

**SUSTAINABILITY IN THE LOCAL ECONOMIC  
DEVELOPMENT STRATEGIES OF THEMBISILE  
MUNICIPALITY**

**BY**

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## **DECLARATION**

I hereby declare that this mini- dissertation submitted at the University of Limpopo for the degree of Masters in Public Administration has not been previously submitted by me for a degree at this or any other university, that is my own in design and execution and that all material contained therein has been duly acknowledged.

Signed :.....

Date :.....

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## **SUMMARY**

This study had two aims. Firstly, it investigated the existence of the Local Economic Development (LED) strategy, and secondly, the sustainability of such a strategy at the Thembisile municipality in Mpumalanga province. The rationale behind this study was to provide the municipality with possible mechanisms to improve the development and implementation of the LED policy.

The concept of Local Economic Development has been studied and debated widely in South Africa. The importance of introducing policies that assist to stimulate economic activities at the local sphere of government has been acknowledged by a number of scholars. The LED policy in South Africa was developed as a way of creating a platform for municipalities to play a role in economy of the municipality and the country. This study focused on how the LED policy has been developed and implemented at the Thembisile municipality.

In order to achieve this, various strategies were used to collect data. Firstly, policy documents such as the Mpumalanga Provincial Growth and Development Strategy and the Thembisile Municipality's LED strategy were studied. Secondly, questionnaires were administered to participants. Interviews were also conducted with members of the LED Committee at the municipality and entrepreneurs. The study mainly used the Evaluation Research methods to analyze the various critical aspects of policy implementation.

The results of the study show that there are possible improvements both in the development and implementation of the LED strategy at Thembisile municipality. It is also critical that the element of sustainability enterprises established should be prioritized. Finally, the study provides recommendations for improvement for the municipality.

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# Chapter 1

## 1. Introduction

Local Economic Development has been adopted by the South African government as a shift from the purely service oriented to developmental local government. *The Constitution of the Republic of South Africa, 1996* commits local government to the promotion of social and economic development. Section 152. (1) (b) of the Constitution further states that local government should ensure that services are delivered in a sustainable manner.

The Local Economic Development as a strategy that is aimed at stimulating economic activities at the local sphere has been hailed for its inclusiveness and participative nature. Local communities cease to be mere recipients and become actively involved in their own economic development. The study is aimed at establishing the preconditions for sustainable development and the role of a municipality in ensuring that entrepreneurs are afforded the opportunities to operate successfully. Below are the definitions of key concepts used in the document.

### 1.1 Definitions

#### 1.1.1 Local Economic Development

According to a study conducted to evaluate the LED in the Free State, LED can be defined as a process through public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment creation. The aim thereof is to improve the quality of life for all. The World Bank document the *Local Economic Development* is about local people working together to achieve sustainable economic growth that brings economic benefits and improve the quality of life of all in the community.

In this study therefore, Local Economic Development is defined as a process whereby the private and public sector work as partners towards the creation of conditions that is conducive to economic growth and job creation at the local sphere.

### **1.1.2 Rural communities**

Rogerson (2001; 272) defines rural areas as those areas where local communities depend on farming or natural resources for survival. It includes villages and small towns as well as those larger rural clusters in former homelands. This study will therefore depend on this definition.

### **1.1.3 Sustainable Development**

With regard to the definition of sustainable development, this study will draw from the one provided by Munslow et al. (1997; 4) when they state that sustainable development implies self reliant and cost effective development, facilitating access to health, shelter, clean water and food.

## **1.2 Statement of the Problem**

Poverty continues to plague rural communities in South Africa albeit the introduction of the LED programme in local government. This position is clearly captured by Hindson and Vicente (2005; 3) as they state

*Local economic Development in South Africa is going through a difficult birth. During the first decade of democracy, the focus of municipal LED initiatives was on community economic projects, many of which proved unviable and had no lasting impact on poverty reduction.*

There are a number of problems that communities encounter in their quest for economic empowerment. Firstly, there seems to be lack of clarity on the part of municipalities about the economic development approach they are using, i.e. whether theirs is geared towards poverty alleviation or growth of the existing businesses, or a combination of both. Secondly, the existing small enterprises established through the LED appear to be experiencing similar problems concerning their sustainability.

In Thembisile municipality, the LED programme has been in operation for some years now but it seems to be unable to stimulate local economic development.

In cases where projects have been initiated, they seem to have the survivalist orientation and often do not last for a period longer than a year.

