

**THE IMPACT OF LOCAL ECONOMIC DEVELOPMENT ON THE LIVELIHOOD OF  
COMMUNITIES IN BA-PHALABORWA MUNICIPALITY, MOPANI, LIMPOPO PROVINCE,  
SOUTH AFRICA**

by

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**RESEARCH DISSERTATION**

**Submitted in fulfillment of the requirements for the degree of**

**MASTER OF DEVELOPMENT**

in the

**FACULTY OF MANAGEMENT AND LAW**

**(Turfloop Graduate School of Leadership)**

at the

**UNIVERSITY OF LIMPOPO**

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**2011**

## Declaration

I declare that the dissertation hereby submitted to the University of Limpopo, for the degree of Master of Development has not previously been submitted by me for a degree at this or any other university; that it is my work in design and execution, and that all material contained herein has been duly acknowledged.

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Mr. M.P. Seduma

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## **Acknowledgements**

I wish to extend my gratitude to my family without which, completing this dissertation would not have been easy:

To my wife Dieketseng Disebo Seduma, you've been my pillar when things were very difficult for me.

My kids, Lerato Moremi, Palesa Deliwe and Itumeleng Malokela: you bring me joy, but when I was busy with my studies I did not give you quality attention when you needed it.

My late father, Abel Moremi Seduma for the wisdom you gave me,

My mother, Malokela Georgina Seduma for the courage and support you displayed to me.

Mr & Mrs Hopane, if it was not because of you, I would not be where I am today.

My siblings, Phuti, Mosibudi, Matena and Matshentshisa Seduma for the unqualified support that you gave me throughout.

To my supervisor, Dr. Moyo, thank you for guiding me and for being my motivator when it was difficult for me. You showed me great compassion when I thought I was losing the battle. You kept me going when I thought there was no light.

## **Abstract**

Literature has shown that focusing on local economic development is one of the best ways to alleviate poverty and unemployment. Municipalities have been tasked with the responsibility of coordinating local economic development initiatives to bring unemployment and poverty under control. This study highlighted the impact of local economic development on the livelihood of communities in Ba-Phalaborwa Municipality, Mopani, Limpopo Province within a qualitative paradigm. A questionnaire was used to collect data from respondents with key research findings highlighted in Chapter 4 and a summary of the findings presented in Chapter 5. The study recommends, based on its findings, the importance of local economic development initiatives in poverty and unemployment alleviation.

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### **LIST OF ACRONYMS**

AIDS	-	Acquired immune deficiency syndrome
ANC	-	African National Congress
ASGI-SA	-	Accelerated Shared Growth Initiative in South Africa
DBSA	-	development Bank of Southern Africa
DPLG	-	Department of Local Government
EPWP	-	Expanded Public Works Programme
FIFA	-	Federation Internationale de Football Association
GEAR	-	Growth, Employment and Redistribution Strategy
HIV	-	Human immunodeficiency virus
IDP	-	Integrated Development Plan
LED	-	Local Economic Development

LIBSA	-	Limpopo Business Support Agency
NSDP	-	National Spatial Development Perspective
PGDS	-	Provincial Growth Development Strategy
PMC	-	Palabora Mining Company
PRF	-	Poverty Relief Fund
RDP	-	Reconstruction and Development Programme
SAHRC	-	South African Human Rights Commission
SEDA	-	Small Enterprise Development Agency
SMME	-	Small, medium and micro enterprises
UNDP	-	United Nations Development Programme

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## CHAPTER 1

### INTRODUCTION AND BACKGROUND TO THE STUDY

#### 1.1. Introduction

This research investigated the impact of Local Economic Development initiatives on improving the livelihoods of communities in Ba-Phalaborwa. Local Economic Development is a government strategy which strives to alleviate unemployment and poverty. Amongst other responsibilities, the local government is expected to stimulate economic growth and ensure local economic development. Key powers have been devolved to local governments to lead Local Economic Development (LED) initiatives with the *Constitution of the Republic of South Africa, (Act 108 of 1996)* and the *Local Municipal Systems Act, Act No.32 of 2000*, affirming the importance of LED initiatives towards sustainable development.

The study has been conducted from a context where the alleviation of poverty, unemployment and job creation serve as the strategic intent of the South African Government through local municipalities. Resources are expected to be channeled towards the support of small and medium enterprises (SMMEs), thus creating sustainable livelihoods for individuals and communities. The direct participation of local communities in the mainstreams of their local economies is crucial in making this strategy work effectively.

Municipalities have been tasked and have the responsibility to ensure that they fulfill the governmental constitutional developmental mandate of coordinating local economic initiatives despite challenges in their respective localities. Lack of resources, human capital and entrepreneurship are some of the challenges hindering economic growth in most municipalities in the South Africa.

## **1.2. Statement of the problem**

There is an acknowledgement that Ba-Phalaborwa is faced with poverty and unemployment problems despite the fact that the mining industry contributes 80% towards the local Gross Domestic Product (Municipal IDP, 2008/2009: 49-88 & Draft LED Strategy, 2007:4). The potential downscaling of the mining industry, as evidenced in the closure statement of Palabora Mining Company (Rio Tinto) and the closure of SASOL present a serious threat to the local economy.

## **1.3. Aim of the study**

Based on the economic problems highlighted above, the study is aimed at investigating the potential of municipal LED initiatives towards addressing unemployment, poverty and skills shortage by improving on the livelihoods of the communities in Ba-Phalaborwa.

## **1.4. Objectives of the study**

The objective of the study was to investigate the impact of municipal LED initiatives in the livelihood of local communities in the Ba-Phalaborwa Municipal area. The researcher will also focus on attaining the following objectives:

- Identify the nature and types of local economic development initiatives undertaken in the municipality.
- Determine the extent to which municipal LED initiatives contribute towards improving the livelihood of communities in Ba-Phalaborwa for sustainable local economic development.
- Measure the municipal LED initiatives against the quality of lives of the citizens.

## **1.5. Research questions**

The following main research question guided the research: “What is the impact of Local Economic Development on the livelihood of communities in Ba-Phalaborwa Municipality, in the Limpopo Province?” The following research sub-questions were added to provide key indicators to the impact of Local Economic Development initiatives in the Ba-Phalaborwa municipal area:

- To what extent do municipal LED initiatives contribute towards improving the livelihoods of local communities in the Ba-Phalaborwa municipality, Limpopo Province?
- What LED initiatives were undertaken by the municipality to improve the livelihoods of communities in the Ba-Phalaborwa municipal area?
- To what extent do municipal LED initiatives contribute towards local economic development?
- What is the impact of municipal LED initiatives towards improving the quality of lives of the local citizenry?

## **1.6. Significance of the study**

The significance of the study is guided by the need to investigate the impact that Local Economic Development initiatives in the livelihoods of the involved respondents and their families. The study has been conceptualized from the context that Local Economic Development initiatives should contribute towards community development through the creation of jobs, alleviation of poverty and unemployment with the likelihood to add value to the body of knowledge related to LED in the Ba-Phalaborwa municipal area and by identifying and listing LED initiatives undertaken.

Such information will be critical for future planning by the municipality. The conclusions drawn will not be universal to other areas and situations outside Ba-Phalaborwa Municipality, but will be used by future researchers and management teams from within and outside of the Ba-Phalaborwa Municipality in decision-making. It is expected that the findings of the study will help to improve practice and implementation of LED initiatives based on the needs of the communities in Ba-Phalaborwa.

### **1.7. Rationale for the Study**

The study was expected to contribute to the existing body of knowledge by identifying the existing LED initiatives undertaken by the municipality, the public and the private sectors in the alleviation of poverty, unemployment and skills development. Such knowledge will be crucial for future planning in the municipality. The findings of the study were not generalized to other situations, and were used by the researcher in the analysis of the research findings. It is expected that the findings of the study will help to improve future practices by government and the private sector to support community initiatives to alleviate poverty and unemployment.

### **1.8. Research outline**

The research findings will be summarized as a report with the chapters outlined as follows:

#### **Chapter 1: Introduction and Background to the study**

The chapter gives an overall account of the research, with the background, the problem statement, aim of the study, the research questions, the significance of the study and the rationale for the study outlined.

## **Chapter 2: Literature Review**

The chapter presents academic perspectives and theories on Local Economic Development and its impact on the livelihoods of communities in the other parts of the world.

## **Chapter 3: Research Methodology**

The chapter presents the research design and methodology employed in the research. A detailed report on the choice of the research design is extrapolated.

## **Chapter 4: Presentation and Interpretation of Findings**

The chapter presents data as collected during the research followed by analysis and interpretation of findings.

## **Chapter 5: Summary, Conclusions and Recommendations**

The chapter presents a conclusion on the findings, recommendations and a summary of the findings. The findings were compared with the literature review findings to arrive at a conclusion as to whether Local Economic Development initiatives have a positive impact on the livelihoods of the communities and the dependants associated with community projects.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1. Introduction

The following literature review was conducted in order to tap into a pool of academic research already conducted on Local Economic Development, LED initiatives and their impact on the livelihood of communities which were targeted to benefit from the initiatives. The findings and arguments will also be contextualized to the South African environment based on what was done in other areas of the country. The chapter is arranged as a framework to ground the research based on the general academic school of thought on Local Economic Development and its impact on the livelihood of the communities.

The literature review is also aimed at addressing the main question and the sub-questions on:

- The impact of local economic development on the livelihood of communities in the Ba-Phalaborwa Municipality, Mopani, Limpopo Province,
- The extent to which municipal LED initiatives contribute towards improving the livelihoods of local communities in the Ba-Phalaborwa Municipality.
- LED initiatives undertaken by the municipality to improve the livelihoods of communities in the Ba-Phalaborwa municipal area?
- The extent to which municipal LED initiatives contribute towards local economic development.
- The impact of municipal LED initiatives towards improving the quality of lives of the local citizenry.

## **2.2. The theory behind Local Economic Development**

Canzanelli (2001: 9) describes LED as a process where local actors shape and share the future of their territory with no universal accepted definition of the concept (Nel, 2000: 149).

The research is anchored on the belief that LED initiatives have direct impact on the livelihoods of communities and those involved in the projects with positive benefits derived by the dependants of the projects in the long run. The belief was also based on the premise that government should have the correct systems and channels to support community projects and therefore attempt to channel investments into community projects as part of local economic development initiatives, with the potential to reap tangible economic results. Furthermore, for communities-based groups and government to manage their existing resources in partnership with the private sector to create new jobs and stimulate economic activity and growth in an economic area (Zaaijer and Sara, 1993: 129).

As such, continuous research is necessary to determine the impact of LED initiatives on the livelihoods of the beneficiaries with set indicators such as improved standards of living, increased income, improved skills acquisition and the ability to afford basic family demands used to determine the effectiveness of initiatives undertaken by various government or private entities (Nel, 2001: 3).

Various studies differ on the explanation and the description of the “impact”, or the “significance” of LED on the livelihoods of communities. Mokate (1999: 189) sees LED as a tool to alleviate poverty and unemployment. Nel (2001: 3) admits that there is no universally accepted definition of LED, meaning that even on the implementation of LED strategies, various individuals and institutions will approach it in different ways. Nel (2001: 3) further states that LED activities in the South African context rely much on small scale and community-based initiatives comparative to the North, where economic

focus tends to be channeled to issues of investment, big business support and large project development. Nel (2001: 30) further states that LED in the South African context utilises and seeks to ensure survival, rather than participation in the global economy, and operates at an informal level rather than a formal sphere as practised in the North.

### **2.3. The International context on LED**

The World Bank recommends that poverty alleviation initiatives through LED should be integrated to provide poor communities with the necessary basic services such as water, electricity, education, health care, roads and sewerage. Active participation of the beneficiary communities on LED initiatives need to be identified to provide meaningful economic growth. The World (2003:4) further views LED as a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. These sentiments are corroborated by Blakely (1994:9) and Nel (2001:1) who further define LED as a practice through which local government and community organisations encourage business activity and employment.

Literature review reveals that the international mandate on LED is very clear on what is expected to be achieved by respective international states. Local Economic Development should serve as initiatives by locals to work together to achieve sustainable economic growth and improve on their quality of lives with economic benefits to be received by all in the community in the quest to lessen poverty and unemployment (World Bank, Internet (c): 2005).

Phillip (2003: 3) indicates that LED has been pursued from an international level through the establishment of co-operatives which gradually grew from five distinctive traditions such as consumer co-operatives, worker co-operatives, the credit co-operatives, agricultural co-operatives and service co-operatives, whose beginnings

have been associated with the Rochdale pioneers, France, Germany, many parts of Europe and Denmark.

Local communities become participants in their own development rather than the objects of development. Community-driven initiatives are identified as ways in which communities could express their desire to conserve local customs and traditions, and earn a living at the same time, (Pretorius & Blaauw, 2008: 156-157).

The traditional view of LED as a process of having developmental initiatives aligned to local development has shifted towards promoting self sufficiency, regional, national, continent-wide and even global processes in the shaping of local economies and to the significance of support for LED from across the scale of governance. The European Union serves as an example of how the role LED, with its components anchored in national and regional governments, to supports local development processes (DPLG, 2006: 5).

In the 1990s, Local Economic Development took an international shift when it adopted economic growth driven strategies to promote development towards LED driven strategies. Small scale and community based initiatives aimed at using local skills and the participation of the community to ensure sustainability were preferred and recommended and LED initiatives were defined as proactive actions by the people to create economic opportunities and improve social conditions in their own communities. Abrahams (2003:189) identified a number of LED initiatives to address particular social and economic challenges at the local level as focusing on the mobilization of local resources, redistribution of resources, promotion of local creativity and innovation, investment in human capital, the provision of technical assistance and training for self-employment and business start-up and support for enterprise creation.

Most western countries regarded LED as an important tool to deal with poverty (Simon, 2003: 133), with community based initiatives led by co-operatives targeted.

The same approach is being used by the South African government through which LIBSA as one of the government agencies is mandated to establish, incubate and train cooperatives in various enterprise activities and skills to mobilize local labor for infrastructure development. The Extended Public Works Programme (EPWP) is but one of the strategies adopted by the South African Government to improve household food security and standard of living linked to continued employment and job opportunities. Research by the United Nations Development Programme (UNDP) in 2003 exposed an increase in poverty levels since the demise of apartheid in 1994 and a junction with what the World Bank framework on LED provides for, it is imperative that LED in Ba-Phalaborwa should be entrenched to address economic needs of communities in attempts to reduce poverty and unemployment levels. The research was to focus on the significance of LED initiatives on the reduction of poverty and unemployment levels in communities where LED programs have been established.

It is evident from the theoretical argument above that in some areas, LED initiatives and implementation have gone through various stages of implementation and that there is no common approach to implementing the plans from the same school of thought. From a global context, it is very clear that there are various challenges embedded in the planning, funding and implementation of LED strategies and initiatives as a way of alleviating poverty, unemployment and creating massive jobs, at the same time providing relevant training and skills development to the beneficiaries.

