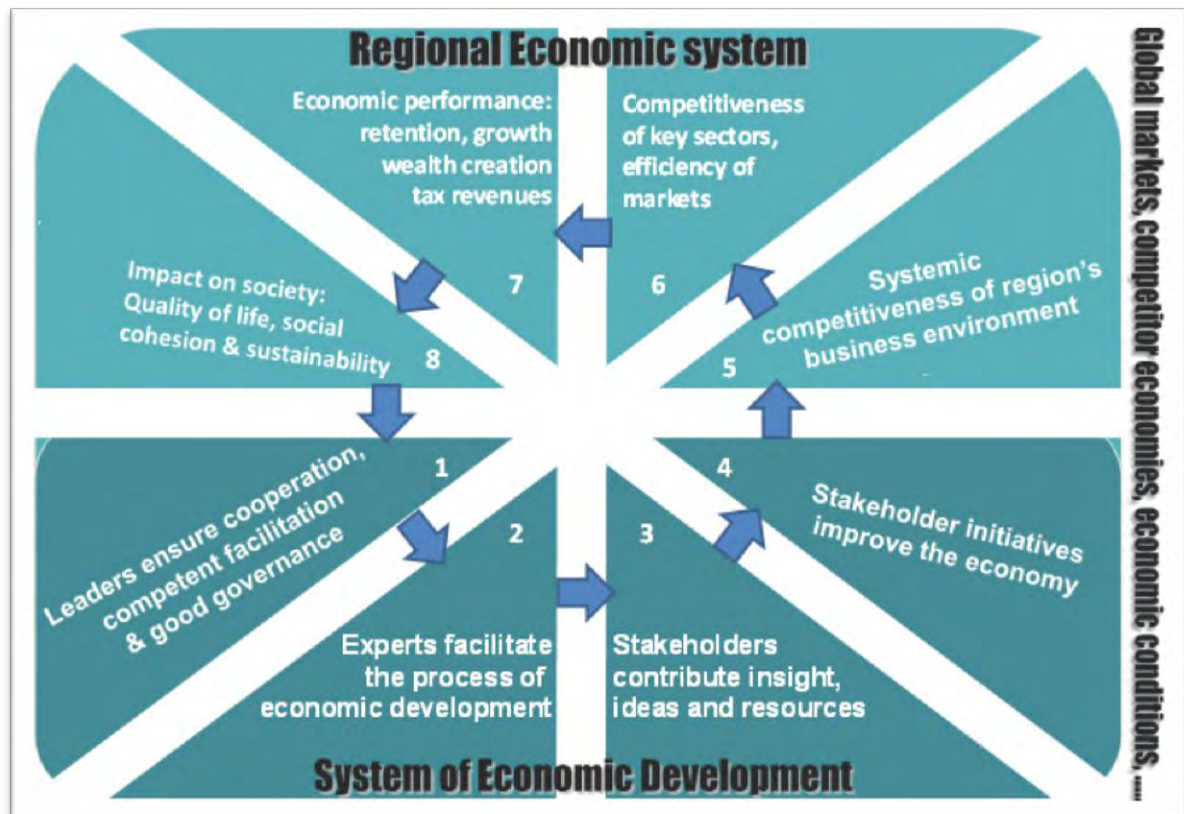
Porter (1990), cited by Hindson and Vincente (2005), argues that "it is the combination of national and intensely local conditions that fosters competitive advantage". Government programmes in the agricultural sector, ranging from big rollouts such as Greater Giyani (Limpopo province) and Makhathini Flats (KwaZulu-Natal) to focused interventions to



land restitution claimants and via legislation, using diverse mixed models of implementation and funding have garnered mixed results, despite huge financial outlays. Reports abound on smallholder farmers, their valid contribution to agriculture, and the related problems of poverty and food security, globally and locally, from OXFAM and the OECD to PLAAS, the HSRC and the Sustainability Institute. The wheel has been invented. The internet abounds with educational material on farming, LEDNA (Local Economic Development Network of Africa) is a mine of information, and this may provide a new medium for agricultural extension officers, or even their substitution by tutors.

The study of Ortmann and King (2007) is just one of many case studies on smallholder farmers in the communal areas of the KwaZulu-Natal province. It was confirmed that the smallholder farmers in Swayimana (Swayimane), uMshwathi, have the potential to grow high-value crops such as fruit, vegetables and cut flowers. In the presence of high transaction costs due to poor literacy, want for market information, insecure property rights, poor roads, weak communication infrastructure, and long distances to main roads, the study examines the supply chain from production to market and the optimum boundary for different types of organizations involved in the chain (e.g. co-operative, investor orientated firms (IOF's)), and optimal "hybrid" arrangement across the supply chain that could benefit both co-operative members (smallholders) and IOFs. Thus the feasibility of smallholder farming in uMshwathi is confirmed and there is ample recourse to established programmes and funding to be coordinated via the Agricultural Forum.

Figure 5.7 portrays eight segments providing different, yet integrated, perspectives of regional local economic development (LRED). The bottom four segments make up the LRED system that supports and strives to improve the performance of the local economy, shown in the top four segments. The leader/champion/broker in uMshwathi has been identified. The expert (GTZ) will assist in facilitating the uMshwathi Agricultural Forum. Stakeholders are continuously identified to contribute to the vision of telling new stories about uMshwathi to provide an alternate future. Spurred on by the vision, necessity, opportunity, adventure, support, mentoring and multiple other factors, initiatives are continuous in uMshwathi. The Dube TradePort Corporation and the King Shaka International Airport have the responsibility to bring the Province of KZN closer to local, regional and international markets and in real time.



**Figure 5.7** Guidelines for LED Practice  
 Source: Adapted from Rucker and Trah, 2007.

LED is a process, which may take a long time; growth is the outcome, which may be slow. KZN is a late-comer to the field where the Cape Province, Mpumalanga and others have had years to build up their competitive advantage. The Provincial Authority is accountable to bring the Province of KZN closer to local, regional and international markets utilizing the Dube TradePort Corporation and the King Shaka International Airport.

Hence the business environment will be fashioned as the support structure is in place (the bottom segments in Figure 5.7). This can be a new story, hope will be created, and stories will be told. The champion must keep the momentum going; leadership is all important. The capacity and the resources can be present and the results can be the metaphors of Bingham and Mier (1993), which are self and mutually reinforcing. A scan of the micro environment reveals further programmes, processes, persons and organizations which can contribute to the reality of the vision. A scan of the macro, meta and meso level will reveal many other opportunities that can be exploited.

The Department of Agriculture has identified soya, dry beans and maize as products for intensive support in line with the concept of One Village One Product and uMgungundlovu has been identified as one of the suitable districts. The Department will facilitate

production, storage silos, processing and sales to stimulate job creation with the aim of producing for consumption in the Province, as well as liaising with the commercial sector for market opportunities on behalf of communal subsistence farmers (Mkhize, 2013). The One Home One Garden Campaign, supported by Provincial and Local government, with the creation of a vegetable hub and warehouses (set up by the province and local government and coordinated by districts) which markets all produce on behalf of subsistence and small scale farmers, creating a guaranteed market for all home gardens in partnered agreements with feeding schemes, hospitals and prisons. Co-operatives will be encouraged and trained by the Small Business Development Agency and Ithala Bank has agreed to partner and offer credit facilities to small growers (Mkhize, 2013). Unusual business models and new forms of contracts for all significant role players in relationships with government, tribal authorities, NGO's and business must be urgently explored.

Local businesses should be invited to the produce markets as many retail outlets in rural areas could source their fresh produce locally (see section 5.2.2). Partnerships are crucial and must be actively sought out and continuously cultivated. These initiatives further endorse "Agriculture as a Business" and the multiplier effect will have positive sequels. Many other provincial programmes have been referred to in the study; many others may be available and will become available, confirming the need for continuous research. Existing programmes may not have been communicated to local municipalities; numerous examples of poor vertical and horizontal communication and coordination have been encountered in the study and in the literature.

Box Four farming has become a worldwide trend in developed and developing economies. Box Four Farming relates to eco-tourism, agri-tourism and farm tourism, including the renting of cottages, access to fishing, farm craft shops selling furniture, leatherwork and hand-made jewellery, farm gate sales of farm products of cheeses, meats, preserves, yogurts, jams, leather work, fruit punnets, berry growing, picking and processing (requiring limited land), agricultural products all accompanied by some form of value added strategy (uMgungundlovu District Municipality, 2007). South Africa has potentially a vast untapped local market who could be attracted to affordable holiday destinations. Partnerships between local residents can be forged, marketing is essential, The Amble can play a pivotal role and the linkages with other routes such as the popular Midlands Meander must be exploited.