As is the case with many municipalities in the country, there are a number community projects that were initiated by the community through the assistance of the municipality and some provincial departments since the inception of the democratic order. Some of the municipalities cannot render the required services in a sustainable manner due to lack of resources.

There is also anecdotal evidence from the Kungwini municipality and the Gauteng Department of Agriculture that more than half of the co-operatives which they assisted in setting up have failed. This counters the main objectives set out in the *Policy Guidelines for Implementing Local Economic Development in South Africa (2005; 4)*. It states that the effective implementation of LED in the second decade will be a critical contributor to government success in growing the national economy and building a single and integrated economy that benefits all.

*This study explores the strategies employed by the Thembisile Municipality to assess the impact of the LED strategies used to establish the preconditions for effective development*

### **1.3 Aims**

This study has two aims. Firstly, it investigates the economic development strategies employed by the Thembisile municipality. Secondly, it assesses the sustainability of the strategies used to obtain sustainable development.

### **1.4 Objectives**

The following are the objectives of this study is to:

- Investigate the Local Economic Development strategies applied by the Thembisile Municipality.

- Analyze the strategies applied in order to determine its sustainability.
- Observe the enterprises in order to determine the level of growth since they have been established;
- Recommend possible ways of ensuring sustainability in the LED strategy.

### **1.5 Research Questions**

This study considers the following research questions:

- Does the municipality have a viable strategy on LED?
- Is the municipal LED strategy growth oriented or survivalist?
- Does the assistance received by entrepreneurs make their enterprise sustainable?
- Are municipal LED policies effective to promote sustainable entrepreneurship?

### **1.6 Rationale**

This research seeks to provide a detailed description of the strategies of the municipality, assess its/ their sustainability and make recommendations accordingly.

### **1.7 Conclusion**

This study could provide some valuable information regarding the design and implementation of the LED policy by the Thembisile municipality. The sustainability element in this policy is critical because it helps the beneficiaries to learn to be self reliant and sustainable.

# Chapter 2

## Introduction

This chapter discusses the origin of municipalities in the South African system of governance. The chapter attempts to show the development of the municipal system over time, from the one whose role was mainly administrative to the one that seeks to be developmental. The chapter also discusses the concept of Local Economic Development within the context of a developmental local government. The concept of sustainable development is also reflected upon and how municipalities need to ensure that all of their development strategies and policies have this critical element.

## 2. Municipal government and administration

### 2.1 Origins of municipalities

The field of public administration could be traced from as far back as the earlier centuries when, according to Cloete and Thornhill (2005: 1), “humans were originally nomads who lived in one place only as long as they could find natural shelter and food and water”. These people started to stay in one place only after they came to know how to produce food by cultivating plants and domesticating animals.

With the passage of time when they were no longer self sufficient, they had to rely on the goods and services produced by others. This later resulted in what, Cloete and Thornhill (2005:1) referred to as “reliable arrangements”, for the provision of goods and services. These marked the beginning of administrative authorities dealing with local issues.

Cloete and Thornhill (2005: 12) trace the beginning of local authorities in South Africa from the emergence of the Cape of Good Hope after the arrival of Jan Van Riebeeck in 1652. This area was originally a hamlet. It grew into a town after the leadership of the Commander/ Governor who was subject to the directive of the Council of Seventeen.

## **2.2 Municipal government in South Africa**

The *Constitution of the Republic of South Africa, 1996* provides for the establishment of three spheres of government in the country. They are the national, provincial and the local sphere. This research focuses mainly on the local sphere as it is the one charged with the responsibility of implementing the Local Economic Development.

Cloete and Thornhill (2005:19) argue that due to the fact that South Africa is a large geographical entity with a multiplicity of regions and urban areas, each having their own resources and realities, it is evident that there should be regional / provincial and municipal/ local government.

Although the Constitution recognizes three distinctive spheres of government (Constitution,1996, Section 40 (1)) they are interdependent and interrelated in their approach. In order to achieve this, the Constitution introduces the principles of cooperative government. It therefore means that these spheres need to be supportive of each other's programmes. They need to ensure that there is synergy in the delivery of services.

### **2. 3. The constitutional mandate of local government**

Chapter 7 of the Constitution focuses on local government as the third sphere. This chapter provides that:

- local government consists of municipalities which must be established for the whole of the territory of the Republic;
- executive and legislative authority of the municipality is vested in the municipal council;
- municipality has the right to govern on its own initiative, the local government affairs of its community subject to the national and provincial legislation as provided for in the constitution;
- national and provincial government may not impede or compromise a municipality's ability to exercise its power or perform its functions.