Poverty alleviation in developing countries has become a pre-occupation for many international agencies, national governments and Non-Governmental Organisations in the World according to the World Bank (1998:32). LED in the international perspective is used by communities experiencing the need for modernization to develop adopted initiatives as vehicles for economic growth. The study was aimed at investigating whether poverty alleviation initiatives in communities as adopted in municipal IDPS received any assistance from other development agencies or state institutions.

The definition of Local Economic Development Policy and Strategy (2003:11) defines Local Economic Development as a people-centered initiative meant for people working together to achieve sustainable economic growth and development for the benefit of all people in the local area; it aims to promote and develop all sectors and dimensions of the economy. The retention and expansion of the existing economic activities in a local area are expected to receive much attention as new enterprise growth and the diversification of the economy is guaranteed.

Therefore, developmental local government puts economic development as the top priority strategy and is able to design effective instruments to promote such an objective using identified instruments to forge new formal institutions and informal networks of collaboration among citizens and officials and the utilisation of new opportunities for trade and profitable production (Bagchi, 2000: 398).

Furthermore, Nel and Rogerson (2005: 17) state that there is a variety of responses in terms of how economic development is perceived from various localities. Some view economic development from a pro-poor or pro-growth focus, while others define it from a combination of the two. The distinction of the two is clearly depicted by pro-growth focusing on creating conducive environments for investment while pro-poor's objective is poverty alleviation through job creation. In some instances, municipalities maintain a middle route of building a globally competitive region from which all communities can benefit.

LED, in summary, is a process by which public, business and non-governmental sector as partners work collectively to create better conditions for economic growth and employment generation (World Bank, 2003: 5).

## **2.4. LED, the South African perspective (Situational analysis)**

Nel and Humphrys (1999: 277) state that LED is currently receiving much attention in South Africa; however, the concept is still new. After 1994, South Africa was faced with a lot of socio-economic and developmental challenges with extreme inequalities in income, assets and basic social services. Reitzes (2004:3) agrees that most of the South African families and households live in poverty, are illiterate, poor, survive and live in unhygienic environments, and there are chronic unemployment levels. The affluent continue to widen with wealth gaps at the expense of the poor who are trapped in abject poverty. However, there has been limited research conducted on LED in small towns in South Africa (Human, Marais & Botes, 2008: 57).

Local Economic Development was established to financially support local authorities on a project basis as part of poverty alleviation strategy of the government targeting short-term jobs through construction projects and long-term jobs through the creation of business opportunities, business infrastructure developments and stimulation of industries (Marias and Botes, 2006:9). Malefane (2009: 156) attests that even though LED is perceived as a municipal intervention, it is not being efficiently implemented in most South African municipalities. The skewed apartheid spatial development planning deliberately alienated the majority from the central means of economic activity.

The apartheid segregation policies uprooted most of the African communities from their original economic means of subsistence and family systems, and the current widening of the rich-poor economic gap need to be acknowledged as a challenge to the South African government. The UNDP Human Development Report (2003) notes that a number of factors led to the worsening of the South African social situation (poverty and inequality levels) due to the highly biased wealth distribution, inequality in earnings, low income growth, environmental degradation and HIV/AIDS. Davids (2005: 18) argues that in order to address the injustices of past development efforts, the South African

government adopted a people-centered approach described by Theron (2005: 120) as a shifting of interventions towards the public and away from objects, delivery and production. Theron (2005:120) further states that the approach aims at enhancing the public's skills and capacity by encouraging participation in development processes.

Woolard and Leibbrandt (1993:3) explain that poverty or standard of living is measured at the household rather than the individual level, and can be interpreted in terms of the command over commodities that resources afford people income and consumption opportunities. To estimate, poverty requires a poverty line as a level of income below which people are considered poor, providing a yardstick with which to compare the circumstances of individual households (Booyesen, 2003: 10). Hillard and Msaseni (2000:67) point out that an estimate of 16.6 million people in South Africa lived below the poverty line in 1991, worsening from 32% in 1993 to 65% in 2000.

Development in the period before 1994 was defined and based on racial undertones with the majority people disadvantaged in terms of service provision and the long term effects and consequences of the apartheid legacy. Planning in the past was characterized by extreme inequality. Development in the post-apartheid South Africa should be based on sustainability and equality to address the inequitable legacy inherited from decades of planning in the interests of a racial minority (White Paper on Spatial Planning and Land Use Management, 2001).

Human, Marais and Botes (2008: 60) argue that there is still confusion between LED and poverty alleviation with officials having different opinions regarding what LED actually is. Some view LED as entailing community poverty alleviation projects, while others believe that the focus of LED should fall mainly on economic sustainability, resulting in one-sided poverty alleviation efforts.

Malefane and Mashakoe (2008:54) are supportive that, despite provisions laid down in the Local Government (Municipal Systems Act of 2000) the South African municipalities continue to operate without having authority and progress regarding LED implementation assessed. Nel and Rogerson (2005: 19) argue that the ability to impact meaningfully on poverty and encourage economic growth is dependent on resources allocated to LED. Currently there are disparities between various municipalities on resource allocated to LED in some instances with very limited funding too small to be able to bring about economic transformation on any meaningful scale. Kroukamp (2006: 22) states that unrealistic expectations by the public and the transformation led to a series of financial crises and inability by municipalities to fund services.

Furthermore, Rogerson (2003: 16) argues that LED is more entrenched in policy than in practice of the surveyed municipalities and assert that LED in South Africa is pro-poor in policy, but not in practice. The authors base their argument on the fact that LED policies in the South African context are at odds with the prevailing neo-liberal macro-economic strategy of the country creating a tension as to whether LED should be about pro-poor or pro-growth interventions or both.

The authors further states that the monitoring and evaluation processes are poorly developed. The South African government has charged local governments with a developmental mandate. Amongst other responsibilities, local governments are expected to stimulate economic growth and ensure local economic development. Key powers have been devolved to local governments to lead Local Economic Development (LED) initiatives with the Constitution of the Republic of South Africa, (Act 108 of 1996) and the Local Municipal Systems Act, (Act No.32 of 2000), both of which affirm the importance of LED initiatives towards sustainable development. These Acts and the associated White Paper on Local Government of 1998, introduced the concept of a developmental local government. Phago (2004a) states that municipal LED in South Africa has not been fruitful or effectively functional.

Meyer-Stamer (2002: 3) is very critical of LED in South Africa, drawing attention to the fact that LED is faced with uncertainties in the South African context, because it is not clear as to whether municipalities are supposed to be the driver of the LED process, or facilitator or active observer of a process which is driven by the local business sector. Nel and Rogerson (2005: 19) state that despite the fact that some centres have been actively engaged in the pursuit of LED for nearly a decade, very few were able to provide a realistic appraisal of their achievements and impact to date.

Nel (2001:2) write that LED in South Africa has taken a new dimension of being pro-poor. The case in point is the recent manifesto of the African National Congress's focus, as part of its election mandate, on rural development. Therefore, LED is used as a strategic tool to mobilize resources, build capacities and skills, guided by legislative provisions such as:

- The Constitution of the Republic of South Africa, Act 108 of 1996, Chapter 7 (c), which mandates local government to pursue and promote social and economic development.
- The Reconstruction and Development Programme (RDP) which makes reference to LED in support of community based development and locality based initiatives (ANC, 1994).
- The Local Government White Paper (RSA, 1998) introduced the concept of "developmental local government" and reflected on local government commitment need to work with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs.

LED as contextualised from the South African perspective stipulates that it has to be pro-poor in orientation, enjoying the national state endorsement of local-level action and requires a combination of private and public partnerships to address particular socio-economic problems as a local government mandate (Rogerson, 2003 and Nel, 2001).

The Authors argue that starting Local Economic Development initiatives is not an easy task. More often, it involves overcoming political, organisational and societal fragmentations. LED is most importantly developmental, requiring that persons with a background in business management, skills development and urban planning having to collaborate so as to achieve common successes on LED (Meyer-Stamer, 2003:24). Harcourt (1997:6) argues that to deal with poverty and growth, there is a need to highlight on LED initiatives and the execution plans set. Hence, the South African context on LED include government's initiatives, which amongst others, serve as a blueprint of projects, decided upon to rekindle co-operatives as a way of promoting and resuscitating the mobilization of economic activities in South Africa, particularly in the previously disadvantaged areas with co-operatives seen as main role players in LED (TGSL Report, 2003: 1).

Steytler, Titus, Carrim & Mkhali (2002:3) see municipalities as a indispensable part of South Africa's system of government since they have to ensure that their policies and programmes are coordinated and aligned to those of national and provincial spheres of government. Therefore, Local Economic Development problems in South Africa should be carefully analysed in relation to the multiplicity of challenges and experiences drawn from the South African experiments based on the existing policies and economic structures. Skinner (1999; Natrass 1983) explain the development problems in South Africa as being of ample amidst poverty. The stringent financial accounting processes and few assessments of the social and economic impacts of LED interventions remain a challenge (Nel and Rogerson, 2005: 19).

Section 153 (a) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) states that municipalities need to manage their administration and planning processes to prioritise their basic needs for the communities to benefit from LED initiatives. The core functionality of the local government as per the Constitution is to make provisions for sustainable services, promotion of social and economic

development, provision of a democratic and an accountable government, promotion of a safe and healthy environment, and the involvement of communities in matters of local government and development.

#### **2.4.1. Policy and legislative framework on LED in South Africa**

Nel (2001: 6) states that the South African law and policy provides a clear sanction for local authorities to engage in LED. There is a collection of legislative provisions by the South African Government with institutional mandates put in place to plan and implement LED. This comprises pieces of Legislation such as the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) that stipulates in Section 154 that national and provincial governments must support and strengthen the capacity of local authorities by legislative and other measures to manage their own affairs and to promote social development and democracy on local level (Kroukamp, 2006: 23).

The post-apartheid South African development framework is expressed in terms of strong community initiatives focused and pro-poor policies. South Africa has adopted a developmental approach on LED to promote community based initiatives and harnessing of local resources (Vosloo, 1985:5). According to Nel and Rogerson (2005: 16), the policy framework on LED in South Africa include the 1994 Reconstruction and Development Programme, 1996 Constitution, the 1998 Local Government White Paper, the 2000 Local White Paper and the 2000 Local Government Municipal System Act encouraging municipalities to pursue pro-poor LED, and be proactive to intervene in their local economies to create employment and reduce poverty. LED entails co-operation of all stakeholders involved in various initiations to address a variety of socio-economic needs (DPLG, 2001: 54).

In essence, a developmental local government is direct and enables economic growth (Taylor 2007). According to the White Paper on Local Government, 1998 (17), a developmental local government is a municipal government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their lives.

The DPLG (2006: 7) states that the South African national context on LED has identified ten principles to guide LED programmes in the country summarised as follows:

- Shaping the economic destiny of South Africa through a developmental approach.
- Creating a conducive economic environment for the creation of employment opportunities by the local government.
- LED as an outcome of actions and interventions resulting from local good governance and constant improvement and integration of national priorities and programmes.
- Inward investment from state or private sector for effective competitive advantage to be exploited
- Promotion of inclusive local economies.
- Locally owned solutions and strategies to support national frameworks for both rural and urban local spaces.
- South Africa as a global competitor in an integrated world economy.
- Private companies, social enterprises and cooperatives as the heart of the economy.
- People as the greatest resource in development.
- Local initiatives, energy, creativity, assertive leadership and skills to unlock the potential in local economies.

Key policies and legislative framework contributing to the understanding of what LED in South Africa is covered in the legislative framework that include “The Constitution The Constitution (1996), White Paper on Local Government (1998), Local Government: Municipal Systems Act (2000), A policy paper on Integrated Development Planning (2000) and IDP Pack, Discussion document on LED Policy (2002), Policy Guidelines for Implementing LED in South Africa (2005), The National Framework on LED in South Africa (2006-2011), The adopted LED Strategy for Ba-Phalaborwa Municipality (2007), and The 2009/2010 IDP document. Based on these existing legislative provisions, strategies adopted should assist in the economic development of communities in South Africa.

- **The Constitution of the Republic of South Africa (Act 108 of 1996)**

The Constitution of the Republic of South Africa is the supreme law of the country, prescribing and placing great responsibility on municipalities to facilitate LED.

Furthermore, the Constitution based on the Bill of Rights states that the government is expected to implement initiatives to alleviate poverty, unemployment and rural development. The Constitution calls for the establishment of a pro-poor developmental government and entrusts the local government with the responsibilities of economic development. Section 152 of the Constitution provides for local government to promote social and economic development. Municipalities are obliged to make provision of services to communities in a sustainable manner, promote social and economic development, and encourage the involvement of communities and community organisations in matters of local government.

Chapter 2 of the Constitution calls for the establishment of the “socio-economic rights” of every citizen, which include a right to an environment that is not harmful to one’s health, access to adequate housing and a right to social security for people who are

unable to support themselves and their dependants, an appropriate social assistance, a right to a basic income and access to a minimal level of economic resources, a right to non-discrimination in the distribution of income, productive output and economic resources, a right to non-exploitation in all work, in the labour market, in the household and in the informal economy and a right to a just share of the means of production of the economy.

The Constitution (1996) further prescribes for the promotion of an intergovernmental relationship between all spheres of government on issues related to the development of the economy. Cameron and Stone (1995: 25) supports the view that there is a need for service providers and role players to align within all spheres of government. Abrahams (2003: 69) agrees that Local Governments' developmental mandate encourages municipalities to reduce poverty, unemployment and to provide basic services by participating in various economic development programmes.

- **The Reconstruction and Development Programme (RDP)**

The Reconstruction and Development Programme of 1994 prescribed for a developmental and pro-poor responsibility driven government, with coherent and integrated socio-economic development to underpin most of the government development policies aimed at reducing poverty, and redressing inequalities and injustices that apartheid (RDP, 1994: 84). The Reconstruction and Development Programme (RDP) further states that, with regard to the delivery of municipal strategies, the extent to which LED initiatives contribute towards the livelihood of the local communities should be proven by the upgrading, restoration and maintenance of infrastructure and basic services. Traces of degradation should be addressed by socio-economic initiatives to improve on the lives of communities and extend basic services to the needy, create employment, with much emphasis put on the local government to play a central role.

Aliber (2002: 13) highlights key priorities contained in the RDP as guaranteeing access to social services such as water, jobs, land, education and health, and creating opportunities for all South Africans to develop to their full potential, boosting households income through job creation and establishing a social security system to protect the poor.

The Reconstruction and Development Programme was discontinued due to lack of proper inter-departmental coordination, setting up of priorities and local government capacity. Some of the services were transferred to other government ministries for implantation (Chikulo, 2003: 3).