Many different products are suitable for the area under review, and careful deliberation must be taken at the proposed Agricultural Forum to focus on the functional strategy of organic agriculture including: canola, cassava, avocados, exotic fruit such as blackberries, blueberries, gooseberries, raspberries, black and red currants, and elderberries, figs, kiwis (currently imported into South Africa from New Zealand), cut flowers, shallots, welsh and Egyptian onions, chives, horse radish, lemon grass, golden mustard cress, baby beetroot, rocket and micro greens (all vegetables must be organic). Growth of indigenous plants and trees for resale, organic cotton and a range of organic agriculture for end organic products e.g. paper, animal feed, maize, wheat, sugar, the list is as endless as the imagination. Further activities include small mill processing for local supply, bees and honey manufacture, the potential for raising of exotic poultry such as pheasant, guinea fowl and quails, and rabbits for exclusive restaurants, the manufacture of timber products for construction for a variety of uses even made on demand to custom requirements.

Feasibility studies for Photovoltaic Solar Farms have been cited (Mkhize, 2013). The uMgungundlovu District has been earmarked for the revival of the leather industry (Mkhize, 2011). Thus development needs to be comprehensive and multi faceted addressing strategies to deal with poverty as well as to emulate effective commercial growth. Programmes such as the Provincial Human Resource Development Council to guide in skills development, the Department of Economic Development and Tourism's site for registration of unemployed Graduates, and internships within the Municipality further contribute to development. Educational institutions such as UKZN, Cedara Agricultural College and FET Colleges; not for profit organizations Gijima, Lima Rural Development Foundation Organisation, the Association for Rural Advancement (AFRA), the Rural Women's Movement, the Msunduzi Innovation Development Institute (MIDI), the Institute of Natural Resources (INR), as well as the Rainman Landcare Foundation, Zululand Centre for Sustainable Development and Permaculture 2012, are all locally based, are experts in their fields and can be utilized in the preparation and implementation of functional strategies, the formulation of short term objectives and integration of action plans. Smallholder farmers in the locality will of necessity be in corridors and clusters, ideal for the transfer of knowledge and skills, and co-operatives would be the logical outcome. There should not be competition with established or commercial farmers, but rather a symbiotic relationship. Contractual arrangements with land owners and

commercial farmers should be explored. The functional strategies should further permit individual opportunity seeking behaviours under the umbrella of the grand strategy.

Zimele, founded in 2007, has partnered with the KZN Government, with resulting funding and networks all over the province (see section 5.2.3). They are presently working in uMshwathi in the following areas: nEtsheni, Oqaqeni, Mbhava, Esigqumeni, Ezihlabathini, Odlameni, Etholeni, Endlaveleni, and Mabheleni. Their fields of intervention include agriculture and they are a member of Fair Trade International (also an official member of EZA, a Fair Trade buyer and distributor in Austria and DWP, a Fair Trade buyer and distributor in Germany). Fair Trade is a global movement that has a market-based approach to assist producers in developing countries achieve better trading condition. Fair Trade deals with co-operatives and not individuals. Mrs Rosetta Stander, CEO of Zimele, ([www.zimelecommunity.co.za](http://www.zimelecommunity.co.za)) has expressed keen interest in this research study and should be invited to form part of the new uMshwathi Agricultural Forum network.

The vision, however, must be anchored in reality. It is recognised that agriculture and land are important and controversial issues in South Africa. Economic development must be viewed within frameworks that force us to engage with the multiple meanings of development rather than pretending that they do not exist. Among many issues relating to agriculture, the following feature prominently: international and national factors influencing the development of the agricultural sector, land reform issues, poor working conditions of agricultural workers, agricultural development on tribal land, the need for investment in the sector to increase agricultural production, subdivision of agricultural land, insufficient infrastructure, particularly access roads and a lack of water services, violence and theft of stock, formation of partnerships, support for small emergent farmers, the impact of HIV/AIDS on the economy through additional time and costs. Well-designed programs can fail, and examples abound. A case in point being Mozenergy Food Corp (interviewed on SA FM radio on 11 December 2011), managed by South Africans in Mozambique, who had taken five years to prepare a detailed, integrated agricultural program involving smallholder farmers with the support of the Mozambican government, which subsequently never got off the ground and their traces on the internet are obsolete!

There is evidence of a more open and articulate society especially within the overarching framework of the NDP (2012). South Africans do want to work together to create a

cohesive and successful South African society. This is an opportunity for uMshwathi and the Province to participate in the “social compact” which can be consolidated:

“Link all the developments in all the districts of KZN so that a unified umbrella strategy is developed with each anchor contributing to the well-being of several other developments. This comprehensive strategy recognizes the individual character and culture of each district, provides a local solution and binds it within a comprehensive provincial plan” (Suckling 2005:374).

Bingham and Mier (1993) believe that inspirational storytelling takes priority in economic development policy and strategy formulation. The researcher has tested this theory with the new vision for local economic development in uMshwathi. The uMshwathi Municipality also has an inspirational story, that of the Environmental Management Framework for the proposed uMshwathi City Development Node, examined in Section 5.4.

## **5.4 Environmental Management Framework for the Proposed uMshwathi City Development Node**

### **5.4.1 Introduction**

LED processes are locally owned and participatory (Rodríguez-Pose 2008). The project plan for the Environmental Management Framework (EMF) for the uMshwathi City Development Node consisted of four phases during the period January to October 2009. The EMF is developed in a transparent and inclusive manner in order that the interests and issues of role players and interest groups are considered. The public participation process (PPP) ran throughout the project. By reporting on the state of the environment, a baseline understanding is afforded against which further analysis and recommendations are made in developing the Environmental Management Framework.

The project forms part of the Integrated Development Plan 2012/13 – 2016/17, identified as “uMshwathi City” Development Node, in the area of the R33/R614 Intersection (phased implementation of mixed-uses, namely commercial, retail, industrial, residential and agricultural), with a required budget of R150 Million from the various partners: the IDC, the Jobs Fund (DBSA), CoGTA-Corridor development, and uMgungundlovu District Municipality for bulk infrastructure.

This is an illustration of Local Economic Development in action, a catalytic project, whose outcome would be a change in the structure of the system –local economy” of uMshwathi and adjoining areas (Meyer-Stamer, 2008). There is evidently: –an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly” (Rücker and Trah, 2007:15); locally-owned or managed processes, and the mobilization of local resources for competitive advantage (Rogerson 2009); and the promotion and encouragement of sustainable resource use and production (Blakely and Leigh, 2010). Furthermore protagonists from the meta, macro, meso and micro levels are participants in the process, committed to growth: national, provincial, district and local governments. The project clearly relates to all four research objectives of the case study, as this project could be a response to changing circumstances at the local, national and international levels, using local resources and skills to best advantage and leading to job creation and poverty alleviation.

#### **5.4.2 The uMshwathi City Development Node**

The Albert Falls Dam area, subject of an increasing number of project applications, was identified by the uMshwathi Local Municipality as having high development potential. Discussion summits in 2007 resulted in broad political, economic and investor support for –uMshwathi City”, a mixed urban infrastructure node development. The area of approximately 20 000ha (11.4% of the municipal area), is strategically situated in the vicinity of the R33 and R614 junction, and nearby the capital city of Msunduzi (Pietermaritzburg) and the Albert Falls Dam (AFD), a tourism asset to uMshwathi and neighbouring municipalities and a provincial water storage facility. The R614 follows a route that starts in the Msunduzi Local Municipality and passes through the uMshwathi, Ndwedwe and KwaDukuza Local Municipalities, ending in the eThekweni Metro. King Shaka International Airport and the Dube TradePort Corporation (DTPC) may be reached along this route.