The Constitution provides in Section 152 for the following objectives of local government:

- To provide democratic and accountable government for local communities;
- To promote social and economic development;
- To promote safe and healthy environment;
- To ensure the provision of services to communities in a sustainable manner; and
- To encourage the involvement of communities and community organizations in matter of local government.

While it is the responsibility of the national sphere of government to provide for the policy framework for the macro socio- economic development, municipalities are required to ensure that they structure and manage their administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote social and economic development of the community.

As a way of putting into effect the constitutional mandate to the local sphere of government, the *Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)* and the *Local Government: Municipal Structures Act, 1998(117 of 1998)* were introduced.

This legislation introduces two key concepts that guide the approach of the South African government to service delivery; the developmental local government and community participation (participatory democracy).

The concept of a developmental government follows the emphasis by the President during the Budget Vote of 2006 that South Africa is a developmental state as opposed to a welfare state. It is through the developmental approach that people will be empowered to take charge of their own socio – economic development rather than be passive recipients of services from government. Government therefore becomes a partner in facilitating the people’s contract of combating poverty and unemployment.

According to Cloete and Thornhill (2005:41) the new system of local government requires an efficient, effective and transparent local public administration that conforms to constitutional principles to ensure economically and financially viable municipalities.

The concept of community participation within the local government sphere is informed by the fact that as opposed to a purely representative democracy, South Africa has opted for a participatory democracy. This is the kind of democracy that enables people/ citizens to be partners working towards their own socio- economic development. It is therefore mandatory for local government to create an environment that allows and encourage community participation in matters of governance Section 152 (2) (e) of the Constitution, 1996.

With regard to community participation Cloete and Thornhill (2005: 41) argue that local government should;

*encourage and create conditions for local community participation in the activities of municipal councils in the preparation, implementation and review of its integrated development plans; the establishment , implementation and review of its performance management system; the monitoring and review of its performance, including the outcomes and impact of such performance; the preparation of its budgets; strategic decisions relating to the provision of municipal services; and building the capacity if local communities to participate in the affairs of municipality and of councilors and the municipal personnel to foster community participation.*

In line with this argument, De Beer and Swanepoel (1998:23) state that the question as who controls development is an open one, obviously those who are affected (beneficiaries) than outsiders. They must be the main players and decision makers as they know the conditions better. According to De Beer and Swannepoel (1998:23), government has been and for a long time will be, responsible for providing material and other support to developing communities. NGOs, local and international, can and should play an important role.

In their book titled *Making Law: A guide to municipal councils* Prof. Steytler et al. (2000:25) take a critical view on the way in which the concept of participatory development has been used. “A once off meeting where municipalities inform communities about their plans does not result in participatory governance, and receiving inputs from those with knowledge, expertise or power does not a true participation either. The poor and marginalized are often excluded from these processes” according to them, participatory government refers to an ongoing process of debate, dialogue and communication between a local municipal council and the community. The process must be valued and nurtured in order to ensure trust and agreement on decision.

When considering the above argument, it would appear that in order to achieve a meaningful participatory development at the local sphere of government, a number of critical aspects need to be addressed. For instance, the level of knowledge by the community of their government’s development direction is critical. The communities need to know every policy facet of their government if they are to participate meaningfully.

This research will show how the approach suggested by Cloete and Thornhill, has a direct impact on sustainable development. For instance, this approach emphasizes the importance of development of human and institutional capacity, which is critical for sustainable development. As the constitutional mandate of the municipalities has been outlined in this section, this research mainly focuses on the socio- economic responsibilities. The Local Economic Development policy is one of the key strategies that could enable the municipalities to fulfill this mandate. This policy is therefore a focus of this study.

#### **2.4 Local Economic Development in South Africa**

The issue of poverty in South Africa has been explored by a number of scholars. For instance, Ramphela and Wilson (1989; 1) trace poverty to the period of great depression which affected the whole world in the 1930s. After this period different countries

developed recovery strategies. In South Africa the government of the time addressed this problem by first setting up commissions to investigate and recommend possible solutions.

The recovery endeavours of South Africa focused solely on the poor white problems. According to Ramphela and Wilson (1989; 1) any study on poverty can only be meaningful if it involves the participation and understanding of all the poor communities who have to endure poverty. Therefore, the problem with the various commissions investigating poverty previously was that they were elitist and sectarian in approach.