- **The Growth, Employment and Redistribution Strategy of 1996 (GEAR)**

GEAR was introduced as an overall strategy to replace the RDP. The strategy was geared towards focusing on the expansion of the private sector and achieving high rates of economic growth. It prescribes for the transformation of both the private and public sectors to create sustainable stable economies and favorable environments to attract and encourage private investment (Aliber, 2002: 15). However, GEAR imposed limitations on poverty alleviation leading to the continued shedding of formal sector employment quantification at around 1,3million jobs projected failing to materialise.

- **The Local Government Transition Act of 1993 as amended in 1996.**

The Local Government Transitional Act of 1993 as amended in 1996 makes provision for the implementation of LED at the local government sphere in the post-apartheid South Africa to adopt sustainable ways (Abrahams, 2003: 189). The author further states that the Act encourages community empowerment initiatives,

resource redistribution, human resource development, poverty reduction, and promotion of local creativity and innovation on local resource mobilisation. In this effort, the involvement of the private sector is key to sustainable and successful LED initiatives.

- **The White Paper on Local Government (1998)**

The White Paper on Local Government (1998) 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”. The document clearly states that “Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities”.

The White Paper, empowered municipalities to adopt integrated development planning, performance management and local economic development as strategic approaches to democratise development, while at the same time creating an environment conducive for people and communities to address their needs.

- **Municipal Structures Act of 1998**

The Municipal Structures Act of 1998 introduced participatory local democracy and local development. Municipal Structures Act, 1998 (Chapter 4), places emphasis on consulting communities, as part of engendering and enhancing participatory democracy in the local government sphere.

- **The Accelerated Shared Growth Initiative in South Africa (ASGI-SA)**

The Accelerated Shared Growth Initiative in South Africa (ASGISA) has its core objective being to halve poverty and unemployment by 2014. The Growth, Employment and Redistribution (GEAR) as a macro-economic framework introduced in 1996, proposed labor market reforms, privatization, trade liberalization, and a reduced budget deficit, mainly focusing on increasing economic growth and improving job creation. The Expanded Public Works Programme (EPWP) was aimed at job creation, infrastructure development and service delivery, training and skills development, linked to the IDP and demanding that LED interventions be integrated with the EPWP programmes (DBSA, 2005:30).

Through ASGI-SA the state with its agencies aims at becoming more focused in accelerating growth leading to large-scale social transformation and impact on the large marginalised townships and rural areas based on the Inter-governmental relations (IGR) principles of the state to act in a coherent manner to achieve integrated outcomes in different municipalities (DPLG, 2006: 11) and thus boost economic growth and fight poverty (Mafela, 2006:12; Friedman, 2006: 20).

- **The Municipal Systems Act, 2000 (Act No 32 of 2000)**

The Municipal System Act makes provision for LED initiatives to be reflected in the municipal Integrated Development Plans. The regulatory framework for LED has various components ranging from land and zoning, public-private partnerships, business enterprise support and economic linkages.

The legislative and policy framework on Local Economic Development in South Africa is founded on legislation, policies and frameworks dealing with the socio-economic development and poverty alleviation.

The framework make provision for government to foster growth of local economies and address local needs, formulate strategies and implement those strategies to create jobs and community development (Mokate, 1999: 186).

- **The Integrated Sustainable Rural Development Strategy of 2000**

The Integrated Sustainable Rural Development Strategy of 2000 was formulated to accelerate Local Economic Development in the rural areas of South Africa to improve the quality of life of the rural communities through poverty alleviation and sustainable livelihoods. The strategy outlined key policy issues on the extension of social safety nets to rural people, Build rural infrastructure, Access to resources by rural people, Increase in local economic growth, Building capacity and strengthening rural institutions (Lewis, 2001:3)

- **The Local Economic Development Policy Paper (2001: 38)**

The Local Economic Development Policy Paper of 2001 states that there is no single common approach to LED which can work in every local area because all areas have unique opportunities and challenges to meet. Special programmes must be developed to suit specific needs based on local context using resources available to establish pro-poor LED strategies.

- **The Municipal Finance Management Act (Act No. 56 of 2003)**

The National Treasury is tasked with assisting municipalities in improving infrastructure investment and intergovernmental cooperation based on good local governance to create conducive local environment for business, trade and investment.

- **The National Framework for Local Economic Development in South Africa (2006-2011)**

The framework states that the evolution of LED policy in post 1994 South Africa is closely associated with the transition to developmental local government. The framework is aimed at promoting a strategic approach to the development of local economies and a shift away from narrow municipal interests focused only on governments' inputs into ad-hoc projects. However, DPLG states that LED is not clearly included in the schedule of municipal functions, and that might be interpreted as "an unfunded mandate for municipalities" (DPLG, 2006: 3-9). Nel (2001:15) states that community based organizations are established by Non Governmental Organisations as key coordinators of LED initiatives by providing the necessary expertise and networking for donor assistance on localized LED.

#### **2. 4.2. LED experiences in South Africa 1994-1999**

- **Local Government Initiatives**

LED has been pursued in the South African context majorly by the four largest metropolitan areas of Johannesburg, Durban, Pretoria, and Cape Town following broad-based, comprehensive LED strategies driven by well staffed and funded LED and economic units (Nel, 2001: 8). The larger cities have comprehensive dual pursuit of global competitiveness and poverty alleviation as core themes in policies adopted.

The hosting of the 1999 All Africa Games and the 2010 FIFA Soccer World Cup was a key achievement in this regard with cities such as Durban, Cape Town. Polokwane, Johannesburg, Pretoria (Tshwane), Port Elizabeth, Mafikeng, Nelspruit and Bloemfontein bearing the legacy of intensive implementation of LED initiatives and strategies to promote economic growth, job creation and poverty alleviation.

- **Community Based Initiatives**

Nel (2001:9) states that community-based organisations and non-governmental organisations operate on a far broader plain as agents and main proponents of LED type activities with relative need to the formation of partnership to ensure the success of initiatives, and the representation and participation of key stakeholders. The South African experience highlights initiatives such as NGO activity in Khayelitsha (Cape Town), the Mineworkers Union support of small business programmes in Mhlala, Kei Road, Seymour and Hertzog.

- **Section 21 Development Companies**

Nel (2001: 10) states that LED initiatives in some areas are overseen by local Section 21 companies set up not for gain but with very strong business leaning and active promotion of small entrepreneurs in support of the local authorities perceived to be weak and under-resourced to initiate LED projects. Good examples are Stutterheim and Welkom which focused on business support and skills training.

The implementation of LED projects in the South African context covers the establishment of co-operatives to drive development initiatives and as main role players (TGSL Report, 2003:1). Van Niekerk (1982:45, 46) defines a co-operative as an organisation formed on behalf of members to provide raw materials and final products including services. The running of co-operatives in South Africa is facing serious challenges based on the fact that the majority of the co-operatives are run by elderly people. The youth are confronted with chronic unemployment and are less interested in joining co-operatives due to various reasons such as lack of own funds, donor dependency, political interference, lack of trust, commitment and responsibility, lack of leadership, marketing and production skills and production infrastructure (Kanyane, 2009: 1132).

Literature review suggests that very few small scale and community based projects have resulted in financially viable projects which assist in job creation beyond specific grant period (Nel, 1999:114; Kheira Management, 2002: 8; Marais, Botes and Mosothoane, 2002: 42). Lemon (2002: 28) reasons that the main challenges faced by SMMEs include lack of markets, inherent limitations of local initiatives, low skills levels within municipalities and lack of leadership.

## **2. 5. LED in Limpopo**

The Limpopo Province views LED as a bottom up socio-economic instrument within a broader Provincial Growth and Development Strategy to create a conducive business environment aimed at improving their competitiveness with a multi-dimensional and multi-sectoral process through which the skills, resources and ideas of local stakeholders are combined to stimulate local economies (Limpopo Growth and Development Strategy, 2004).

From the assertion above, poverty alleviation initiatives in the developing countries, inclusive of Limpopo has become a pre-occupation for many international agencies, national governments and non-governmental organizations (World Bank, 1998:32).

During the 1960s and 1970s, the international community experienced the modernization of approaches to development as a vehicle for economic growth (Wilson, Kanjie and Braathen, 2001:15),and Limpopo (PGDS, 2009: 14) has identified the following five main objectives derived from the national medium term strategic framework confirmed by the technical analysis and recommended for PGDS 2009:

- Create decent work and sustainable livelihoods by creating competitive industrial cluster promotion, infrastructure construction, and various national development programmes.

- Improve the quality of life of citizens through effective education (including skills development), reliable health care, alert policing, comfortable housing, social grants and sport, with specific emphasis on their own participation in these processes.
- Promote rural development, food security and land reform in order to spread the benefits of economic growth beyond urban areas.
- Raise the effectiveness and efficiency of the developmental state by way of effective organisation structuring and recruiting, targeted training and the building of a culture of service and responsibility, integrated development management and co-operation between all organisations in the development process.
- Give specific attention and allocate sufficient resources to the high-priority challenges of regional co-operation, sustainable development and climate change, Black Economic Empowerment and the informal economy.

## **2.6. The role of local municipalities in the Local Economic Development (LED) planning process**

According to the Department of Provincial and Local Government (2000:2), municipalities can play and promote LED as a coordinating body through the IDP to draw together developmental objectives, priorities, strategies and programmes of a municipality to ensure that LED initiatives are coordinated within and with other municipal programmes linked to national and provincial initiatives. Municipalities should serve as facilitators to improve the investment environment in the area and as stimulators for business creation or expansion. Craythorne (2003: 150) states that LED activities are legally mandatory for every municipality in South Africa, as an important part of the municipal Integrated Development Plan (IDP). The success of LED projects in South Africa has been fairly sustainable, providing jobs provided that the entities are registered as legal entities. However, the majority of these projects only survive with continued support of public funding (DPLG, 2005:21).

Binza (2005: 8) concurs that municipalities should support small and medium enterprises through the provision of training and support mechanisms and through creating optimal infrastructure such as SMME incubators. Marais and Botes (2006:9) attest that the Local Economic Fund was established to financially support local authorities on a project basis over a five-year period in local development initiatives as part of poverty alleviation strategy of the government, targeting short term jobs through construction of project infrastructure and long term jobs through the creation of new business opportunities, business infrastructure developments, industrial stimulation, training and human resource development, linkages, rural development and women empowerment.

However, Nel and Rogerson (2005:16) acknowledge that the implementation of LED programmes encountered numerous obstacles such as poor understanding of local economies, support for unsustainable community projects, capacity and resource constraints. Kroukamp (2006: 26) states that LED is based on the building of local economies through various initiatives as well as alleviating the levels of poverty that exist within the South African local communities.

Scheepers and Monchusi (2002:82) and Tomlinson (2003) agree that LED is a constitutional directive to municipalities to advance social and economic development. LED is supposed to center on the creation of partnerships, economic sustainability, job creation and enhanced quality of life (Nel & Rogerson, 2005: 4). Canzanelli (2008) describes LED as a process where local actors shape and share the future of their territory.

### **2.6.1. Relationship between Local Economic Development (LED) and Community Development**

Before 1994 South Africa registered high levels of poverty, joblessness, lack of empowerment to women, the youth and the disabled, which are still prevalent even after 15 years of democracy. It remains the central objective of the national, provincial and local governments to have poverty and unemployment eradicated (Mongake, 2005: 20). To achieve the set goals in line with the prescriptions from the national and the provincial government, local municipalities are expected to develop LED strategies to be used as part of the integrated development plans to grow the economies. The Limpopo Growth and Development Strategy serves as the provincial guiding document for municipalities in Limpopo to use when determining their local economic developmental programme and align them to their IDPs.

Common characteristics between IDP and LED are clearly drawn by Malefane and Mashakoe (2008: 479) as the integration of government programme to transform municipal business and restructure municipalities to focus on development. The interventions are strategic and transformative, focusing on consultative and multi-sectoral orientation, cross-cutting across the municipality, requiring constant interchange between the internal and external environments (Malefane, 2008 (b): 4).

South Africa as part of the global village has a direct link to the regions such as Latin America, East and South Asia and the rest of Africa, contributing significantly to the new international dimension on local economic development. The new South African economy and the existing spatial arrangements carry many challenges from the past that need substantive attention and programmes to build an equitable society (DPLG, 2006:6).

According to Nel (2001: 22), there has been LED activities in South African cities since the 1900s. LED initiatives also existed in the Witwatersrand, Port Elizabeth and other smaller urban areas of the Eastern Cape during the apartheid planning era. Their main focus has been on industrial development. In the post-apartheid South Africa, interest in LED has since grown from the 1990s. The South African government has been described as one of the most committed countries to LED policies in the world recording some impressive results at the micro level, although a shortage of skills, limited a number of NGOs from accessing resources to implement LED programmes.

Kanyane (2008: 700) supports Nel by attesting that LED is not a new or innovative concept in South Africa. This creates confusion on the history of LED which has been viewed as new in the South African context. It is reported that since the 1960s, LED went through several developmental stages with the period in history recording three stages, namely, 1960-1980 (agricultural investments, local and international), 1980-1990 (multi-sectoral investment attraction), and 1990-to date (shift from individual to collective conducive business). The author reasons that the phases show that LED in South Africa is now in the third phase and that partnerships in service delivery are crucial for socio-economic development, demanding municipalities to develop LED strategies aimed at providing a favorable, viable and attractive local business environment and supporting and encouraging networking and collaboration.

### **2.6.2 Key role players in Local Economic Development**

Vosloo (1998:9) states that LED should involve all governmental departments at all levels, all sectors and the general community. Expert role of each stakeholder should be tapped into on the planning, implementation, monitoring and evaluation of LED initiatives. Nel (1997:6) agrees and state that measuring the impact of LED initiatives on the community will help municipalities to determine which LED projects are effective, and which approaches work better and under what circumstances.

This could assist in the prioritisation of LED projects for maximum benefit to the communities and the achievement of \$municipal objectives. May (2000: 218) agrees with the two authors that measuring the impact of LED projects will help in saving time by using scarce resources effectively.

Phago (2005: 132) as supported by Thornhill (2004: 474) and Phago (2004b: 35) identifies and lists municipal stakeholders to enhance networking and partnerships in LED as private and community sectors. The private sector includes individual manufacturing or service sector commercial business, private developers, chamber of commerce, local, informal and other extralegal sector activities. The community sector includes individuals, professional associations, churches and community-based organisations and non-governmental organisations. Stakeholders are expected to bid for contracts as advertised by municipalities when drafting LED tenders and procurement arrangements.

The DPLG Toolkit for Local Economic Development (7-9) defines LED as a process resulting from joint planning by a municipality, community and the business sector as partners. Mongake (2005:20), Human, Lochner & Botes (2008:56) add that LED is aimed at addressing the inherited inadequacies and social developments of the apartheid spatial planning and to re-address the long-term effects of the poverty shackles that have firmly taken root in the South Africa communities (Hologram, 2003:156).