The Municipality and the Department of Agriculture, Environment and Rural Development (DAERD), selected an Environmental Management Framework (EMF) to inform sustainable development planning for the uMshwathi City Development Node (UCDN) and to streamline the Environmental Impact Assessment (EIA) for specific development applications. The Institute of Natural Resources (INR) was appointed to develop the EMF, a process mainly dependent on desktop information and limited primary mapping and field

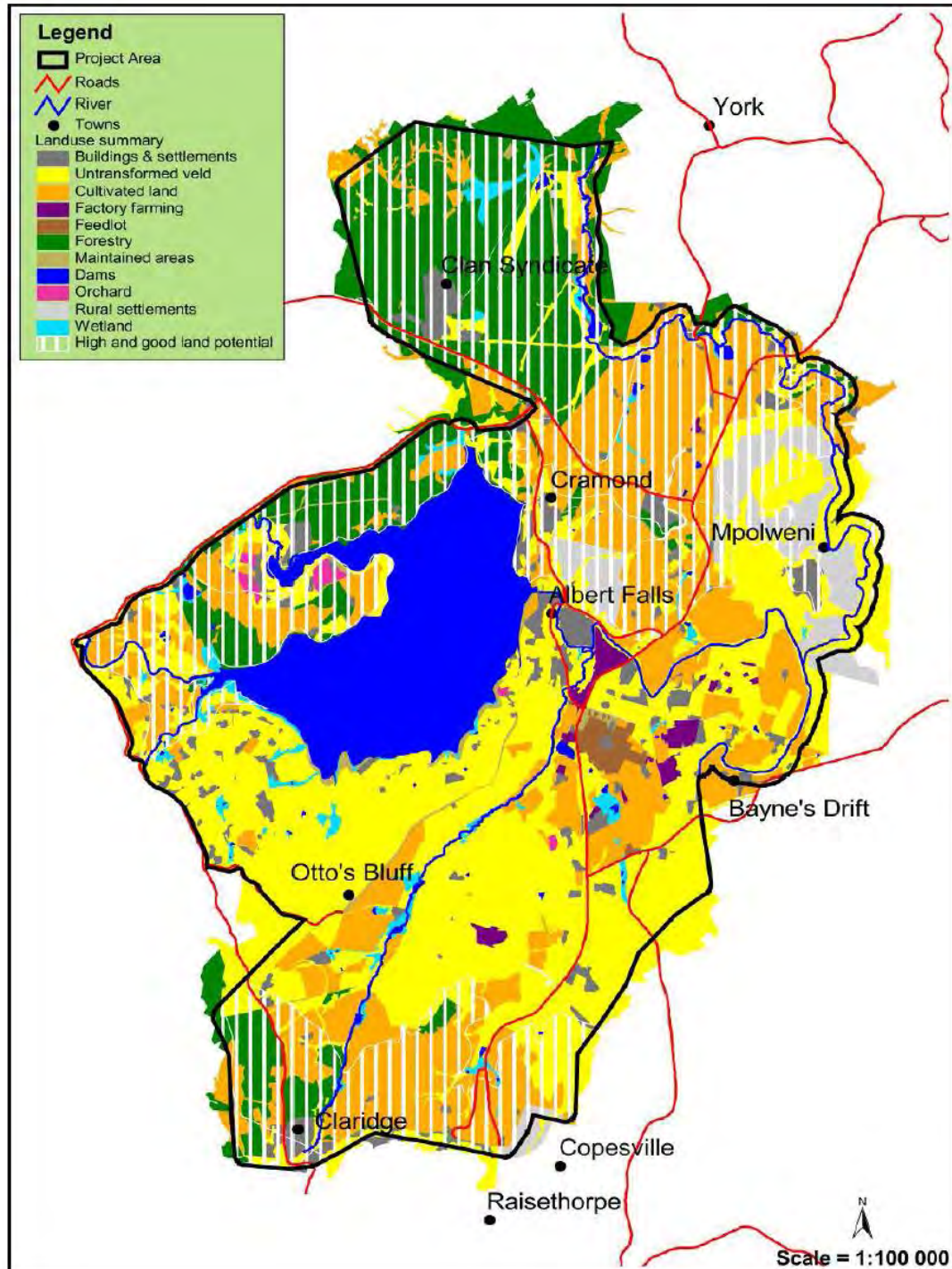
work. A broader understanding of the state of the environment is acquired through advertising the project, identifying focus groups from the social, cultural and economic sectors and engaging and consulting with local role players. The EMF does not eliminate the need for an Environmental Impact Assessment (EIA).

State of Environment Reporting (SoER), a tool within the field of Integrated Environmental Management, organizes data to enable the analysis of environmental issues, assuming cause-effect relationships of the social, economic and environmental components. The development framework and trends are documented as context to understand the motivation for the development node and the need for the EMF. The SoER includes input from specialists in agriculture, air quality, biodiversity, catchment hydrology, water resources, wetlands, geotechnical resources, infrastructure and services, cultural resources and the social environment.

A Public Meeting was held on 30 June 2009 at the Municipal Offices in New Hanover. Mr David Cox (Project Manager, INR) provided a presentation which included: project background and motivation; the nature of the EMF; project aims, objectives and principles; project area; team and structure; phases and deliverables and stakeholder consultation process. Personal communication with Mr Dave Cox during August 2009 revealed that the meeting had been unsuccessful, that there was much opposition to UCDN, that many interested and affected parties were present including, the Wartburg Residents Association, Noodsberg Cane Growers' Association and uMshwathi Agricultural Union, and there was still much work to be done. Observations included: that the "uMshwathi City project" was a "fait accompli" as development of this vision had taken place without proper consultation and due process being followed; that the value of agriculture to the local economy was seldom properly represented in the municipal planning; that there was a complete disregard of existing land use in uMshwathi, as loss of area currently under sugar cane would potentially undermine throughput required to sustain the mill, with a consequent decline/loss of a vital part of the local economy; that the true "uMshwathi City" is the linking up of Wartburg, Shroeders, Swayimane, Mpolweni, New Hanover, Dalton, Cool Air and Noodsburg and that the Municipality should concentrate its city-building efforts in this region; the focus should be on small-holder agriculture and on rural residential, and developing the real assets of the region without placing them at risk in the long term.



Map 5.4 confirms that although the study area consists of a large zone of untransformed veld with the presence of wetlands, small agricultural activities and settlements, the rest of the area is documented as having high and good production potential.



**Map 5.4** Study Area showing land cover and areas with high and good production potential

Source: Adapted from Draft Environmental Management Framework for the uMshwathi 'City' Development Node (2010).

The study area (see Map 5.4) is characterised by settlement of 6,5% of the total area of which 3% is classified as low density, rural settlement. Natural land cover accounts for 36%. Agriculture use is at 40% of the area, with sugar cane at 17%, forestry at 15%, and the remainder consists of diversified farming: chickens and beef and areas of land under crops, orchards and pastures. AFD is 2 231 ha in extent and accounts for 13% of the study area. There is pressure on the agricultural sector due to demand for land for other uses. Nearly 60% of the study area has already been transformed. Regional planning policy entails keeping records of local high value productive land for maintenance for agricultural production.

There is evidence of an integrated agricultural system in the area which provides noteworthy employment. Linkages are present within the system, as are linkages to other role players in the various sectors outside the study area. Productive land surrounding the dam that was formerly under agriculture is being utilised for different purposes. Land uses include housing to meet the demand from nearby Msunduzi (Pietermaritzburg) and uMngeni (Howick) Municipalities. The Albert Falls Dam is described as the “crown jewels” within the uMshwathi Municipality and is a world famous bass fishing destination. (uMgungundlovu District Municipality, 2011).

The development mandate of municipalities is well known (Section 153 of the Constitution). The Municipality must be commended for promoting the Environmental Management Framework (EMF) process as the area is strategically important due to valuable land, as an important water source and a well-known tourism destination. The National Environmental Management Act (NEMA) (Act 27 of 1998 as amended by Act 62 of 2008) is the overarching legislation that gives effect to the environmental rights enshrined in the Constitution, and defines sustainable development as: “the integration of social, economic and environmental factors into planning, implementation and decision-making so as to ensure that development serves present and future generations”. The challenge faced by the municipality and DAERD in considering the ‘sustainability’ of proposed development within the EIA process, and the rationale for the commissioning of the EIA, is that decisions are made on a case by case basis, without a comprehensive understanding of the state of specific components of the environment or the relationship between them, rendering complex the assessment of cumulative impact of development in the area under study.

The formal legal and institutional frameworks, within which environmental decision making in the study area has to be made (Environmental Impact Assessment (EIA)) includes all three spheres of government (Table 5.29).

**Table 5.29** Legislation Relating to the Environmental Impact Assessment (EIA)

<b>Topic</b>	<b>Locally Relevant Legislation or Policy Instrument</b>	<b>Authorisation</b>	<b>Other Stakeholders</b>
AGRICULTURE	Conservation of Agricultural Resources Act 43 of 1967 Environmental Impact Assessment (EIA) regulations/ amendments proposed on 13 June 2008 (GN31144) uMshwathi Bylaws uMshwathi Integrated Development Plan (IDP)	Permission / Authorisation from uMshwathi Municipality	DAEARD; Ezemvelo KZN Wildlife EKZNW; Landowners/ farmers NGOs; Public; SANBI; Working for Water Working for Wetlands uMshwathi AgriUnion SA Sugar Research Institute (SASRI)
AIR QUALITY	Local District Air Quality Management Plan (AQMP) uMshwathi (IDP) and EIA	Atmospheric Emission Licence (AEL)	DAEARD NGOs Public
BIODIVERSITY	Environmental Impact Assessment (EIA) uMshwathi Bylaws uMshwathi Integrated Development Plan (IDP)	Permit from EKZNW	DAEARD; DUCT; EKZNW; Landowners NGOs; Public (persons engaging in bio-prospecting); SANBI; Working for Water Working for Wetlands
PLANNING	uMshwathi Spatial Development Framework (SDF); uMshwathi Bylaws uMshwathi IDP	Permission / Authorisation from uMshwathi Municipality	Landowners NGOs Public
WETLANDS	EIA uMshwathi Bylaws uMshwathi IDP Wetland Guidelines	Authorisation & Record of Decision License from Department of Water Affairs	DAEARD; DUCT; EKZNW; Landowners NGOs; Public; SANBI Working for Water Working for Wetlands
WASTE	uMshwathi Bylaws		DAEARD; DWA; Landowners; NGOs; Public; uMgungundlovu District Municipality
WATER	South African Water Quality Guidelines Environmental Impact Assessment (EIA) regulations and amendments proposed on 13 June 2008 (GN31144) uMshwathi Integrated Development Plan (IDP)	License / Authorisation from DWA	DAEARD; DUCT EKZN; Landowners; NGOs; Public; SANBI; Umgeni Water Mvoti to Mzimkulu Catchment Management Agency, including the catchment-wide Mvoti Stakeholder Forum Working for Water Working for Wetlands

Source: Adapted from Draft Environmental Management Framework for the uMshwathi \_City\_ Development Node (2010). Unpublished Report.

However, the most pertinent legislation for the present decision making for each aspect of the receiving environment, are documented in Table 5.29. Each specialist report includes a detailed list and analysis of the legal and institutional framework. According to Dave Cox (personal communication during August 2009) the EIA regulations (Regulation 70) are narrow in their requirements for Public Participation in the EMF process – stakeholders are merely invited to comment on the draft EMF. However the INR adopted a ‘two way process’ approach to the consultation process, with the purpose of providing detailed information to stakeholders about the project, and to add value to the information and understanding of the state of the environment and people’s relationship with it, through interaction with different stakeholder focus groups.

This project may be an example of telling stories. Planning commenced in 2007, the project appears to be advancing but to date progress appears to have been limited. The uMshwathi Draft IDP 2013-2014 mentions this significant project once (uMshwathi Local Municipality, 2013a). The process clearly corresponds to the definition of local economic development, demonstrates the complexity of the undertaking in the South African environment, and that the anticipated outcome is growth – for the Municipality increased rates; for the developer profits and for the residents increased prospects for work and a better quality of life. However, the central characters appear to be developers and politicians recounting stories of local economic development and its many advantages. Opposition has surrounded the venture. Proper planning and management are required to ensure maintenance of the high quality of water. This process is under pressure, as a result of tourism and recreational activity in the area. Sustainability issues may dictate that the particular area of the Albert Falls Dam retain its *status quo* as it’s locational advantage could provide more impetus to local economic development than a built environment.

The uMshwathi Municipality commissioned a comprehensive feasibility study into the upgrade of the R33/R614 as a development corridor in 2009 (Urban-Econ, 2009). The study reports that, due to the nature and characteristics of the R614 corridor, it is not viable to consider it as an alternative high volume route to the N3/N2, and a lower volume light vehicle based corridor development would be more suitable to the nature of the route with identified corridor and nodes promoting potential agricultural tourism. Following the result of the 2009 study, it may be that the uMshwathi City Development Node (INR, 2010), in the area of the R33/R614 Intersection, with phased implementation of mixed-uses, namely

commercial, retail, industrial, residential and agricultural, will remain on the drawing board. This may lead to another story.

## **5.5 Conclusion**

Chapter 5 has analysed the Local Municipality of uMshwathi using the qualitative research method of the case study and the collection of mainly secondary information with a desk top review. Economic development is the outcome of the activities of individuals and organizations engaging in the production, distribution and consumption of goods and services. The local area's economy is more than a collection of individual firms and markets. It is a composition of networks and dynamic systems of interactions that shape individual decisions and actions (Meyer-Stamer, 2008). The scan of economic factors in the study confirms the potential of the Province of KwaZulu-Natal and that the agricultural sector is worthy of investment (Deloitte, 2012). It is recorded that in the territory of uMshwathi, 92% of the area has high, good or moderately good agricultural land potential. Unemployment and poverty are rife in uMshwathi and underdevelopment is tangible. Social assistance grants as a long term strategy are not sustainable.

The research objectives were explored via the use of theory sourced from the inclusive literature review. Local economic development is about alternate futures as depicted in the strategic prioritisation of agriculture for the locality of uMshwathi; this fully embraces the seven metaphors of Bingham and Mier (1993). The situational analysis confirms that the locational factor should be exploited and this could be a component functional strategy within the grand strategy of the strategic prioritisation of agriculture (Blakely and Leigh, 2010). The area could be branded and smallholder farming and organic farming would contribute to the sustainable theme. The potential resources in the form of human labour and agricultural land are present and resources and processes to augment social capital (social capacity) have been described (Blakely and Leigh, 2010). The vigorous capacity (political and economic) required to manage the resources will be revealed at the proposed Agricultural Forum, to enable local economic development to evolve. The role of the Ingonyama Trust Board and the Ingonyama Rural Development Forum is crucial to the successful implementation of the new agricultural strategy and according to Meyer-Stamer (2008), the development of Systemic Competitiveness, is a social transformation project which requires more than the adjustment of the macroeconomic framework. Sustainability issues in respect of the uMshwathi City complex in the Albert Falls Dam area, an

important tourist destination, may dictate that the particular area retain its *status quo* as its locational advantage of natural beauty and its attraction for water sport enthusiasts and fishermen could provide more impetus to local economic development than a built environment.

LED's status is that of a programme alongside other programmes in the Department of Cooperative Government and Traditional Affairs (CoGTA). LED in the uMshwathi Local Municipality has been relegated to the Department of Community Services and the case analysis has addressed a variance between LED (community projects) and economic development. Is this an indication that LED at the local level is unsuccessful? There continues to be a serious lack of communication and coordination between the three levels of government and within the District Municipality. The professionalization of LED is long overdue. In an effort to market LED, Mkhize (2013) announced that the mapping of Municipalities would be undertaken by CoGTA (a role already assigned in the 2006 LED Framework) and that TIKZN would carry out a road-show every two years to promote KZN Municipalities. Going forward this may signal a trend toward regional economic development (at district level), an emphasis on special economic zones and a greater role assumed by the Province, as already attested to by significant announcements made in various State of the Province addresses.

Chapter Six concludes the study based in the context of South African local economic development. The research methods utilized are reviewed, the theories applied in the study are summarised and the findings are recorded. Conclusions in respect of the research objectives are drawn and recommendations are made in respect of local economic development in the uMshwathi Local Municipality.

## CHAPTER SIX CONCLUSIONS AND RECOMMENDATIONS

### 6.1 Introduction

The study has examined the nature, the history and the contemporary role of local economic development internationally and locally through the inclusive literature review. Local economic development (LED) is characterized by a strategic emphasis on a locality, stakeholder discussion and contribution, processes owned or managed locally and the mobilization of local resources both for economic advantage and for sustainable development. LED in South Africa was mandated by the Constitution to Local Government. Theories on local economic development derived from the literature review were applied to the case study which investigated the role of agriculture as an effective vehicle for local economic development in the uMshwathi Local Municipality, District Municipality of uMgungundlovu, Province of KwaZulu-Natal. 92% of the uMshwathi area is endowed with high, good or moderately good agricultural land potential. Deloitte (2012) concludes that the agricultural sector in the province is worthy of investment.

In pursuance of the National Development Plan (NDP, 2012) South Africa is required to create 11 million new jobs by 2030. In line with the state's "developmental role", local economic development uses the capabilities of local government to escalate economic profit to the area and to deal with local problems of poverty, employment and market failure. Thus KwaZulu-Natal will have to create 2.1 million jobs, signifying that the provincial economy must grow at an average of at least 4% per annum between now and 2030. The KZN Provincial Growth and Development Strategy (PGDS, 2011) states that, the unleashing of the agricultural sector will contribute to job creation. A one rand (R1) investment spending in the agricultural sector will lead to more than a rand value in overall output (Pan-African Investment and Research Services, 2011).