The municipal IDPs should be used as the central planning documents containing the long-term development vision and mission of the municipality with the local community encouraged to participate in the preparation, implementation and review of the IDP. The strategies are expected to be aligned to the provincial and national sectoral plans as legislated and planned (DPLG, 2000).

Zybrands (1995: 1) states that local government is expected to render a variety of services that would positively affect the lives of people residing within its area of authority. Through well coordinated LED strategies, municipalities should work towards achieving their set strategic intents, visions and missions for the benefit of the largest number of people through the provisioning of effective services, and by involving members of the community in the identification and prioritisation of LED projects.

The local government's role and responsibilities should include the structuring and managing of administrative tasks, budget processes, planning, implementing and monitoring the delivery of basic services to meet community needs. A developmental role of the local government should also be linked to other existing economic local clusters to promote partnership relations within a common national and provincial developmental programmes to strengthen capacity within communities to manage their local economic, social and political affairs (IDP, 2009:6).

### **2.6.3. Challenges in the implementation of LED initiatives**

Malefane (2009: 157) explains that despite sanctions laid down in the Local Government Municipal System Act, 2000 (Act 32 of 2000), local municipalities in South Africa continue to operate without having their authority and progress regarding LED implementation assessed, which should entail the contribution of the organisational structure as a strategic factor in identifying strengths and weaknesses, which could influence the achievement of organisational objectives, efficiency and effectiveness. Lack of internal monitoring and evaluation instruments is not helpful to municipalities it exacerbates problems related to LED implementation due to unrecorded, undocumented and unverified results. Malefane (2009: 166) further states that LED should be applied as a cross-cutting intervention intending to respond to social, economic, natural, physical, and many other needs in a municipal area..

It is evidenced from the attests by various authors that in most of the South African municipalities, the implementation of Local Economic Development programmes experiences some challenges in the process of aligning the LED initiatives to the involvement of the affected communities in the planning processes.

#### **2.6.4. Steps to improve the impact of LEDs on the livelihood of communities**

Kroukamp (2006:29) explains that for LED to have an impact on poverty, municipalities should develop robust and inclusive local economies with high level of intergovernmental co-ordination between national government departments and all spheres of government. There is a need to invest in infrastructure and systems to address communication failures by those targeted as beneficiaries not being aware of the opportunities that exist (DPLG, 2000: 24).

#### **2.7. Ba-Phalaborwa Municipality, socio economic status and origin of LED**

Ba-Phalaborwa Municipality is situated in the North-Eastern part of South Africa in the Mopani District of Limpopo Province. It has a geographical area of 3 004.88km<sup>2</sup>. The municipality serves as a convenient gateway to the Kruger National Park and the Great Limpopo Trans-frontier Park into the Mozambican Channel (IDP 2009: 8).

Ba-Phalaborwa is a category B municipality consisting of 16 wards. There is high unemployment rate, despite the fact that mining contributes 80% towards the local GDP (Municipal IDP, 2009/2010:9, & LED Strategy, 2007: 4). The municipality is largely rural and in need of economic diversification and interventions (LED, 2007: 6). Ba-Phalaborwa Municipality's establishment of Local Economic Development Forum as an advisory body on issues of economic development is one of the efforts to integrate all development programmes in the municipal area.

**Table: 2.1. Settlement patterns in Ba-Phalaborwa**

Settlement	Classification	Projected population
Phalaborwa	Urban	23,000
Namakgale	Semi-urban	40,100
Lulekani	Semi-urban	24,600
Humulani	Traditional-Phalaborwa periphery	13,500
Ben Farm	Traditional-Phalaborwa periphery	11,600
Mashishimale	Traditional-Phalaborwa periphery	15,000
Makhushane	Traditional-Phalaborwa periphery	13,200
Subtotal	Phalaborwa urban-peri urban complex	141,000
Gravelotte	Peri-urban	880
Ga-Selwana	Dense rural settlement	5,500
Farms in Ba-Phalaborwa	Rural	8,620
Total Projected for 2007		156,000

Source: Projections by Glen Steyn and Associates from StatsSA Census 2001

The 2009/2010 Integrated Development Plan (2009:79) states that income levels in Ba-Phalaborwa shows that the majority of the people still live in abject poverty. Figures of people living in poverty has not changed with the majority of the people living on social grants. Most of the poor people in Ba-Phalaborwa live in the rural areas without access to advanced economic infrastructure. The table below shows that the majority of the people in Ba-Phalaborwa (22.9%) live without any form of income, with 11% earning between R1- R4800 per annum.

**Table: 2.2. Income Distribution in Ba-Phalaborwa, 2001**

Category	Number	%
None	7684	22.9
R1 – 4800	3690	11.0
R4801 – 9600	5147	15.4
R9601 – 19,200	5313	15.8
R19,201 – 38,400	5157	15.4
R38,401 – 76,800	3170	9.5
R76,801 – 153,600	1938	5.8
R153,601 – 307,200	995	3.0
R307,201 – 614,400	282	0.8
R614,401 – 1,228,800	69	0.2
R1,228,801 – 2,457,600	64	0.2
Over R2,457,600	20	0.1
Total	33,529	100

Source: SSA, Census 2001 and 1996

The IDP (2009:97) further recommends that the Council of Ba-Phalaborwa Municipality should focus on initiatives that would support the creation of jobs, provide basic services to indigent households, build the economy, attract new investments into the municipality and strengthen partnerships with both the public and private sectors.

Ba-Phalaborwa, like other municipalities in South Africa, experienced years of hardship due to the separatist apartheid policies which led to the majority of the people developing less skills, receiving inferior education, with no proper infrastructure such as roads, sports fields, telecommunication and reliable means of transport in the rural communities such as Makhushane, Maseke, Mashashimale, Majeje and Seloane being the most hardest hit by the apartheid spatial development settlement policies (LED, 2007: 8). When the new democratic government introduced the concept of municipalities being developmental in nature, this entailed the prioritisation of LED initiatives as a tool to alleviate poverty and unemployment to bring economic development by redressing the imbalances of the past (Mokate, 1999: 189).

The basic principle on the effectiveness of LED and its initiatives to alleviate poverty is to empower and develop communities by identifying each community's needs in partnership with the relevant stakeholders through the IDP processes.

The theoretical argument about the role of LED in community development serves as a point of departure for the communities within Ba-Phalaborwa Municipality. The policy and the legislative framework on LED, serves as a guideline on reviewing and accumulating evidence on the impact of municipal LED initiatives on the livelihoods of communities in Ba-Phalaborwa.

### **2.7.1. Mining sector**

Ba-Phalaborwa Municipality had its fair share of development challenges affecting the potential of achieving sustained local economic development. The mining sector is overwhelmingly dominant, representing 64% of gross geographic production. The major producers are Phalaborwa Mining Company and Foskor in Phalaborwa town, and Consolidated Murchison in Gravelotte (LED, 2007: 2). Mining is the largest employer in the local economy and also the major attraction for labour from other parts of the country. Foskor alone provided 1,800 direct employment opportunities in 2007, including 600 permanent contract workers on the mine. Government, trading and agriculture are also major employers. It seems from sectoral employment statistics that the status of Phalaborwa as a district shopping destination may have improved, because employment in this sector has increased significantly since 1996. Employment in agriculture has dropped in Phalaborwa (-1.2%) between 1996 and 2001, despite an economic increase in the province and district.

**Table: 2.3. Data on employment in Ba-Phalaborwa**

Sector	%	2001	1996
Agriculture, hunting; forestry and fishing	10.7	3262	3301
Mining and quarrying	19.4	5999	4586
Manufacturing	8.5	2533	804
Electricity; gas and water supply	0.9	330	479
Construction	5.6	1675	2143
Wholesale and retail trade	10.9	3371	1843
Transport; storage and communication	2.3	715	1075
Financial, insurance, real estate and business services	5.4	1673	1183
Community, social and personal services	18.7	5731	4694
Other and not adequately defined	0	0	0
Private households	8.5	2637	3120
Undetermined	9	2778	3617
Total		30704	26845

Source: SSA, Census 2001 and 1996

The IDP (2009: 9-10) outlines that the economy in Ba-Phalaborwa is largely dependent on mining, posing a potential of future negative economic impact on both the socio-economic outlook of the area in case one of the two mines (Palabora Mining Company or FOSKOR) happens to close. The nature of skills requirements for mining operations has brought with it a migratory labour system which has brought various challenges on communities, including the spread of HIV/AIDS. The rate of HIV/ AIDS infections is recorded amongst the highest within Limpopo Province and it is comparable with those of other mining towns of the Province. The migrant labour system has developed due to a shortage of relevant skills within the community to support the local economy or a pool of required skills by the mines.

The downscaling of mining operations due to the exhaustion of mineral resources and the global economic meltdown and the closure statement by the Palabora Mining Company (PMC) presents economic uncertainties and a bleak future for the local economic viability in Ba-Phalaborwa, affecting the livelihoods of communities with consequences such as rising unemployment, relocation of many of the mining related skills and local industries to other mining areas. The rise in unemployment will have direct negative implication on the ability of consumers of municipal services to pay for services rendered (LED, 2007: 6).

These challenges require the municipality to have concrete measures of stimulating the local economy, including the diversification of the local economy and the attraction of new investments into Ba-Phalaborwa (LED, 2007: 9). The location of the municipality at the gate of the Kruger National Park or the Great Limpopo Trans-frontier Park presents a strategic opportunity to diversify the economy into tourism. In addition, the youthful population allows for the training and re-training of the population in skills required to support the local economy.

The partnerships between the municipality, local big businesses; and in particular Palabora Mining Company, Palabora Foundation, FOSKOR and government development agencies such as the Development Bank of Southern Africa (DBSA), Small Enterprise Development Agency (SEDA) and Limpopo Business Support Agency (LIBSA) provide an expanded opportunity for skills development essential for the local economy (LED, 2007: 24-26).

The IDP (2009) states that, a shrink in the economy of Ba-Phalaborwa Municipality could lead to adverse socio-economic challenges. Based on the challenges mentioned, the developmental mandate of the municipality as guided by LED initiatives will be

difficult to meet if the mines close without the economy of Ba-Phalaborwa being diversified. Chapter 10 of the Constitution of the Republic of South Africa (1996) states that the government is responsible for ensuring the delivery of basic services of good quality, aimed at improving the lives of citizens and to attain a better life for all.

The 2009/2010 IDP (2009) and the LED Strategy (2007) of Ba-Phalaborwa Municipality states that Ba-Phalaborwa, like all other areas in South Africa, face backlogs in access to basic services, specifically in the previously disadvantaged areas such as townships and rural areas. Infrastructure in Phalaborwa as the economic hub of the whole area is in a state of decay and needs attention. As a result, an integrated approach on the provision of services to enable the public-private partnerships to take root and transform or restructure the economic livelihoods of the community could be threatened by lack of coordinated plans.

From the three spheres of government, local government, with its developmental mandate, is the closest to the communities. Through public participation, community needs are identified, analysed and prioritised with strategies put in place to address the identified challenges. Ba-Phalaborwa Municipality has, through IDP processes, identified various community needs with the LED strategy used as a tool to tap onto economic opportunities to be seized and improve on the livelihoods of communities in the municipal area (IDP, 2009: 6).

Municipalities are expected to implement their IDP projects as spelt out, using their LED strategies to promote and stimulate the local economy. The reality of low community participation in the planning processes of the IDP is a challenge that needs to be kept in check for maximum community involvement and deepen integration of planning in IDP meetings (IDP, 2009: 35). It is the intention of this research to investigate the extent to which communities in Ba-Phalaborwa are engaged to be part of public participation in IDP processes.

The 2009/2010 IDP (2009: 53-62) identifies and listed backlogs in the delivery of basic services such as water, electricity, roads, sanitation and high levels of poverty and unemployment. The IDP (2009: 11-12) document further states that the municipality has taken a decision to diversify the local economy from a mining dominated economy to a tourism driven economy. The IDP further states that the strategic intent of the municipality is to grow the economy and create employment through tourism with the following targets being set to be achieved:

- To attract, develop and retain human capital;
- Facilitate growth of the local economy as a way of reducing the high unemployment rate within the municipal area.
- Ensure community well-being through the uplifting of the socio-economic status of the communities within the local area.

### **2.7.2. Alignment of policy and strategy**

The development planning framework of the Ba-Phalaborwa IDP has been derived from the National Spatial Development Perspective (NSDP) and the Limpopo Provincial Growth and Development Strategy (PGDS). The IDP has adopted the NSDP's by including a set of principles to guide infrastructure investment and development decisions, interpret the spatial realities and their implications for government intervention and guide the municipal strategies, programmes and projects with the following principles summarized as the core milestones to be achieved:

Principle 1: Rapid sustained economic growth to alleviate poverty and unemployment.

Principle 2: Government spending on fixed investment focused on localities of economic growth and economic potential to gear up private-sector investment, to stimulate sustainable economic activities and to create long-term employment opportunities.

Principle 3: Address past and current social inequalities. In localities where there are both high levels of poverty and demonstrated economic potential, this could include fixed capital investment beyond basic services to exploit the potential of those localities.

Principle 4: In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should be channeled into activity corridors and nodes that are adjacent to or linked to the main growth centres.

Furthermore, the IDP (2009: 38) purports the pursuit of the Limpopo Provincial Development Growth Strategy's set of development objectives aimed at:

- Improving the quality of life of the population.
- Growing the economy by creating sustainable jobs, innovation and competitiveness;
- Address priorities that cut across objectives of the Black Economic Empowerment, HIV/AIDS-TB, poverty reduction, issues of land and environmental protection.

Generally, Ba-Phalaborwa represents a rather good model of population densification, with 94% of the municipal population staying in or around the Phalaborwa urban complex. The remaining 6% comprises the populations in Gravelotte and Selwane areas. The 94% lives within a 15km radius from Phalaborwa town, distributed within the Phalaborwa urban township complex with Namakgale and Lulekani, together, accounting for 49% of the population; Phalaborwa town 20% and the remainder (31%) is made up of a rural population (LED, 2007: 2).

### **2.7.3. Key issues with regard to the population:**

Ba-Phalaborwa has a youthful population. Almost 70% of the population is aged below 35 years. Employment creation is a priority in order to address the economic needs of the population.

#### **2.7.4. Economic potential of the Ba-Phalaborwa Municipal area**

The IDP (2009: 104) identifies several categories of economic potential where the municipality through LED, could promote the production of high value and differentiated goods and use the Local Economic Development strategy to direct the municipality to effectively participate in the beneficiation of produce within the municipal area.