The research methods used in the present study consisted of the literature review and the case study. Information was assembled with a desk top review focused on the research objectives of the study, and primarily secondary data. Value was accorded to the view of Blakely and Leigh (2010) that fourth phase LED practice incorporate and implement sustainable LED. This position was adopted in the case study and the objectives probed with the relationship: local and regional development = c (capacity) x r (resources), (e<sup>2</sup>)

the area's economic, technological, social and political capacity and, →' the area's natural resources, location, human capital, transport, communication links, investment, entrepreneurial climate, national and local government spending). The concept of Systemic Competitiveness was employed to assist with the understanding of the factors that direct the performance of the uMshwathi economy, with the analysis of the four analytical levels: the micro, meso, macro and meta levels (Meyer-Stamer, 2008). The seven metaphors of Bingham and Mier (1993) were applied in the case study, namely economic development: as problem solving, as running a business, as building a growth machine, as preserving nature and place, as releasing human potential and as exerting leadership, to substantiate the significance of theory to the practice of LED.

The study revealed that locational development-inducing factors, which embrace the quality of the local physical and social environment, can achieve a competitive advantage for uMshwathi (Blakely and Leigh, 2010). The role of agriculture as an effective local economic development strategy, providing an integrated approach to development in uMshwathi by the stimulation of local economic potential and bringing innovation to all growth components, was confirmed. This finding was arrived at utilising the research objectives and the concept of Systemic Competitiveness, with the external and internal scans of the social, cultural, ecological, political, economic and institutional environments of uMshwathi (Meyer-Stamer, 2008). The economic development theory, deemed contemporary and composed of seven metaphors, was employed in the case study (Bingham and Mier, 1993), both to facilitate and promote LED in uMshwathi and to develop comprehension of the roles of the different stakeholders in LED in uMshwathi.

The research demonstrates that localities must develop their own strategic response to intensify local economic development to deal with development problems. Flexibility is required to adapt development models and processes to the conditions of that territory. Challenges faced by different locales are divergent but lessons can be learned from experiences in other regions, underscoring the importance of the publication of case studies and comprehensive reading by practitioners. Strategic LED planning requires careful consideration of the factors at the micro and meta level whilst appreciating and acknowledging those at the macro and meso levels. Information can only be substantiated by the collection of an appropriate amount of quantitative and qualitative data. Metaphors can assist in the process.



## **6.2 Summary of the Findings**

The uMshwathi Local Municipality Draft Integrated Development Plan 2013/2014 confirms that the creation of jobs and the alleviation of poverty are critical development problems in uMshwathi. The promotion of agriculture, as an effective strategy for local economic development (LED) in uMshwathi, is supported by the objectives of the study derived from the research questions. The issues are clearly identified in the analysis of the case study of the uMshwathi Local Municipality.

### **6.2.1 Conclusions in Relation to the Objectives**

#### **6.2.1.1 Objective 1**

The first objective is the development of local economic development (LED) strategies in uMshwathi of diverse economic initiatives in an all-inclusive approach to local development thus prioritizing job creation and poverty alleviation. In recent years there has been limited evidence in the uMshwathi IDP's and LED Plans, of the organisation of the LED effort, and the performance of the local economy assessment, by the Local Municipality tasked with LED, nor of the democratic participation of the community. There was even less evidence of the creation, implementation and review of the LED strategy. The operation of LED within a Municipality has been described as cross-cutting and occupying a central position; this is not the case in uMshwathi. Basic service delivery, subsidized services for indigents, the provision of housing, electrification, infrastructure, and associated activities have been ongoing in uMshwathi; these activities can be described as LED. Backlogs in these areas do exist. Minimum standards to be achieved by 2014 will not be met in uMshwathi. Vacancies exist in the Municipal Offices. Planning in terms of land use is critical to economic development. The study confirms that local and regional development will not take place unless both the capacity and the resources are present.

The proposed uMshwathi City in the Albert Falls area, the setting up of an "Arts and Crafts Hub" at the Albert Falls Dam and the development of an "Industrial Development Zone" at Schroeders, are described as Economic Growth and Job Creation Projects in the uMshwathi IDP, providing employment and thus reducing poverty. The focus in the LED Plan is on locality projects. It is not clear whether government job creation programmes have been implemented. An all-encompassing LED strategy of diverse economic initiatives has not been articulated by the Municipality.

Thus the Municipality has not achieved Goal 9 of the Medium Term Strategy Framework (MTSF, 2010), that of a “responsible, accountable, effective and efficient local government system”. uMshwathi has the highest agricultural land potential in the district. The study has established that agriculture is an effective vehicle for sustainable local economic development in the uMshwathi Local Municipality, able to provide diverse economic initiatives in an all-inclusive approach, prioritizing job creation and poverty alleviation. The main agricultural strategy would consist of functional strategies comprising of smallholder organic farming and embrace the locational development-inducing factors. The uMshwathi City concept would have to be reassessed.

#### **6.2.1.2. Objective 2**

The second objective is the promotion of LED strategies in uMshwathi to use local resources and skills to best advantage so as to maximize opportunities for development. The IDPs have repeatedly stated that uMshwathi Local Municipality’s people are its most strategic asset, but the facts do not support this. 71% of the people of uMshwathi live in poverty, 29 015 residents of the uMshwathi population of 106 374 are beneficiaries of state pensions and the Deprivation Index (a composite measure derived from demographic/socio-economic variables) for the uMgungundlovu District is 2.4. The high number of youth resident in uMshwathi contributes to a high unemployment rate and the employment rate for Africans in the District Municipality is 35,1%. A decrease in population from 113 054 in 2007 to 106 374 in 2011 confirms an outward migration of residents to other areas in search of more favourable prospects. The high dependency ratio of 61,2 in uMshwathi indicates that the number of people who are not of working age exceed the number who are employed and paying taxes. Education levels are inadequate and functional literacy is low. The evidence demonstrates that Goal 7 of the Medium Term Strategy Framework (MTSF, 2010), namely that of achieving “vibrant, equitable and sustainable rural communities and food security for all”, have not been met in uMshwathi.

The agriculture sector in the region has for many years experienced stagnant growth and development. South African policy has neglected this vital area (Patel, 2011). The KZN Province appears to have surpassed the 30% black land ownership target to be achieved by 2014. There may be suitable land for agricultural production in the Swayimane/Gcumisa tribal area and 108 960 ha of land handed back to claimants in KZN is currently unproductive. This situation is in stark contrast with the large pool of unemployed and

unskilled persons with resulting poverty and dependency. At provincial, district and local level, the authorities are in a position to negotiate with tribal authorities for the lease of land for agricultural purposes, thus promoting black entrepreneurship and cooperatives. The District is well resourced to meet demands in the agricultural education sector. Jobs must be created. Unemployment should be addressed in a timely manner as unused human capital tends to depreciate. Opportunities are being missed by the unemployed persons and by society. The study thus confirms that LED strategies in uMshwathi do not use local resources and skills to best advantage so as to maximize opportunities for development.

#### **6.2.1.3 Objectives 3 and 4**

The third objective, the implementation of LED strategies in uMshwathi to timeously respond to changing circumstances at the local, national and international levels, is combined with the fourth objective, the growth of LED in uMshwathi so as to generate local, national, and international partnerships between communities, businesses and government to solve problems, create joint business ventures and build local areas.

Strategic Planning includes long term planning to anticipate changing circumstances including the continued economic downturn, variation in trade relations, climate change. A large area of uMshwathi is designated as an agricultural priority area (INR, 2010). At national level, the Comprehensive Rural Development Programme (2009), the Medium Term Strategic Framework (2010), the New Growth Path (2010) and the National Development Plan (2012) promote agriculture as a means to achieve all-inclusive growth, employment and food security. This unlocks new opportunities and releases funding for agricultural initiatives. The Industrial Policy Action Plan (2013) endorses organic farming and aquaculture. The KwaZulu-Natal Provincial Growth and Development Strategy (2011), confirms that the local economy will be stimulated by job creation in the agricultural sector. The Dube TradePort Corporation is present to contribute to provincial microeconomic reform objectives and the development of world class competitiveness and the growth of exports. The King Shaka International Airport places KZN on the map locally and internationally. The Ingonyama Rural Development Forum (IRD Forum) is a newcomer to LED in KwaZulu-Natal. uMshwathi is locationally well placed with respect to the Dube TradePort Corporation and has agricultural land with high potential. Thus the continued significance of the Provincial role in regional LED is accentuated.

### 6.3 Recommendations

The confirmation of the relevance of LED theory to LED practice suggests that models can be developed to be used in practice. It is thus recommended that a standard be established for the determinants of systemic competitiveness with an emphasis on the macro and meso levels in South Africa, including particulars of frameworks, policies, programmes and funding, to eliminate the need for detailed external scans, which would further assist with the micro and meta scan undertaken by the practitioner *in loco* (Meyer-Stamer, 2008). This standard should be updated regularly and could be jointly monitored by CoGTA and a University offering LED courses. Moreover it is recommended that students of LED should be encouraged to research credible projects relevant to South African society.

It is further recommended that consideration be given to developing a standard in South Africa for smallholder farming programs and individual smallholder farmers, so that their focus can be on implementation of the program and the management of the farm. This could be adapted locally and provide support on a wide range of subjects covering agriculture and farming activities. The standard should be regularly updated and could be monitored by “The Farmers Weekly” and Agricultural Unions. Daily information could be received by subscribers by cell phone. Costs would be minimal as advertising fees could sustain the initiative.

As local and regional development will not occur unless both the *capacity* and the resources are present, the following is recommended:

In respect of economic capacity:

- that professional LED practitioners are employed in all LED Units;
- that vacancies be filled in the uMshwathi Local Municipality and that Staff in uMshwathi be trained to view LED not as an activity that is independently implemented, but as an opportunity through which all the functions of the municipality can be accomplished;
- that an Agricultural Forum be established in uMshwathi at this time and that the role of agriculture assume a strategic priority;
- that a District LED Policy be formulated and that a District LED Agency be established to promote LRED (regional and local economic development).

In respect of political capacity:

- that Provincial Government must assume greater responsibility with regard to communication and coordination through a dedicated portal;
- that Provincial Government has a responsibility to clarify the land issues in respect of the Ingonyama Trust, so that land can be made available for smallholder farmers;
- that Provincial Government has a duty to enunciate clearly a policy with regard to the role of the Dube TradePort and the Agrizone and how it can advantage localities like uMshwathi in their quest to develop a sustainable agricultural strategy.

In respect of the technical capacity:

- businesses, not-for-profits and civil society should be informed, through the LED Unit, of the role that LED can play in the locality and how they as role players can gain maximum advantage by making smallholder farming a business in terms of Bingham and Mier's (1993) metaphors, with accruing benefits for both parties, so as to forge a broad-based "social compact".

In respect of social capacity:

- it is recommended that a programme be developed with the participation of the myriad of resources, persons, processes and organizations that are in place to improve the social capital of the resident population, the pattern and intensity of networks among people, and the resultant shared values, thus uplifting the community of uMshwathi.

As local and regional development will not occur unless both the *resources* and the capacity are present, the following is recommended:

In respect of location:

- it is imperative that agriculture be made a strategic priority in uMshwathi and the surrounding area to preserve the locational competitive advantage.

In respect of natural resource availability:

- it is crucial that safeguards be put in place for the preservation of agricultural lands, conservation areas and rivers and dams in uMshwathi.

In respect of labour:

- it is important that potential smallholder farmers view their activity as a business as this will entice younger people towards agriculture and ensure its continued strategic growth;
- it is essential to up-skill the new farmers and provide the necessary support through the identification and formation of new types of partnerships (co-operatives, mentoring, extension officers);
- the fostering of an entrepreneurial climate is urgently required and Bingham and Mier's (1993) metaphors will further this strategy in schools and communities.

In respect of transport and communication:

- investments will not be attracted to the area if roads and communication are not satisfactory and the Municipality is required to attend to the disrepair of the roads and actively pursue boosting internet connection.

In respect of municipal and other expenditure:

- Municipalities are bound by the Batho Pele Principles to manage their resources carefully and Councillors should receive continuous training in this regard.

#### **6.4 Concluding Remarks**

The validity of using LED theory in LED practice is confirmed. LED must be acknowledged for its importance to South African society as with a sustained LED process the local economy will change its level of competitiveness, its rank in regional, national and global markets and in due course its sectoral structure (Meyer-Stamer, 2008). The building blocks required for LED processes to function are: mobilised, competent and willing key actors, who guide an LED process through cooperative governance and management structures, creating the ability for long-term strategic action and constant learning, combined with the actual initiatives to improve an area's locational quality and make it a better place for all. The agricultural strategy proposed in the study can deliver a sustainable development focus, where market-driven strategies create growth and community-driven strategies promote equal access to the benefits of growth.

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## APPENDIX A

DEVELOPMENT AID TO AFRICA: During the period 2008-2009 (UNCTAD, 2010) development aid to Africa continued unabated (Africa Progress Report, 2011).

- The World Bank Global Food proceeded with a Crisis Response Programme (GFRP) and the Global Agriculture and Food Security Programme (GASFP), established in 2010. The European Union (EU) launched a €1 billion Food Facility in December 2008. The FAO High Level Conference on Food Security took place in 2008. The 2009 Madrid Summit at the Madrid High Level Meeting on Food Security for All, where countries called for the establishment of a Global Partnership for Agriculture, Food Security and Nutrition. Various international agreements reached during the past decade, including: the Monterrey Consensus 2002; G8, 2005 Gleneagles Agreement; G8, 2009 L'Aquila Agreement and G20, 2009 London Agreement, were still in force.
- In 2008, the United States revealed supplementary funding for food aid of \$770 million for 2009 to Africa and in November, at the World Summit on Food Security in Rome, it publicized a \$3.5 billion investment over three years to spur “agricultural growth in a sustainable, environmentally friendly way” (United Nations, 2009).
- In the same year Japan declared that it would double its average Overseas Development Aid (ODA) to Africa over the next five years (2008-2012). It would further assist African nations to double rice production within a decade by increasing the use of NERICA (New Rice for Africa). The Tokyo International Conference for Africa Development (TICAD) highlights the importance of South-South cooperation and the development of trade and investment between Asia and Africa.
- Brazil signed a complementary cooperation agreement with the African Union (AU) in July 2009 for project implementation in the fields of agriculture and livestock. An office of the Brazilian Agricultural Research Corporation was set up in Accra, Ghana, calling for more South-South involvement and triangular cooperation for agriculture development in Africa. The Cotton 4 project has a budget of \$4 million, including \$3.5 million directly for agricultural projects.
- China funds many infrastructure, agriculture and rural development projects in Africa. China announced new measures to enhance cooperation on science and technology, capacity building, education and training, during the China-Africa forum in Egypt in

November 2009. Agricultural technology demonstration centres will be increased to 20 and 50 agricultural technology teams will supplement the more than 100 agricultural scientists already present to train 2,000 African agricultural technology personnel to expertly address food security issues. China has given important market access preferences for Africa, and it has become a major source of FDIs and an important creditor and debt relief (Africa Progress Report, 2011).

- In April 2008 at the First Summit Africa-India, India signed a cooperation agreement in the agricultural sector, and announced a zero tariff for 98 per cent of imported products from LDCs including agricultural products. India is the first developing country to announce the zero tariffs, part of the Doha Round Package, agreed in the WTO Hong Kong (China) Ministerial in 2004 African Agriculture Fund (AAF) (United Nations, 2009).
- Regional Development Banks including the Asian Development Bank, the African Development Bank, the Inter-American Bank, introduced varied innovative measures. IADB (Inter-American Development Bank) also made available a \$0.5 billion credit line. IFAD has made \$200 million available in its response to rising food and energy prices. FAO presented a \$1.7 billion Initiative on Soaring Food Prices (ISFP) during its High Level Conference on Food Security in June 2008. The World Food Programme (WFP) received \$960 million as a result of its \$755 million appeal to offset its increased costs for food and fuel.
- AGRA (Alliance for a Green Revolution in Africa) was formed in September 2006 with support from the Rockefeller Foundation and the Bill & Melinda Gates Foundation, while the United Kingdom Department for International Development joined as a funding partner in 2008. To date, AGRA and its partners have employed \$15 million in loan guarantee funds to leverage \$160 million from commercial banks in Ghana, Kenya, Mozambique, Tanzania and Uganda, benefiting more than 85 000 smallholder farmers and helping to improve regional food security (Africa Progress Report 2011). AGRA is negotiating with the Central Bank of Nigeria to leverage a \$500 million governmental risk sharing initiative into \$3 billion in new lending from commercial banks to support agricultural value chains and farmers in Nigeria (Africa Progress Report, 2011).