The situation in Ba-Phalaborwa can be expressed in such terms when bearing in mind that the economic infrastructure is largely concentrated in Phalaborwa town compared to Namakgale and Lulekani and the five Traditional Authorities which still carry the vicious hallmarks of an apartheid spatial development framework. DPLG as captured in the *Toolkit for Local Economic Development* (15) states that LED in infrastructure should comprise of two main components: “hard” physical infrastructure incorporating roads, rail, water, sewerage and drainage systems, energy and telecommunications network and “soft” infrastructure incorporating social, cultural and community facilities and capacity building that should enhance an improved quality of life, encouraging industry and business development. It is the intention of this study to research on the impact of LED initiatives on the livelihoods of communities in Ba-Phalaborwa which, from the 2009/2010 IDP report, still lag behind with regard to infrastructure development.

The levels of disparities in the rural areas and the townships have had a negative effect attempts to improve, create employment and reduce poverty (May, 2000:16). Furthermore, Parnell (2002:159) argues that lack of efficiency and effective skills on the implementation of policies hampered the possibility to achieve and meet LED objectives.

### **2.7.5. Economic opportunities in the Ba-Phalaborwa Municipality**

The IDP (2009: 105-106) states that Ba-Phalaborwa Municipality belongs to the following three economic developmental clusters:

- The Tourism cluster: The adoption of a tourism strategic intent 'Grow the economy and create employment through wildlife tourism' by the municipality is elevating the potential of the cluster to a level of importance as an alternative means of growing the economy of Ba-Phalaborwa. Tourism in the municipal area is enjoying a competitive advantage with tourism operators believing that the opportunity to travel to the Mozambican coast via Phalaborwa represents a significant tourism advantage. There is a need develop a full tourism industry by value chaining of tourism products through the development and implementation of a tourism development strategy. The tourism sector investments should include the commercialization of the provincial game reserves, the rehabilitation of degraded landscapes, education and skills development with specific reference to tourism, the improvement of access roads to tourism destinations, and collective marketing of Ba-Phalaborwa as a destination of choice.
- Horticulture cluster: the municipality's marula product strategy includes the processing, packaging and exporting of marula products as key in ensuring the effective participation of the community in tourism. Support must also be given to the citrus and agricultural farms at Ga-Selwane as a way of developing and supporting local economic potential of the area.

- The Red and White meat cluster: the municipality needs to build a competitive venison industry from the game farming market, in addition to the existing current and emergent cattle, poultry and animal feed production. Related opportunities for the municipality include improving efficiencies at abattoirs, and effective packaging and distribution supply chain.

The fundamental objective of LED is to tackle and reduce poverty. LED projects as introduced in 1997 through the Poverty Relief Fund (PRF) were a critical reaction to the poverty grip in South Africa (Burger, 2002: 507). Latest poverty surveys by the South African Human Rights Commission (SAHRC) in 2001 and the United Nations Development Programme (UNDP) in 2003 exposed an increase in poverty levels since the demise of apartheid in 1994.

The central objective of the present research is to investigate the impact of LED initiatives on the livelihoods of communities in Ba-Phalaborwa Municipality. Local Economic Development as explained by Blakely (1994) and Nel (2001:1005) is aimed at promoting local attempts to tackle local needs and to promote local involvement of the immediate communities in determining feasible economic and social welfare strategies for the locality and the community.

According to Freund and Lootvoet, (2004: 3-4) LED is an outcome-based local initiative involving an IDP process of identifying and using local resources, ideas and skills to encourage economic growth and development to create jobs and employment opportunities for local residents, alleviate poverty and empower the youth, women, the disabled and previously disadvantaged communities.

Atkins and Milne (1995:1) explain that poverty alleviating projects' intention is to generate income to enable people to meet their own needs. Because Ba-Phalaborwa is made up of rural areas, LED initiatives should go further than creating employment and

job opportunities, by improving the livelihoods and the living conditions of the rural poor and generate reasonable benefits, widen opportunities for individuals to recognize their full potential through education (James, 1995:114).

For LED to be owned up by the benefiting communities, community participation is important. Public participation should involve a two-way exchange of information between the public and their local authority through processes of taking part in the formulation, implementation and evaluation of strategies adopted through formal institutions (Brynard, 1990:40). Clapper (1995:102) states that research conducted locally and nationally proves that community participation on issues related to local development is very low, with only the privileged taking part and the less earning, and the uneducated citizens participating less in municipal affairs, working against the Constitutional provisions which call for the promotion of public participation governed by the democratic values and principles of responding to people's needs with the public encouraged participating in policy making (Bekker, 1996: 68).

## **2.8. Preliminary findings from the Literature review**

The following conclusions could be drawn from literature review:

- It is not that easy to come up with common understanding of how LED initiatives could be planned and implemented without triggering the contradictory sentiments around community development.
- Institutions in both the national and international arena face challenges in the implementation of LED strategies.

## **2.9. Overview and synthesis of evidence and issues on impact of LED on community development**

A variety of sources were used to obtain information in this research topic. The international framework on LED, the National Framework on LED, Legislative framework on LED in South Africa, the Ba-Phalaborwa Municipality's IDP document and LED Strategy, and other scholarly literature debates on LED were consulted.

It is evident from the literature review that despite the fact that policies aimed at addressing poverty were prioritised, no poverty reductions targets were put in place in most municipalities, meaning that there is minimal impact of LED relative to much broader shifts in the macro-economy (Nel and Rogerson, 2005: 19). Marais *et al.* (2002) concurs that the success of LED has been fairly limited with financed projects benefiting only a limited number of people and a limited number of projects surviving the initial phase during which funding occurred. Kroukamp (2006: 30) further concludes that LED initiatives had limited long term economic benefits for local economies and it is equated to state funded projects and that the monitoring and evaluation are not well entrenched in local authorities and the different role players involved with LED.

Nel and Rogerson (2005: 19) state that it is apparent that LED is unevenly developed and operationalised with a major divide existing between the largest, well resourced and capacitated municipalities and the smaller urban centres. The authors further state that it was found that the most successful projects were those driven by the private and community sectors. Phago (2005:137) argues that it is important to note that LED initiatives are not charitable endeavors, but intend to inject the local economy with innovative business means such as community self-help services and entrepreneurial initiatives.

An overview on LED literature suggests that very few of the small scale and community-based employment creation projects have resulted in financially viable projects, which assist in job creation beyond a specific grant period due to lack of markets and the

inherent limitations of local initiatives, low level of skills as well as lack of leadership skills (Kheira Management, 2002:8; Lemon, 2002: 28). Ba-Phalaborwa Municipality has its fair share of development challenges affecting the potential of achieving sustained local economic development (LED, 2007: 2). Marais (2006: 18) explains those particular constraints in respect of governance, identifying that although some LED portfolio committees exist in some local authorities their roles are not well defined.

As part of the Intergovernmental relations, provincial governments must draw up their PGDS in line with the NSDP and IDPs of the district and local authorities within a particular province and play a facilitating role in finance, promotion and coordination of office space to promote and coordinate practices for developing and stimulating the local economy (Lukkarinen, 2005: 419).

## **2.10. Conclusion**

From the literature review conducted, it is clear that LED is seen as a strategic tool to be used in the quest to alleviate poverty and unemployment by municipalities. It is evident from the literature review that despite the fact that policies aimed at addressing poverty were prioritised, no poverty reductions targets were put in place in most municipalities, meaning that there is minimal impact of LED relative to much broader shifts in the macro-economy. However, Abrahams (2003:189) concluded that the impact of LED on the livelihood of individuals and communities could be proved by a number of LED initiatives aimed at addressing particular social and economic challenges at the local level, focusing on the mobilization of local resources, redistribution of resources, promotion of local creativity and innovation, investment in human capital, the provision of technical assistance and training for self-employment and business start-up and support for enterprise creation.

LED is still new in the South African context with significant progress already being made by larger cities and local governments dealing with it as unfunded mandate

lacking the power, resources and capacity to implement (Nel, 2001: 12). An overview and the synthesis of the evidence accumulated in the literature review indicates that the implementation of LED strategies differs from one area to the other and Phago (2004a) states that municipal LED in South Africa has not been fruitful or effectively functional.

Nel (2001: 12-13) and Meyer-Stamer (2003:24) note that starting Local Economic Development initiatives is not an easy task. It involves overcoming political, organisational and societal fragmentations. The authors' sentiments are shared by Harcourt (1997:6) who argues that to deal with poverty and growth, there's a need to highlight on the action and ways with a political buying over the LED initiatives and the execution plans set. Therefore, there is a need for studies to investigate the impact and effectiveness of LED programmes in the alleviation of poverty and unemployment through job creation to the benefit majority of previously disadvantaged communities.

## CHAPTER 3

### RESEARCH DESIGN AND METHODOLOGY

#### 3.1. Introduction

This chapter presents and outlines the research design and the methodology used in the collection of data. A detailed analysis of the information collected will be outlined in the form of a research report highlighting the choice of the research design used. The chapter also highlights the research design adopted, the research approach, area of study, the overall targeted projects identified for a series of focused group interviews, the data collection methods employed and a short summary on the analysis of the data collected.

#### 3.2. Research design

Research design is defined as an overall plan put in place to conduct a research study (De Vos and Fouche (1998:77). Other authors such as Babbie and Mouton (2001:74) define research design as a framework and guideline of the way a particular researcher would plan to implement the research process.

This research study was conducted within a qualitative paradigm with an employment of a qualitative research design to allow:

- Direct exploration of the natural social setting of the project and its members in its present time,
- Clear attachments of the importance of the values held by the respondents to be involved in the research study. The researcher focused on getting the confidence of the respondents when making enquiries in an acceptable conduct.

- Study the impact of municipal LED initiatives on the livelihoods of members of the community within their natural contexts when data were collected. The natural setting was seen as the habitat of the respondents where the researcher explored when collecting data on the impact of LED initiatives on the livelihoods of members of the projects interviewed.
- The researcher involved members of the identified projects in the study and
- Inductively developed themes out of field observations when analyzing the collected data.

### **3.3. The research approach**

The research was conducted in its natural environment with semi-structured questionnaires administered to the participants of LED projects in Ba-Phalaborwa Municipality. The collected data from individuals and focus groups identified was used as units of analysis to be analysed in order to arrive at a particular conclusion (Creswell, 1998: 14). Executive members of the identified projects were interviewed. The captured data was expected to be very rich in descriptive details concerning the participant's attitudes, feelings and their economic status and environments before and after being part of the municipal LED projects (Swann & Pratt, 2003: 4).

### **3.4. Research Methodology**

Research methodology is a strategy of inquiry which moves from the underlying philosophical assumptions to research design and data collection, and influences the way in which the researcher collects data. Research methodology outlines the techniques, methods, tools, and procedures used in conducting the research design (Mouton, 2002: 36). Schurink (2003:2) concluded that qualitative research is an

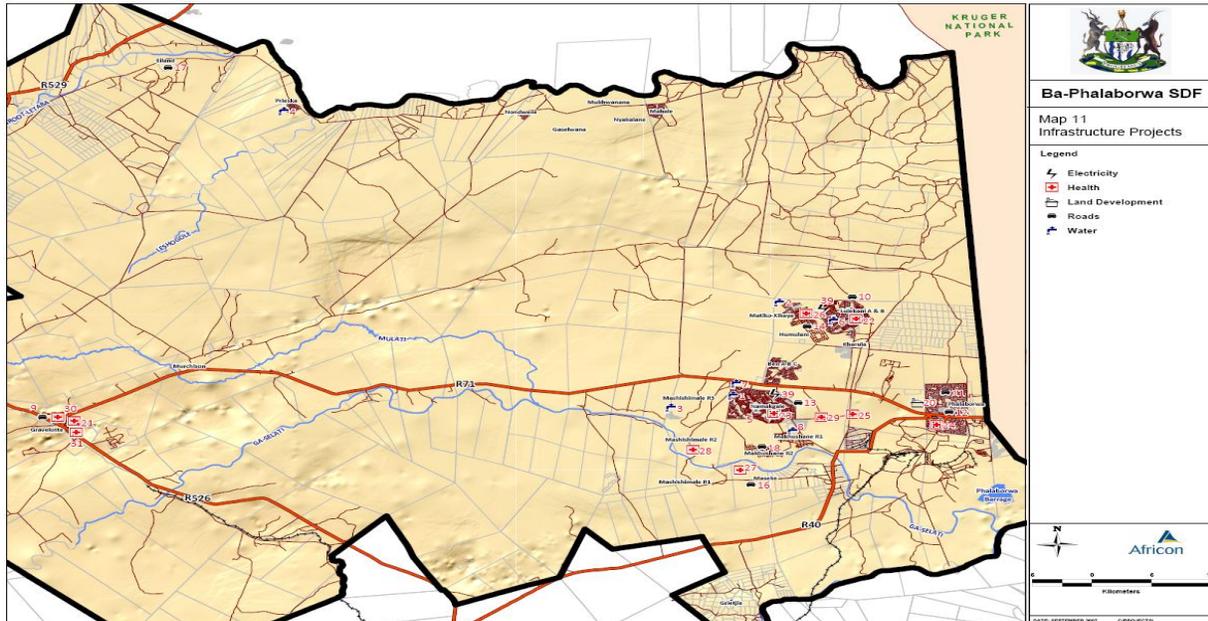
accepted methodology in all social sciences and applied fields of practice; because it helps researchers understand people and the social and cultural contexts within which they live. Blanche (1999:398) affirms Qualitative Research Design as a starting point.

Based on the above assertions, a qualitative research methodology was used in this study, to apprehend human experience by understanding their social, linguistic and historical features which give it shape within particular contexts.

#### **3.4.1. The research process**

The research process was based on the assumption by the researcher that LED initiatives were undertaken by municipalities and other interested private parties to alleviate poverty and create jobs. The research process comprised data collection phase. The data collection process was based on findings preempted by literature review, using individuals and focus groups during the interviews conducted and provided a detailed description and explanations of the real situation on the ground in relation to the impact of LED initiatives on the livelihood of the respondents and the immediate communities in Ba-Phalaborwa (De Vos, 2005: 346). The interpretation of the gathered data was organised in such a way that it did not bring any distinction between information provided by individuals or focus groups since both tools had to lead to the provision of similar information. The researcher also observed certain indicators displayed by the respondents such as being free to express themselves in response to further attributed questions.

### Map: 3.1. Population and the area of study



**Map: 1:** Ba-Phalaborwa Municipality (Source: Africon)

The study was conducted in the Ba-Phalaborwa municipal jurisdiction with special focus on community projects which are regarded as LED projects. The geographic location of the projects was spread throughout the municipal boundaries with 100 of the community projects listed as the overall population of all municipal LED projects, which were established by the Department of Social Development in Ba-Phalaborwa. The 100 community projects are spread out in the 16 wards of the municipality, from which a sample of the unit of analysis and respondents for the research was selected.

#### 3.4.2. Sampling, sample selection, method and size

A total 11 of sampled community projects were identified from a list of 100 community projects. The purpose of the research was to investigate the impact of those LED initiatives on the livelihood of the respondents linked to community projects.

A purposive sampling with a homogeneous sample selection of participants to select information rich respondents was used (Bernard, 2000: 176). Participants interviewed have had experience of working in LED projects and knowledge of the current situation of the LED projects they are involved in and provided a variety of perspectives about the significance of the projects in their livelihoods (Richie & Lewis, 2004: 80; Newman, 2003:213).

Samples were drawn from the existing list of 100 LED projects within Ba-Phalaborwa, available as primary sources of information, with members interviewed as respondents who are rich in information, and their views being representative of the views of their immediate communities.

### 3.4.3. Sampling frame

**Table: 3.1. A total list of the 100 LED projects in Ba-Phalaborwa**

Number	Name	Sector	Number	Name	Sector
<b>Manufacturing (26)</b>					
1	Mohale Youth	Manufacturing	8	Merge Youth Development	Manufacturing
2	PROMAGOLD	Manufacturing	9	Amaso Glass Bead manufacturing	Manufacturing
3	Lehlabile Iperekeng: Bakery	Manufacturing	10	Rethushegile Disabled	Manufacturing
4	Hluvukani Roof Tiles	Manufacturing	11	Majeje Bakery	Manufacturing
5	Mosa Multi-Purpose: Sewing & Catering	Manufacturing	12	Mashishimale Phalaborwa Marula Co-operative	Manufacturing
6	New Multi Project: Sewing	Manufacturing	13	Mandela Bakery	Manufacturing
7	Rethusitswe Project: Sewing	Manufacturing	14	Mandela Thusanang Bakery	Manufacturing
15	Maseke Brickyard: Brick-Making	Manufacturing	21	Njombo Project: Sewing	Manufacturing
16	Mohlanatsi Mopani Processing	Manufacturing	22	Prieska Project: Sewing	Manufacturing

Number	Name	Sector	Number	Name	Sector
17	Titirheleni Vamanana Bricks & Fence Making Project	Manufacturing	23	Makhushane Brick Yard	Manufacturing
18	Bindzulani Project: Brick-Making	Manufacturing	24	Sealene Sewing	Manufacturing
19	Lebogang Community Project	Manufacturing	25		
20	Fahlogang: Shoes, Beads, Bloom Pots & Pots	Manufacturing	26		
<b>Health (8)</b>					
1	Bana Pele Programme for Orphans & Vulnerable Children	Health	5	Ba-Phalaborwa HIV & AIDS Community Peer Group Educators	Health
2	Ba-Phalaborwa Parish HIV/AIDS Response Project	Health	6	Tswelopele Drop-in-Centre	Health
3	Philadelphia Drop-in-Centre	Health & Education	7	Gravelotte Group: HIV/AIDS Care Givers	Health
4	Tshumisano Community Home Based-Care	Health	8		
<b>Arts &amp; Crafts (12)</b>					
1	Ngungunyane Traditional Dancing	Arts & Culture	7	Hlanganani Curio Shop	Arts & Crafts
2	Xidzimbanyani Jewellery	Arts & Crafts	8	Zamani Project	Arts & Crafts & Pottery
3	Masungulo Project	Arts & Crafts	9	LIFAAT	Arts & Theatre
4	Hi-Kurile Arts & Crafts	Arts & Crafts	10	Mapedi Youth Development Programme	Arts
5	Ba-Phalaborwa Brass Band	Arts & Crafts	11	Tsogang Ma-Afrika General Business & Catering	Arts & Crafts & Sewing
6	Minceka Beadwork	Arts & Crafts	12	Chivirikani Multi Culture Project	Arts & Crafts & Beadwork

Number	Name	Sector	Number	Name	Sector
<b>Construction (4)</b>					
1	Gravelotte Housing Project	Construction	3	Julius Matome General Construction	Construction
2	Gabakwane Construction and Projects	Construction	4		
<b>Agriculture (30)</b>					
1	Itekeng Batubatse Co-operative	Agric	16	Makgowa Pudi	Agric
2	Makhushane Goat Farming Project	Agric	17	Selwane Tribe Land Claim Various Farm Portions	Agric
3	Hitekani Garden	Agric	18	Tivanani Catering & Poultry Farm	Agric & Food Services
4	Khomanani Disabled	Agric	19	Majeje Poultry	Agric
5	Tshapari Piggery	Agric	20	Gravelotte Farming Project: Seasonal Crops	Agric
6	Makatikela Farming	Agric	21	Mantshe: Seasonal Crops	Agric
7	Matiko Xikaya Farming & Poultry Scheme	Agric	22	Maseke Farming Project: Green Pepper	Agric
8	Pfunani Poultry Project	Agric	23	Mbeki Project: Gardening	Agric
9	Mponeng Poultry Project	Agric	24	Shayitong: Seasonal Crops	Agric
10	Tipfuxeni Eggs Production	Argric	25	Simunye Poultry Farm	Agric
11	2Hectors Farming	Agric	26	Tipfuxeni Vamanana: Poultry Eggs	Agric
12	Tiyiselani Gardening	Agric	27	Mogoboya Garden	Agric
13	Mahonyisi Farming	Agric	28	Mango Plaas	Agric
14	Mangena Veg. Garden	Agric	29	Makhushane Youth Poultry Farm	Agric
15	Makhushane Community Garden	Agric	30		

Number	Name	Sector	Number	Name	Sector
<b>Education (6)</b>					
1	Benfarm Youth Popular Education Group	Youth Education	4	Nthabiseng School for the Disabled	Education
2	Serokoloane Day Care Centre	Education	5	Holistic Opportunities for People's Empowerment	Education
3	Tiendleleni Educare	Education	6	Ginkirikani Creche	Education
<b>Tourism (10)</b>					
1	Botse Pele Tourism Project	Tourism	6	Risuna trading Co-operative	Tourism
2	Bel'himoya Cultural Village	Tourism	7	Mapule Project: Bead Work	Tourism
3	Kulani Vakokwani: Crops, Beads & Grass-Mats	Tourism	8	Namakgale Tourism	Tourism
4	Risuna Trading Co-operative	Tourism	9	Makatikela Lodge (Nodia)-Kudu Restcamp	Tourism
5	Bollanoto Tourism & Information Centre	Tourism	10		
<b>Sports (1)</b>					
1	Youth Club: Sports Activities	Sports			
<b>Nurseries (1)</b>					
1	Ba-Phalaborwa Oasis	Nursery			
<b>Transport (1)</b>					
1	YML General Trading	Transport			
<b>Services (1)</b>					
1	Khomelelani: Catering, Carpentry & Bakery	Services			

A total of 11 LED projects were identified within which the available members were interviewed. The interviewed project members from each of the sampled projects totaled 162. Primary information sourced from the respondents was from direct contacts with members of the sampled LED projects and sampled project participants and beneficiaries from the LED initiatives.

#### **3.4.4. Sampling criteria**

Purposive sampling was used with a mix of different LED projects selected from different economic clusters, the aim being to vary the views and experiences based on the variety of products produced.

#### **3.4.5. Indicators used to assess the impact of LED projects**

To gauge the impact of LED initiatives on the livelihood of communities, and members of the projects included: increased income, improved and better livelihoods (of members attached to the projects after being part of the LED initiatives) and improved skills.

#### **3.4.6. Data collection methods**

The primary research was conducted using a questionnaire as a reporting instrument. In most of the cases interviews were conducted because of the low literacy levels by the respondents. The questionnaire had 31 questions. An interview schedule to guide the interviews was designed using the prepared questionnaire in focus groups. The interviews were based on semi-structured questions to allow flexibility and give room for the researcher to make follow-ups on issues raised. Field entry was observed by requesting permission to interview the identified respondents, with prior consent from the respondents who were part of the research and subsequently informed and briefed on the purpose of the study and why they were selected. Prior authority was sought with language sensitivity being observed through a continuous guidance given to the respondents during the contact sessions.

Secondary research was conducted based on desk-top consultation of published municipal documents such as the IDP, LED Strategy for Ba-Phalaborwa Municipality. Relevant municipal documents were studied for more information pertaining to the municipal LED projects and programmes.

GABA's model for trustworthiness was used to reduce bias in the results drawn (Poggenpoel, 1998: 349) and the following qualitative techniques were applied:

- Triangulation of methods were used in both the individuals and focus groups interviews,
- Clarification of uncertainties before, during and after the interviews was conducted,
- Sampling decisions were made very carefully,
- collected data were analysed to check on consistency,
- The researcher remained objective during the interviews.

#### **3.4.7. Recording of data**

Field notes were used to record data in addition to the interview questionnaire about the information heard or seen during the research (Schurink, 2005a: 11 and De Vos *et al*, 2005: 285).

#### **3.5. Data analysis procedures**

A narrative report was used to report on data analysed for the reduction of data, and allow for the drawing of conclusions, working with data, organising it and searching for patterns (Shurink, 2004).

The researcher used evidence as presented in literature review on LED, with the objective of identifying key impact variables to use for the analysis. Analysis of data collected from the case study consisted of the following:

- a) Analysis of the relationship between the LED intervention and the extent to which municipal LED initiatives contribute towards the livelihoods of the local communities (as measured by the number of jobs created, increased income levels, gender participation and community participation); and
- b) Emerging patterns and consensus from the respondents with regard to the extent to which municipal LED initiatives contribute towards the improvement of their livelihoods.

### **3. 6. Ethical considerations**

The researcher conducted and maintained self at all times to ensure the production of a credible research and by having a voluntary informed consent sought from the respondents; protocol was followed in terms of negotiating entry into the area of study, and conducted the research study with integrity, with precautionary measures taken to ensure that the respondents were protected from any harm, and that the study adhered to the principles of confidentiality.

### **3.7. Research limitations**

During the conduct of the research, the following shortcomings were identified:

- The majority of the respondents could not read and write. This affected the plan to have each respondent filling in the questionnaire by themselves. The researcher switched to focused groups using the same questions in the questionnaire to conduct interviews and filling the responses as answered by the respondents.

- More respondents were included in the interview sessions than the planned 5 per project leading to 162 respondents interviewed as against the planned 55.

### **3.8. Conclusion**

A qualitative data collection method was used and the natural environmental setting of the respondents was used to accurately report on the outcomes arrived at. The research was conducted over a period of two months due to the spread of the projects sampled for the interview being scattered across Ba-Phalaborwa.

## CHAPTER 4

### PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

#### 4.1. Introduction

The chapter presents a research report of data collected during the research study with an analysis and interpretation report drafted. Data were collected using a prepared questionnaire coupled with personal observations recorded during the research and used as part of the analysis.

A variety of sources were consulted to obtain information for this research guided by the core research question of investigating the impact of Local Economic Development on the livelihood of communities in Ba-Phalaborwa Municipality, in Limpopo Province. A summary on the findings is presented as part of the presentation and data analysis. Tables are used as part of the report, as well as a summary of the direct questionnaire that was used to interview the respondents. The researcher used the literature review as a basis to ground the theory behind the impact of LED initiatives on the livelihoods of communities.

#### 4.2. The sub-questions

The following sub-questions were used to identify indicators to prove whether or not the respondents' livelihoods improved:

- To what extent do municipal LED initiatives contribute towards the livelihoods of local communities in Ba-Phalaborwa Municipality?
- What LED initiatives were undertaken by the municipality?
- To what extent do municipal LED initiatives contribute towards local economic development?

- What is the impact of municipal LED initiatives towards improving the quality of lives of the local citizenry?

The research findings, analysis and elucidation with an overview on the actual impact of LED on community development reveal that the impact of LED projects to the respondents varies from the different projects. The respondents interviewed based on the levels of income and benefits derived from the projects.

The approach used in this study incorporated conducting fieldwork interviews for an unbiased assessment on measuring the significance of local economic development on the livelihood of communities in the Ba-Phalaborwa Municipality. Consideration was given to the makeup of the questions in the questionnaire to avoid potential defensive conduct by the respondents and to reduce the effect of unreliable environments.

The questionnaire served as a tool to collect primary data within a qualitative paradigm. The rationale for using the questionnaire method was based on fact that it is quicker and cost-effective in the collection of information from a larger group of respondents. The presentations and interpretations of the information will be done by describing the significance of LED projects on the lives of the interviewed respondents.

#### **4.2.1. To what extent do municipal LED initiatives contribute towards the livelihoods of local communities in Ba-Phalaborwa Municipality?**

Ba-Phalaborwa has a total of nine (9) designated residential areas: Phalaborwa, Majeje, Seloane, Namakgale, Makhushane, Lulekani, Maseke, Mashishimale, and Gravelotte. The projects identified for the research covers six (6) of the areas, which is 66% of the area.

The table below shows that the majority of the projects interviewed are located outside the central business district of Phalaborwa. The projects operate in areas without proper business infrastructure such as banks, telecommunication, good roads and proper electricity supply.

**Table: 4.1. Geographic locations of projects**

Location	Number of members	Percentage (%)
Phalaborwa	55	32
Lulekani	58	34
Seloane	22	13
Namakgale	10	6
Makhushane	14	8
Majeje	12	7
<b>Total</b>	<b>171</b>	<b>100</b>

Six of the projects interviewed are located and distributed across the rural areas of Ba-Phalaborwa Municipality. All the sampled projects interviewed are located in Phalaborwa, Majeje, Seloane, Namakgale, Makhushane and Lulekani, with 18% of the projects located in the urban area of Phalaborwa (Hlanganani and Bollanoto). Another 18% of the projects are located in the sub-urban areas of Namakgale and Lulekani.

Sixty-four percent of the projects are located in the rural areas of Majeje, Seloane and Makhushane. The environmental context in which the majority of the projects are operating in is rural, with the rate of poverty, illiteracy and unemployment being very high.

A total of 171 members are employed by the identified projects; 162 respondents were interviewed during the research. The table identifies the geographic location of the projects and the number of employees employed. This has a direct bearing on gauging the actual impact the projects have on the lives of members linked to each project, taking into account their varying geographical locations.

#### 4.2.2. What LED initiatives were undertaken by the municipality?

**Table: 4.2. Products and services rendered by the projects**

<b>Economic cluster</b>	<b>Products</b>	<b>Number of projects producing the product</b>	<b>Percentage (%)</b>
Arts and Crafts	Beads, paintings, gift bags, pottery,	5	45
Manufacturing	Roof tiles, window seals, washing basins, lentils, culvert bridges and paving bricks Fencing	2	18
Sewing	Comforters, traditional wear and toilet cover seats	6	54
Agriculture	Poultry (eggs and meat)	2	18
Other	Catering, coffee and tea	2	18

The analysis above shows the products produced by the different projects. Some projects produce multi products. The report has captured these products as separate products. The research further reveals that 54% of the community members interviewed produce similar products in the sewing cluster and 45% are in the arts and crafts cluster. Projects in the manufacturing, agriculture and other economic clusters form 18% of the interviewed projects. The table above shows that LED projects produced various products such as arts and crafts, poultry, eggs, sewing and roof tiles.