## APPENDIX B

**Table B.1** Rural Development Guidelines

<b>Assessment Guidelines: Revitalisation of Rural Towns and Region in South Africa</b>
Coordinated and Orderly Development
Infrastructure Development and Growth Direction or Patterns
Land Ownership
Land Use Management
Vacant Land Management
Authorised Land Usage
Dilapidated Infrastructure
Meaningful Economic Opportunities
Creation of a Liveable and Secured Environment
The Role of Different Stakeholders and Effective Consultation and Structure
Facilitate Alignment and Implementation of various Sector Investments
Sustainable Economic Development and Improving Human, Livestock, Crop and Ecosystem Health; through Job Creation and Enhanced Economic Activities
The Role and Development of Spatial Plans and Land Use Scheme
Aesthetically Pleasing Environments
Help Rural Communities (in rural towns and regions) to make Land Use, Architectural and Aesthetical Decisions that enhance their quality of Life and the Environment
Public Transportation Linkages
Public or Social Amenities
Generating Meaningful Revenue Bases
Cater for Informal Trading and SMMEs
Enhance Economic and Physical Accessibility to Rural Town

Source: Adapted from Department of Rural Development and Land Reform, 2013.

**Table B.2** Cluster Programmes and Projects: Economic Issues and Employment

<b>Economic Issues and Employment Cluster Programmes and Projects</b>	<b>Expanded Notes</b>
1. Accelerated and Shared Growth Initiative for South Africa (AsgiSA)	AsgiSA specific initiatives resulting from government's commitment to halve unemployment and poverty by 2014
2. Expanded Public Works Programme (EPWP)	EPWP (poverty/income relief through temporary work for the unemployed) programmes/projects. Home-based community care. Food for waste programmes.
3. Working for Water	Eradication of invasive alien vegetation to conserve water and the environment.
4. Working on Fire	Multi-partner organisation focusing on integrated fire management and veld- and wild fire fighting.
5. Land Care	Management of environment /natural resources using an ecologically sustainable approach.
6. Female Farmer of the Year	Empowerment of women in agriculture recognising their contributions and increasing their visibility.
7. Small Business Development	Support for small, micro and medium businesses.
8. Automotive Development Programme	Government support for the automotive industry in order to expand it further.
9. Customised Sector Programme	Clothing and textile industry.
10. Business Process Outsourcing (BPO) - Government Assistance & Support Programme	Marketing, easy entry into SA for the expansion of existing BPO operations and skills development.
11. National Industrial Participation Programme	Support for the development of South African industry through government procurement.
12. Competitive Supplier Development Programme (CSDP)	Increase of the competitiveness, capacity and capability of the local supply base.
13. Digital migration	The migration from analogue to digital broadcasts.
14. Small Enterprise Development Agency (Seda)	Support growth of small businesses; Cooperatives Incentives Scheme provides grants to cooperatives from all industries; Black Business Supplier Development Programme: grants in cost-sharing scheme to black businesses for business skills training.
15. Finance for Small Businesses	Small Enterprise Finance Agency (SEFA), a subsidiary of the IDC; Technology for Sustainable Livelihoods; Registering Your Business
16. RSA Retail Savings Bonds	Government bonds to encourage public to save.
17. Small Medium Enterprise Development	Grant programme offering financial help to tourism-related projects.
18. Trans-frontier Conservation Areas	Cross-border programme that establishes wildlife conservation areas across national boundaries.
19. Tourism Enterprise Development	Grant-making, training and ongoing assistance programmes

Source: Adapted from Department of Rural Development and Land Reform, 2013.

**Table B.3** Cluster Programmes and Projects: Infrastructure Development, Human Development, Social Protection and Community Development

<b>Infrastructure Development</b> Cluster Programmes and Projects	Expanded Notes
1. The Energy Efficiency Programme	Deal with the problems with electricity supply.
2. National Infrastructure Maintenance Strategy	Improve infrastructure/services' sustainability; contribute to economic growth/long term jobs.
3. Bus Rapid Transit System (BRT)	Efficient bus transport system linking different parts of cities.
4. Contractor Incubation Programme	CIP support for small contracting enterprises.
5. Taxi Recapitalisation Programme	Replace old, unsafe taxis with new vehicles.
6. Breaking New Ground	Housing delivery to replace informal settlements on well-located land.
<b>Human Development</b> Cluster Programmes and Projects	Expanded Notes
1. Early Childhood Development	Programmes/policies for children from 0-9.
2. Kha ri Gude Mass Literacy Campaign	Teach adults to read and write.
3. Partnership Against HIV and AIDS	Fighting the spread of HIV and AIDS.
4. Youth development	National Youth Development Agency service and development opportunities for the youth.
5. National Youth Service Programme (NYSP)	NYSP creates opportunities for voluntary services and skills development.
6. Investing in Culture Programme	Provide access to skills and markets.
7. National Youth, Arts, Culture and Heritage Campaign (NYACHE)	NYACHE train young people through learnerships in arts/culture/heritage sector.
8. Mosadi wa Konokono Campaign	Celebrate achievements of women who use arts/culture/heritage to uplift themselves and their communities.
9. Arts and Culture Education and Training Campaign	Draw arts, culture and heritage practitioners and teachers together.
10. Technology for Women in Business (TWIB)	TWIB makes science and technology more accessible to women in business.
11. South African Women Entrepreneurs Network	SAWEN helps women overcome the obstacles that they still experience in business.
<b>Social Protection and Community Development</b> Cluster Programmes and Projects	Expanded Notes
1. Neighbourhood Development Grant Programme	Conditional grant to municipalities to stimulate and accelerate investment in poor, underserved residential neighbourhoods.
2. Comprehensive Rural Development Programme	Creating sustainable rural communities throughout the country.
3. Breaking New Ground	The housing delivery plan to replace informal settlements with sustainable human settlements on well-located land.
4. Micro-Agricultural Financial Institutions of South Africa (Mafisa)	Mafisa - a micro and retail agricultural finance scheme for financially active poor people.
5. Home-Based Community Care Programme	Provides health/social services to vulnerable people in their homes. Trains formal/informal caregivers to administer these services.
6. South African Women Entrepreneurs Network SAWEN	SAWEN helps women overcome obstacles that they still experience in business.

Source: Adapted from Department of Rural Development and Land Reform, 2013.

**Table B.4** Cluster Programmes and Projects:  
Governance and Administration, and Justice, Crime Prevention and Security

<b>Governance and Administration</b> Cluster Programmes and Projects	Expanded Notes
1. Single Public Service	Government services are easily and simply accessed.
2. Batho Pele	Batho Pele principles guide government employees in their work with the public.
3. Thusong Service Centres	Integrate government services in rural communities.
<b>Justice, Crime Prevention and Security</b> Cluster Programmes and Projects	Expanded Notes
1. Implementation of anti-crime initiatives	The implementation of anti-crime initiatives.
2. Review of the Criminal Justice System	Interventions to transform the Criminal Justice System into one where crimes are fully investigated, courts are efficient and prisons support rehabilitation of offenders.

Source: Adapted from Department of Rural Development and Land Reform, 2013.