Forty-five percent of the projects produced arts and craft products, 18% produced poultry (eggs and poultry meat). The implication of projects producing similar products is that competition becomes intensive, thus making profitability difficult in this sector.

The research has identified that almost all of the products produced by the projects have readily available local markets. The markets are basically local communities, makeshift events taking place in their respective areas such as pension pay-points, exhibitions and schools. Some projects have, however, established permanent selling points to reach out to their markets. Projects such as Hlanganani, Bollanoto and Chivirikani have their own established points of selling.

The research has also identified that some projects such as Mponeng and Tipfuxeni purchased their basic restock requirements from far away areas such as Tzaneen (70km) and Polokwane, making it very difficult for the projects to restock on time.

#### **4.2.3. To what extent do municipal LED initiatives contribute towards local economic development?**

**Table: 4.3. Reasons for the establishment of community projects**

<b>Reason</b>	<b>Number</b>	<b>Percentage (%)</b>
Poverty alleviation and unemployment	9	82
Job creation	9	82
Skills development	4	36
Community development	1	9
Be involved in the tourism market	1	9

Eighty-two percent of the projects were established to alleviate poverty and unemployment, job creation, skills development, networking, cultural promotion and

community development in their respective communities.

The participants and their biographical information are summarised in the tables below based on variables such as age, gender, and highest education level.

**Table: 4.4. Project participants' age variables**

<b>Years</b>	<b>Number</b>	<b>Percentage (%)</b>
<b>15-24 years</b>	<b>12</b>	<b>7</b>
<b>25-35 years</b>	<b>30</b>	<b>19</b>
<b>36-46 years</b>	<b>66</b>	<b>41</b>
<b>47 + years</b>	<b>54</b>	<b>33</b>
<b>Total</b>	<b>162</b>	<b>100</b>

Seventy-four percent of the respondents are above 36 years of age, with little education to take forward the future development initiatives of the projects to an advanced level, affirming literature that community projects are run by elderly people with the youth not interested to be part of the projects. The research revealed that 41% of the respondents interviewed are aged between 36 and 46 years, followed by those above 47 years at 33%, with youngsters participating in the community projects accounting 19%, falling within the 25-35 years bracket and 7% within the 15 and 24 years age bracket.

Further observations revealed that the majority of the projects are run by women who are in majority in almost all the projects interviewed, where interviewed were carried out proving that women are largely affected by poverty and unemployment, hence, involvement in community projects.

**Table: 4.5. Respondents' educational levels**

<b>Grade</b>	<b>Number</b>	<b>Percentage (%)</b>
<b>0-5</b>	<b>69</b>	<b>43</b>
<b>6-8</b>	<b>35</b>	<b>22</b>
<b>9-12</b>	<b>55</b>	<b>34</b>
<b>Tertiary</b>	<b>3</b>	<b>2</b>
<b>Total</b>	<b>162</b>	<b>100</b>

Forty-three percent of the interviewed respondents have no formal education, 34% of the respondents interviewed have at least studied from Grades 9-12 level of high school education, and 22% of the respondents have acquired Grade 6-8 level of education. Only 2% have acquired some form of tertiary education.

Analysis on the respondents interviewed shows that a total of 69 respondents received between 0-Grade 5 of primary education, 55 acquired Grade 9-12 education, while 35 received Grade 6-8 education with only 3 of the interviewed respondents having acquired tertiary education.

The low educational levels of the respondents pose a challenge to the prospective growth of the respective projects as viable and sustainable business entities, when considering that these projects must operate as businesses. In the long run, the development and expansion of the projects into viable business entities will require some more youthful and educated personnel to run the projects as sustainable and competitive businesses.

#### 4.2.4. What is the impact of municipal LED initiatives towards improving the quality of lives of the local citizenry?

**Table: 4.6. Reasons for joining community projects by the respondents**

Reason for joining community LED projects	Number	Percentage
Alleviate poverty	10	90
Gain skills	3	27
Job creation	8	72
Seize economic opportunities	1	9
Community development	1	9
Networking	1	9

Ninety percent of the respondents interviewed from the projects confirmed that they joined the LED community projects to alleviate poverty and unemployment, While 72 % of the respondents joined the projects to create jobs for their immediate communities, 27% of the wanted to gain skills by working for the community projects, And 9% joined the projects to seize economic opportunities, develop their communities and to network.

One hundred percent of the respondents revealed that before joining the projects, they were not skilled in any of the tasks they were doing in the projects. Most of the respondents pointed out that they acquired skills and abilities such as sewing, curving, pottery and beadwork by practically being involved in the community projects.

Respondents confirmed that they gained more experiences and skills from their respective projects by holding official positions such as chairperson, treasurer and secretary. Some of the skills gained include leadership, management, organising, bookkeeping and project management.

Individually, respondents attested that they derived benefits from participating in the LED projects. The prime benefit from participation in the projects was drawing some income; however, the income is very minimal. Most of the respondents confirmed that their income levels improved since joining the community projects. However, members from Bollanoto, New Multi Arts Projects, Chivirikani and Tipfuxeni claimed that their income levels did not improve.

In light of the above, most members agreed that their standards of living improved immensely with the income derived and the products sold, giving them something to take home to support their families.

Some of the respondents indicated that they were able to improve their houses, buy TV sets and furniture. On the other hand, some members from projects such as New Multi Arts Projects and Chivirikani have stated that their standard of living had deteriorating.

**Table: 4.7. Number of household dependants benefiting from the projects**

<b>Number of households</b>	<b>Average dependants</b>
<b>164</b>	<b>625</b>

The table above shows that a total of 164 households benefit from the income generated from the LED projects. In total, 625 household members depend on the proceeds and rewards brought along by the community projects. With the unemployment rate standing at 43% (IDP, 2010: 84), a high proportion of people without income were estimated to be around 11% in 2007. Therefore, community projects have made a difference in the livelihoods of the communities involved by providing some form of employment.

Hlanganani Curio Shop has many households depending on proceeds made from the project, with thirty-five of the households members drawing monthly stipends, followed

by Chivirikani at nineteen households (12%), and Titirheleni Vamanana with eighteen households (10%) of the total respondents interviewed. The research has also revealed that projects such as Hlanganani, Titirheleni have the highest number of the actual average number of dependants (175 and 90 respectively).

**Table: 4.8. Project funding and other support**

<b>Purpose for funding</b>	<b>Number</b>	<b>Percentage</b>
Grant	7	64
Technical assistance	4	36
Construction	7	64
Training	2	18
Buying of stock	8	72
Buying equipment	2	18
Salaries	3	27
Water and electricity connections	1	9

Seventy-two percent of the projects used the funds received for buying stock, 64% of the received funds were in the form of a grant with 64% of those projects using the funds received for construction. Thirty-six percent of the projects received support in the form of technical assistance, and 27% of the projects, with 18% further using the funds for training and buying of equipment to be used in the projects. Only 9% of the funds were used to pay for water and electricity.

**Table: 4.9. Sources of funding**

Sponsor	Number	Percentage
Ba-Phalaborwa Municipality	1	9
Foreign donors	1	9
Sector departments	8	73
Private sector/NGO	3	27

Seventy-three percent of the financial support to community projects comes from public sector departments such as Social Development, Department of Sports, Arts and Culture. Twenty-seven percent of the financial support were received from the private sector and NGOs, and 9% of the support was from foreign donors and Ba-Phalaborwa Municipality. An overall total of R3.8m was given to the 11 community projects.

**Table: 4.10. Start-up and current number of members in the project**

Start up number of project members	Current number of project members	Percentage
392	164	41 % members remaining with the project

Fifty-nine percent of the members who started with the community LED projects have since left with only 41% of the members running the projects. Chivirikani once had over 200 members and lost 90% of its members citing lack of sustained income, disputes and disillusionment, as some of the major reasons cited having contributed for too many of the members resigning. Bollanoto also had 88 members and is currently left with 13 members, 85% of the members have left the project with 25% of the membership remaining to run with the projects.

Only four of the projects had a positive net gain of new members since their inception: Hluvukani with 20%, Mosa Multi Purpose 42%, Titirheleni Vamanana 42% and Hlanganani Curio Shop 35%. Hi-Kurhile had a constant number of members remaining with the project.

An analysis into five (5) of the above mentioned projects indicates that all the projects that are relatively doing well and have consistent income and cash-flow levels have managed to keep consistent numbers of members who draw better stipends on a monthly basis. For example, Hlanganani has a deeper pool of clients passing through into the Kruger National Park. That has a positive effect on their income.

The majority of projects interviewed experienced a decline in the number of people employed, due to not having sustained income and family pressures. Six of the identified projects had a combined decreased number of members ranging between 13% and 90%, with Chivirikani and Bollanoto being the highest at 90.5% and 85% respectively.

Lack of income has been cited by the members left behind as the main reason for losing members. The research has identified that the main reasons for low income levels could be linked and attributed to the products not appealing to the clientele, and members expecting to be paid stipends even if there have been low sales, thus forcing projects to use money set aside for this purpose. General re-investments into the businesses are not done with members prioritizing to reward themselves with salaries rather than investing the profits into their businesses.

Most of the respondents interviewed come from poor backgrounds, depending on the projects for survival. This has adverse implications on the growth of the businesses with members having to choose between going hungry or re-investing business profits into their businesses. Observations and accounting responses indicate that any financial support received from sponsors is seen as part of monies to cover for stipends or

salaries, leading to chronic cycles of projects expecting more funding to be given to the projects continuously, affirming literature review that projects continue to expect funding even beyond the period of funding.

However, 90% of the projects interviewed still have active members participating in the projects, with only one project (Bollanoto) which has had a steep decline in membership participation. Participation in some projects is waning due to lack of sustained income due to low monthly sales achieved. Some project respondents hinted that if opportunities could arise with alternative jobs offering better salaries, they are prepared to resign from the projects.

- **Sustainability of the projects**

To determine the sustainability of the projects, an analysis based on monthly expenditures, profitability, project management, member participation, product demand, and member experience in running the projects must be carried out.

**Table: 4.11. Project's Monthly/Annual Income**

Monthly/Annual Income	Number	Percentage (%)
R1,000- R12,000	5	45
R13,000-R24,000	2	18
R25,000-R36,000	0	0
R37,000+	4	13

Forty-five percent 4 of the projects interviewed earn an income between R1000-R12, 000, 18% having a monthly/annual income between R13, 000 and R24, 000, and 13% of the projects interviewed earning above R37,000.

**Table: 4.12. Monthly/Annual Expenditure**

Monthly Expenditure	Number	Percentage (%)
R900-R12,000	5	45
R13,000-R24,000	3	27
R25,000-R36,000	1	9
R37,000+	1	9
Other	1	9

Forty-five percent of the projects have an expenditure between R900 and R12,000, with 27% of the projects having an expenditure between R13,000 and R24,000, 9% of the projects have expenses in excess of R25,000 and R37,000 respectively. One project did not give details of how much expenditure it was incurring.

**Table: 4.13. Market availability**

Market availability	Number	Percentage (%)
Shops	3	27
Community members	8	72
Pay points	3	27
Tourists	2	18
Corporate companies	1	9

Seventy-two percent of the projects sell their products to community members, with 27% selling to shops and pay points. Eighteen percent of the projects sell their wares to tourists and 9% of the projects sell their products to corporate companies. The research findings have identified that almost all of the products produced by the projects have readily available local markets made up of local communities: makeshift events pension pay-points, exhibitions and schools. However, the identified markets form part of a very thin market niche to make the projects profitable and financially sustainable.

**Table: 4.14. Marketing method**

Marketing method	Number	Percentage
Exhibition shows	5	45
Special events	1	9
Word of mouth	7	81
Radio	1	9
Advertising boards	1	9
Business cards and brochures	1	9
School visits	1	9
Presentations	1	9
Quality products	1	9

Eighty-one percent of the projects interviewed use word of mouth advertising to market their products, with 45% attending exhibitions and 9% of the projects using special events, radio, advertising boards, business cards, brochures, school visits, and presentations to market their products.

- **Financial sustainability**

The research reveals that 45% of the projects interviewed have relatively positive cash flows (Tables:4.11 and 4:12 above) with the same percentage of projects expenditures (45%) incurred covering salaries, electricity, raw materials, telephone bills and marketing against the gross incomes derived. Some projects such as Chivirikani are running at a loss because of the income derived from sales being way below monthly expenditures, thus making the business initiative not financially sustainable.

On the other hand, projects such as Hi-Kurhile have an annual budget provision of R500, 000; with an annual operation budget of R400, 000. Members derive salaries

from these budgeted funds and on an annual basis have around R100, 000 re-invested into the reserve investment account of the entity. Financially the project looks well managed. However, this does not bode well on the sustainability of the project if the Palabora Foundation decided to withdraw its annual sponsor for the project.

Hlanganani receives no financial support from any of the public and private sector departments, businesses or institutions. The project is run from pure business principles based on what sales are achieved. The project has a gross income of around R50, 000 per month and overhead expenses around R16, 200. This leaves the project with almost 68% of revenue generated to be saved or re-invested into the project. However, almost all the projects interviewed stated that they still expected financial support.

- **Project management**

Eighty-one percent of the interviewed projects indicated that were trained or had gained some experience in project management. However, considering the fact that most of the respondents interviewed have very limited educational levels, it is clear that only basic training in project management with regard to what each respondent is expected to do on a daily basis was being highlighted. Only two projects (19%) of the projects interviewed, Hi-Kurhile and Bollanoto did not receive any training in project management. The implication is that the majority of the projects interviewed could gain a lot if intensive project management training was offered.

- **Demand for the products**

Observations during the process of conducting the research indicate that seven (63%) of the interviewed projects found it hard to maximise the demand for their products. Only Hlanganani, Hi-Kurhile, Titirheleni Vamanana and Hluvukani Roof Tiles have consistency in the demand for products produced. For Hlanganani, the market clientele

is just on the gate of the Phalaborwa Kruger National Park and tourists find it easy to access the products produced in the curio-shop.

Hi-Kurhile have established their market niche by producing quality products with various institutions, buying the products as souvenirs for strategic and business sessions or purchased as give-away gifts at the local tourism office.

Hluvukani Roof Tiles and Titirheleni Vamanana have established solid markets with local hardware stores, stocking up manufactured products such as roofing tiles, bricks and window seals for further re-selling to consumers. The four projects discussed above have own markets which relatively make them financially viable and sustainable over the long term.

- **Experience of the project members**

Considering the fact that most of the project members have been attached to the projects for many years, the vastness of experiences shared amongst the respondents with regard to the management of the projects, leadership, organizing, book keeping and project management is evident. Some of the skills gained are intensive and specialised to a certain degree. For example, hand printing and technical skills. The research was very limited on getting deeper insight of the intense experience of each respondent on the level of personal experience gained.

- **Quality of products**

From the observations, it was easy to assess on the quality of the products. Projects such Hlanganani, Hi-Kurhile and Hluvukani Roof Tiles and Titirheleni Vamanana produced products of high quality, particularly Hi-Kurhile which also developed brochures with products produced. Samples of the products are of high standard and quality that even during international events such the Durban Tourism Indaba, products from Hi-Kurhile are well sought after by exhibitors.

Hluvukani Roof Tiles produces cement products of high quality, however, the products are not SABS approved. That has some implications over guaranteeing consumers that the products bought could be regarded as of high quality.

**Table: 4.15. Problems and challenges raised by project members**

Problems	Number	Percentage (%)
Lack of skills	1	9
Marketing of products	3	27
Lack of sponsors	1	9
Lack of transport	5	45
Manufacturing infrastructure	1	9
Resignations	1	9
Theft	2	18
Water, equipments and unavailable or expensive land sites	1	9
Low income	2	18
Lack of municipal support	1	9

Forty-five percent of the projects have raised transport challenges negatively impacting on the operations of their enterprises, 27% of the projects find it very difficult to market their products, 18% registered theft and low incomes as major problems and 9% of the projects states that lack of skills, sponsors, manufacturing infrastructure, resignations, water, equipment, expensive land sites and municipal support as their major challenges. These tallies well with what researchers have alluded as challenges facing community projects to attain sustainable levels.

Observations also revealed that most of the projects are run as charity organisations and not as businesses. Members still expect to be financially supported through grants without them re-investing the little resources or profits made into the businesses.

The majority of the project respondents received some training related to the running of the projects. However, the adequacy of the training received is hampered by the low educational levels, confirming literature assertions that the majority of projects are run by elderly people, with youth not interested in joining community projects. Mponeng and Hlanganani did not receive any form of training on how to run a project. The respondents stated that they would like to receive training and mentoring on project management, skills development, financial management, marketing, cost and pricing, bookkeeping and business management.

### **4.3. Interpretation of findings**

A total of 162 respondents were interviewed in the present study. The geographic areas are: Phalaborwa, Majeje, Seloane, Namakgale, Makhushane and Lulekani, which is 66% of the areas covered.

Eighteen percent of the projects interviewed are located in urban area of Phalaborwa (Hlanganani and Bollanoto) and the other 18% is located in the sub-urban areas (townships) of Namakgale and Lulekani. The rest of the projects interviewed (64%), are located in the rural areas of Majeje, Seloane and Makhushane. The environmental context in which the majority of the projects are operating in is rural with high levels of poverty, illiteracy, and unemployment.

The research has revealed that the main reasons by the respondents to establish the LED projects were to alleviate poverty and unemployment and to create jobs. Other secondary reasons include skills development, networking, cultural promotion, and community development in their respective communities.

The research has therefore revealed that 171 people are currently employed by the eleven projects. This is positive towards impacting on the livelihoods of the respondents when considering the prospects of earning an income if the projects do well financially.

#### **4.3.1. Household dependants benefiting from the projects**

The research has revealed that a total of 164 households with a total of 625 household members benefit from income generated from the LED community projects. With the unemployment rate in the Ba-Phalaborwa Municipal area put at 43% (IDP:(2010, 84), a high proportion of people without income was estimated to be around 11% in 2007, so the community projects have made a difference in the creation of employment for the unemployed people of Ba-Phalaborwa.

Hlanganani Curio Shop has more households depending on proceeds made from the project, 35% of the households depending on the monthly stipends drawn from profits made by the project, followed by Chivirikani with 19% and Titirheleni Vamanana with 18%.

The research has also revealed that projects such as Hlanganani, Titirheleni have the highest number of the actual average number of dependants, 175 and 90 respectively translated to 28% and 14% of the total number of dependants benefitting from the projects.

#### **4.3.2. Products and services rendered by the projects**

The research has shown that the projects interviewed produced a variety of products for the different targeted markets. Products produced include arts and crafts, poultry, eggs, sewing and roof tiles. The research has revealed that 27% of the projects interviewed produce similar products in arts and crafts, 18% produce poultry products and 9% of the projects produce various products such as bags, gift packs, tiles and bricks respectively.

The quality of the products produced differs from one project to the other with projects producing similar products increasing competition amongst them with the same market being targeted, thus making profitability very difficult for the competing projects.

#### **4.3.3. Project management**

Nine (81%) of the interviewed projects indicated that were trained or gained some experience in project management. However, the limited educational levels disadvantage the growth potential of the projects. Only two projects did not receive any form of training in project management.

#### **4.3.4. Member participation**

Ten projects stated that they had active members still participating in the projects. Only one project (Bollanoto) had a high margin of membership decline. The participation in some projects is waning due to lack of sustained income and low sales. Some respondents hinted that if better opportunities arose somewhere else they would leave.

#### **4.3.5. Demand for the products**

Observations during the research indicate that seven projects still find it hard to maximize the demand for the products produced. Only Hlanganani, Hi-Kurhile, Titirheleni Vamanana and Hluvukani Roof Tiles show consistency in the demand for products produced.

#### **4.3.6. Experience of the project members**

Most of the project members interviewed have many years attached to the projects, with vast experiences shared amongst the respondents regarding the management of the projects, leadership, organizing, book keeping and project management.

#### **4.3.7. Quality of products**

From the observations deduced during the research, projects such Hlanganani, Hi-Kurhile and Hluvukani Roof Tiles and Titirheleni Vamanana produce products of high quality with projects such as Hi-Kurhile having gone further to develop professional brochures of products produced, and using advertising channels to promote their products.

#### **4.4. Conclusion**

A total of 162 respondents were interviewed. The geographic spread covers 66% of the areas in Ba-Phalaborwa. Eighteen percent of the projects interviewed are located in urban areas and the other 18% is located in the sub-urban areas (townships). The rest of the projects interviewed (64%), are located in the rural areas. The environmental context in which the majority of the projects are operating in is rural with high levels of poverty, illiteracy, and unemployment.

The research has revealed that the main reasons by the respondents to establish the LED projects were to alleviate poverty and unemployment and to create jobs. Other secondary reasons include skills development, networking, cultural promotion, and community development in their respective communities.

The research has also revealed that 171 people are currently employed by the eleven projects. This is positive towards impacting on the livelihoods of the respondents when considering the prospects of earning an income if the projects do well financially.

## Chapter 5

### SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

#### 5.1. Introduction

This chapter provides a summary of the research findings and the conclusions arrived at by the researcher. It outlines attempts by the researcher to investigate the impact of LED projects on the livelihood of communities in Ba-Phalaborwa Municipal area and provide an explanation as to whether the objectives of the study have been achieved.

#### 5.2. The impact of LED projects on the livelihood of communities in the Ba-Phalaborwa municipal area

The objective of the study was to investigate the impact of LED projects on the livelihood of the communities in the Ba-Phalaborwa municipal area. The research analysis revealed that the interviewed community LED projects created a combined figure of 171 job opportunities for community members. The jobs created address in some way the acknowledged joblessness challenges highlighted by Ba-Phalaborwa Municipality (Municipal IDP, 2008/2009: 49-88 & Draft LED Strategy, 2007:4).

The respondents made it clear that as part of poverty alleviation, they expected the projects to bring sustained income and more employment opportunities for members. However, the findings revealed that the majority of LED projects members interviewed did not have guaranteed income, leading members to be discouraged over the long term and deserting the projects.

The process of developing effective LED supporting structures in the municipality is also not effective based on the facts presented by the respondents that they receive no adequate support from the municipality. The municipality was not even involved in the initiation of the community projects nor were the projects established to address the prioritised ward needs as contained in the municipal IDP. This means that the municipality is not as such ready with clear plans to support community LED initiatives adequately, based on facts and reasons which this research did not focus on.

The study revealed that LED projects were initiated by community members with the intention of alleviating poverty and unemployment. The initial perception from members when establishing community projects was based on believing that there would be guaranteed income for participants. As a result, the projects adopted charity characteristics of expecting continued financial support set in most of the interviewed projects without proper marketing, management, quality assurance and market research being conducted. Most projects therefore found it difficult to maximize profits due to the market not responding positively to their products.

### **5.3. LED initiatives undertaken by the municipality to improve the livelihoods of communities in the Ba-Phalaborwa Municipal area**

Bollanoto is the only project that has a direct link with the municipality from its inception to be regarded as a municipal LED initiative by Ba-Phalaborwa Municipality. All other ten projects are community-based business initiatives conceptualised by members of the community, and therefore not seen as part of the municipal attempts to alleviate poverty and unemployment. The fact that part of the funds received come from other government sectors is not viewed as part of the municipal attempt to alleviate social challenges faced by the communities where the projects operate.

#### **5.4. The extent to which municipal LED initiatives contribute towards improving the livelihoods of local communities in Ba-Phalaborwa Municipality, Limpopo Province**

The research revealed very limited impact based on the indicators used to determine the actual impact of each of the LED projects interviewed. Very few of the projects could show the expected financial rewards as expected by the respondents. The research has shown limited income being derived from the proceeds made by the projects and any form of funding given to the projects is used for paying salaries rather than being re-invested into the entities able to create new opportunities to improve the livelihood of the members linked to the projects, and to make it possible for the project to produce quality products that will appeal to the consumers.

Lack of appropriate up-markets for the produced products also reduced the possibility of most of the projects to break-even and subsequently thrive in the competitive business industry. The environments in which the majority of these projects are operating are rural and township setting where the buying power is not sufficient to increase the financial viability of the established projects.

The markets targeted by the projects are pay-points and makeshift events. This has serious financial implications on the profitability of the entities operating in such environments. The majority of the clients are grant recipients who should rather prioritise buying basic products different from the ones sold by the projects. In other words, the community LED projects were not able to penetrate their markets or conduct thorough research on the demand of the products to be manufactured. As a result the disparity between what is needed by the customers and what is produced by the projects have serious negative impact on the profit margins and the growth potential of the respective projects.

## **5.5. The extent to which municipal LED initiatives contribute towards local economic development**

To a certain degree, projects such Hluvukani Roof Tiles, Hlanganani, Titirheleni Vamanana and Hi-Kurhile have contributed positively towards local economic development in their respective areas, when considering the fact that many people and households benefit from the four projects. However, the research has revealed that three of these projects still need large capital support to improve on their potential to break even to make big local economic development impact in their communities. Based on the financial incomes derived by sales achieved and the little salary amounts paid out to members, it becomes very difficult to see any future potential growth of the interviewed projects.

Another major challenge revealed during the research is lack of alignment of products produced by the community projects to government needs, priorities, and services. If feasibility studies were conducted, products suiting government needs and services, and sector departments were going to have a larger market base.

Most projects interviewed have been sponsored by government but not based on products which might be on the high priority list of what government and departmental needs are. This is evident by the large number of projects funded producing products that are not in demand by the immediate community members or by some of the sponsors as potential customers. This greatly compromises the potential of community projects being the suppliers of products and services to government as their prime market and later to expand to other members of the immediate communities as their secondary clients.

## **5.6. Recommendations**

The following recommendations are based on the findings in the literature presentations and the actual research findings.

### **5.6.1. Customised training of LED project members**

That community projects supported should be taken through a series of customized training programmes that suit the respondents' educational levels and the type of business ventured into with a view of improving on the current levels of performances.

### **5.6.2. Aligned government support to government needs for products and services**

Government support to community projects should be linked to government needs of products and services to be supplied. This will reduce the risk of government sponsoring projects that are not producing products and services that are congruent to sector department needs.

### **5.6.3. Quality assurance on products and services**

As part of capacity building, project members need to be taken through a series of training on quality assurance and product selection and prove to sponsors that the business concept ventured into has viability and sustainability potential in the long run. Projects funded by sponsors need to have the return on the value of the public resources invested into those sponsored projects.

### **5.6.4. Public and private preference procurement policies**

Public and private sectors sponsoring community projects should prioritize procuring products from those funded projects as a way of empowering them. This is most relevant when considering the fact that government and private sectors are spending

substantial amounts of money funding projects but not purchasing products from those funded projects, leaving them to seek evasive markets, inevitably exposing them to failure.

#### **5.6.5. Community LED projects as businesses**

Until community projects are seen as business ventures, the grand dependent mentality associated with community projects as lesser entities to businesses will ever continue to exist. Community projects should therefore be run as businesses rather than as projects which are always expecting to be continuously entitled to funding by sponsors. Currently, members expect to be the recipients of financial support from sponsors rather than refining the quality of their products to appeal and attract more clients.

#### **5.6.6. Monitoring and evaluation of sponsored community projects**

Municipalities need to assist in the monitoring of state funded projects and integrate their update reports during its public participation programmes for the projects to be held accountable on the utilisation of public funds and resources.

#### **5.6.7. Project locations**

The location of the interviewed LED projects indicates that nine of the projects sampled are located in the 15km radius outside Phalaborwa town, the economic hub in the area, with the potential of accessing advanced business infrastructure and facilities such as banks, sewerage services, water, telecommunications, safety and security services, hospitals, and schools. Two of the projects interviewed are located 39km away from Phalaborwa with all the above mentioned services not easily accessible to the communities and members of the projects.

#### **5.6.8. Issues that emerged from the study**

The majorities of the projects interviewed were not initiated by the municipality and members claimed to be not receiving any direct support from the municipality.

Other public and private sector organisations have instead played pivotal role in the establishment, support and monitoring of the projects. Government need to establish strategic partnerships with the private sector to maximise and leverage on the positive impact by the private sector on LED.

### **5.7. Areas for future research**

The research conducted did not cover the interviewing of family members of the respondents to get a detailed report on the real situation of the benefiting households. It is recommended that future research should investigate on the impact of LED on households of the respondents. Future research could also look into the alignment of supported LED projects to the municipal IDP Ward priority lists and government needs for the production of relevant products and services.

### **5.8. Conclusion**

Clear government guidelines on LED initiatives and the necessary legislative framework on what LED projects qualify for support by the government are necessary. The research has revealed that even the sponsoring departments have no clear guidelines on what projects are to be given priority when funding is determined. The funding processes by sector departments need to be based on key national priorities set by the government so that all funded projects are held responsible and are encouraged to provide quality products and services.

The research has also revealed that, the profit margins by some projects are so thin that the entities are not financially viable. This is due to the disparity owing to the type of market targeted by the projects. Mostly, as has been seen in the discussion, the target market comprise low income bracket individuals, who have social and family pressures to meet certain basic needs such as water, electricity, education, and health.

There is a need to create a strong market and the demand for the products produced. Once this is done the projects are going to thrive and communities will show the growth that the government expects from them.

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