## APPENDIX C

**Table C.1 Gijima Funds**

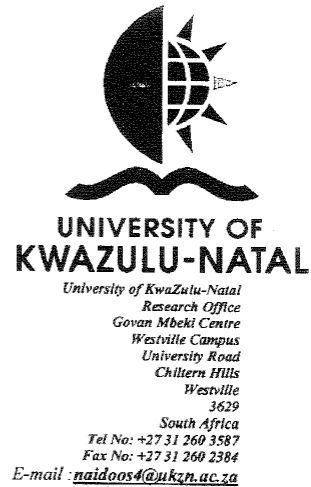
<b>BUSINESS ENABLING FUND (BEF)</b>
<p>Objective: to assist provincial/local government to create an enabling environment for LED</p> <ol style="list-style-type: none"> <li>1. Refine the legislative &amp; regulatory requirements of LED role of Government</li> <li>2. Intensify the facilitation role of provincial/local government with respect to LED</li> <li>3. Progress with provincial/local governments' strategic planning &amp; economic governance</li> <li>4. Improve program coordination between District Municipalities, Local Municipalities &amp; Wards, and national, provincial &amp; local spheres of government</li> <li>5. Establish effective participation in LED planning &amp; implementation locally &amp; improve coordination with private sector, NGOs, CBOs, Business Chambers, organized labour, etc</li> <li>6. Develop a sector approach to the LED work of the municipalities that closely articulates with the sectors developed within the provincial sphere</li> <li>7. Decentralise service delivery to the local sphere of government including the founding of one-stop service centres at local government level</li> <li>8. Assist local government to make effective use of Municipal Infrastructure Grant (MIG)</li> </ol>
<p>Provincial government, District/Local Municipalities &amp; Public Entities in KZN to apply for Funds utilized for: local consultation exercises, research, technical assistance, training, study tours, twin -ning programs with EU local governments, limited capital equipment, project management costs</p>
<p>Project priorities and project types identified:</p> <ol style="list-style-type: none"> <li>1. Projects which increase institutional understanding and implementation of LED</li> <li>2. Projects increasing strategic alignment of LED projects with provincial/national priorities</li> <li>3. Projects to promote LED policy development and communication between all parties</li> <li>4. Projects to improve systems and technologies for LED</li> <li>5. Organizational development projects which increase the effectiveness of LED units</li> <li>6. Projects which increase efficiency and effectiveness in management of LED</li> <li>7. Projects which increase the capacities of councillors and municipal officials in LED</li> <li>8. Projects which improve financial management and budgeting capacities for LED</li> <li>9. Projects which reduce or remove the legal, regulatory or administrative barriers to LED</li> </ol>
<b>NETWORK &amp; CO-OPERATING FUND (NCF)</b>
<p>Objectives: to establish a provincial Learning, Monitoring and Research Facility (LMRF); to provide LED institutional support; to provide marketing and communications for the program.</p> <ol style="list-style-type: none"> <li>1. The NCF is not a grant fund. The PCU and Contracting Authority to facilitate program implementation and expenditure through EU Framework Contracts, public or negotiated tenders in line with EC procurement guidelines.</li> <li>2. A Learning, Monitoring and Research Facility (LMRF) will be established. The LMRF will report directly to the Program Manager and be responsible for undertaking impact monitoring, action research, and promoting knowledge exchange and learning.</li> <li>3. The NCF will provide funding for institutional support, distinct from the BEF. To support provincial wide training programs and other initiatives contributing towards a coherent framework for local action. The funding will be utilized to build and strengthen partners outside of government. Other areas of funding will be for the work of the Program Steering Committee (PSC), the financing of study tours and one off events, actions and seminars.</li> <li>4. Funds allocated to marketing and communications: to meet the costs associated with project launches, adverts to publicise processes, advertorials, the production of information packs, newsletters, information sheets, IT communication networking and a website.</li> </ol>
<b>TECHNICAL ASSISTANCE FUND (TAF)</b>
<p>Objective: to provide technical assistance to local and provincial government and partnership groups to carry out their responsibilities more effectively with regard to LED (Technical Assistance will be provided for implementation of the BEF and the LCF, by the Project Co-ordinating Unit (PCU) on approval of the Department of Economic Development)</p> <ol style="list-style-type: none"> <li>1. mobilisation of stakeholders, public awareness and training workshops</li> <li>2. identification /prioritization (with beneficiaries) of potential projects for funding BEF &amp; LCF</li> <li>3. preparation and packaging of these projects (with eligible beneficiaries) for submission for grant funding from the BEF and LCF</li> <li>4. training of Evaluation Committee and Assessors in evaluation procedures</li> <li>5. assisting eligible beneficiaries in the implementation and reporting on the projects funded through the BEF and LCF and, evaluation and review of BEF and LCF activities</li> </ol>

<b>LOCAL COMPETITIVENESS FUND (LCF)</b>	
<p>Objective: to encourage partnerships facilitating private investment in sustainable LED projects Partnership groups will be provided with support to establish integrated projects to encourage:</p> <ol style="list-style-type: none"> <li>1. Infrastructure base and services to provide a platform for increased competitiveness</li> <li>2. Enabling of structural economic change, including repositioning the province into higher value-added segments of supply chains, based on knowledge based manufacturing and service sectors, while increasing equitable participation in these value chains</li> <li>3. Providing support to sectors with high potential to boost the socio-economic objectives, in particular: employment; agriculture and agro processing; tourism; clothing and textiles; wood and wood products; arts, crafts and cultural industries; information and communications technology; logistics and transport</li> </ol>	
<p>The Local Competitiveness Fund LCF attempts to create a self-sustaining market for business support services, finance &amp; other essential <del>private goods</del> with linked support to local government to address those <del>public goods</del> essential to the achievement of LED initiatives</p>	
<p><u>LCF Competitiveness Action Plan (LCF CAP)</u> a plan which will increase competitiveness of a particular area/sector/enterprise: business/finance/operational/sector plans; project feasibility studies; LED plans linked to IDPs; marketing plans <u>Eligible costs for funding a CAP include:</u> technical assistance; local consultation/training exercises; competitive advantage identification exercises; research/economic analysis assessment exercises (value chain, SWOT, sector analysis, market research, training needs assessment); specialised technical assistance to develop HIV/Aids coping/prevention strategy for a sector/workplace within specific locale; establishment/operational costs of Partnership Group during preparation of CAP Partnerships eligible to access funding from LCF to comprise representatives of key stakeholders for the particular sector, who •represent interests of development players and/or communities concerned (typically a Public-Private Partnership); define the Competitiveness Action Plan &amp; submit the application for support; implement the CAP &amp; make the decisions. Partnerships constituted from two/ more of following: •business enterprises, trade unions, non-governmental organisations, institutions providing services to the economy, legally established community entities, finance institutions, government (national, provincial or local) who agree to establish a CAP. <b>Primary location to be within KwaZulu-Natal.</b> <b>Priority sectors include: agriculture &amp; agri processing; tourism; clothing &amp; textiles; wood &amp; products; arts, crafts &amp; cultural industries; information &amp; communications technology; logistics &amp; transport</b> Fund support for CAP preparation: R40 000 to R800 000; grants up to 70% of cost of project; balance to be provided by Partnership Group (<del>in</del> kind” is acceptable). Once CAP completed, additional financial assistance can be sought by Partnership Groups to implement the CAP</p>	<p><u>LCF Implementation (LCF IMP)</u> In order to receive implementation funding at least two of the following actions to be present:</p> <ul style="list-style-type: none"> <li>• improvement of design and/or packaging of a product or service, or improvement and monitoring of the quality of a product or service</li> <li>• progressive knowledge of market demand, and matching supply to demand or the development of new outlets for products and services</li> <li>• encouragement of outsourcing of products &amp; services by government and/or large enterprises;</li> <li>• development of products/services to enable movement up the value chain or the integration of small-scale producers and service providers into product or service chain</li> <li>• improved operation of the market in business development services related to sector</li> <li>• actions to support Partnership Groups to upgrade skills &amp; profiles of target beneficiaries in sector to implement the CAP: training needs assessments; training program design; training program delivery; training of trainers</li> <li>• actions encouraging black economic empowerment within the sector</li> <li>• actions to encourage sustainable economic development of local communities as a key element of sector growth</li> <li>• improvement of common economic infrastructure essential to the operation of the Competitiveness Action Plan and/or IDP</li> <li>• encourage investment by beneficiaries essential to the operation of the CAP and/or IDP</li> <li>• facilitation of either direct public or private sector investment or loan finance to facilitate the implementation of the CAP and/or IDP</li> </ul> <p>Level of Fund support for implementation of an approved CAP is from R400 000 to R 4 million. grants are up to 70% of the cost of implementing the action plan; balance of funding must be provided by the Partnership Group (in certain cases, <del>in</del> kind” contributions will be acceptable for up to 80% of the contribution)</p>

Source: Adapted from LMRF Viewpoint, 2009.



APPENDIX D



26 November 2010

Mrs C A Ariatti  
Graduate School of Business  
WESTVILLE CAMPUS

Dear Mrs Ariatti

**PROTOCOL: Agriculture and Local Economic Development: A case study of the uMshwathi Local Municipality**  
**ETHICAL APPROVAL NUMBER: HSS/1344/2010 MBA: Faculty of Management Studies**

In response to your application dated 17 November 2010, Student Number: **761760555** the Humanities & Social Sciences Ethics Committee has considered the abovementioned application and the protocol has been given **FULL APPROVAL**.

**PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.**

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....  
**Professor Steve Collings (Chair)**  
**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE**

SC/sn

cc: Dr. M Chasomeris (Supervisor)  
cc: Mrs C Haddon

**Turnitin Originality Report**  
**ca by Claudia Ariatti**  
**From Final draft (Dissertation 2013)**

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