The South African government has since recognized the importance of having the local communities partaking directly in their own socio- economic empowerment. To this end, the country has placed local government at the centre of economic empowerment of the local people. In this policy, the government provides the supportive legislative framework. For instance, Section 152 of the *Constitution of the Republic of South Africa, 1996* calls upon municipalities to shed the service oriented approach and adopt a developmental role as well. The *Municipal Systems Act, 2000* is also clear about the role of local government in promoting the socio- economic realities of the local people. The purpose of this Act *inter alia* is to provide for principles, mechanisms and processes that are necessary to enable the municipalities to move towards the socio-economic upliftment of the people. Municipalities are also urged to develop Integrated Development Plans (IDP). At the centre of the IDP is the Local Economic Development Strategy.

Rogerson (2001; 282) lists a number of common rural small, micro and medium enterprises (SMMEs) in South Africa that could contribute to local economic development. they are the following: general dealers, cafes, tuck shops, spazas, shebeens, bottle stores and hardware stores; in services, the most common are salons, transport activities, motor car repairs, panel beating, shoe repairs and electrical repairs; in manufacturing and construction the activities range from beer brewing, brick making, metal works, clothing, dress making, knitting and baking.

Overall, the research findings of a number of studies on rural SMMEs across the country highlight their narrow and survivalist character. According to Rogerson (2001; 293) while survivalist SMMEs play an important role in poverty reduction they have only limited potential for employment or wealth creation. It is this survivalist character of the South African LED strategies that contribute towards their lack of sustainability.

The survivalist LEDs and SMMEs do not develop to a stage of being competitive in the economy due their character. For example a number of shops have closed since the recent spread of shopping complexes across the country.

On the survivalist LED strategies, Rogerson (2001:293) argues that while these strategies are necessary in playing an important role in poverty reduction, they have only limited potential for employment and wealth creation. There is, therefore, a need for a long – term perspective directed at eliminating rather than simply alleviating rural poverty.

This position is well captured by Rogerson (2001; 294) as he states:

*Indeed South Africa needs a twin approach towards rural SMME development. A first set of programs should be geared towards short- term poverty alleviation and support for survivalist enterprise. Another set of programs should be linked to long- term poverty reduction through the development of sustainable SMMEs that assist in local job creation.*

When planning for a Local Economic Development programme, municipalities should look beyond temporary survival and focus more on long term growth. Freysen (1999; 26) remarks that service delivery by the state is through public administration and it is a consequence of and integral to the rights of its citizens.

The South African government has adopted a participative mode of service delivery to its citizens. The citizens are therefore expected to own and be part of the process. As part of its delivery of public services to the people, the South African government is mandated by legislation such as the *Constitution, 1996 and the Municipal Structures Act, 1998* to empower the local people so that they can determine and control their level of advancement economically and participate in the economy of the country.

## **2. 5 Sustainability in the Local Economic Development Strategy of Thembisile Municipality**

As indicated earlier there are a number of definitions for Local Economic Development (LED). It would appear that the manner in which one defines this concept is informed by two broad approaches to Local Economic Development. The first one is more growth oriented. It focuses on attracting foreign direct investment in order to grow the economy. This is what Bond (2002:11) refers to as an orthodox approach to LED.

According to proponents of this approach, the focus of LED implementing countries should be on ensuring that they create the environment that is conducive to business. This is often referred to as business attraction model. It is believed that countries should strive to attract foreign investment through concessions such as tax breaks, cheap land, reduced rates and even direct financial rewards in return for businesses locating in the area. This model is premised on the view that investment creates jobs and provides taxes which the municipalities can use for the provision of services.

The second approach is the one that focuses on empowering the local people to be able to play a meaningful role in their economic development and by so doing, eradicate poverty. Proponents of this approach hold the view that it is only when people are empowered to take charge of their own development that sustainability can be attained. Bond (2002:11) refers to this as a 'developmental LED'.

It would appear that the Orthodox LED is the one that is more predominant in spite of it falling short of addressing the challenges of poverty and inequality particularly in the third world countries.

This view is clearly captured by Bond (2002:11) as he states

*it is unfortunate that some municipalities are still attracted to place marketing, smoke- chasing and urban entrepreneurial approaches. The ongoing reliance upon orthodox LED reflects corporate dominated power relations, but in part*

*also reflects the failure of some municipal officials to give attention to sustainable development.*

The argument raised by Bond seems to hold in view of the fact that there does not seem to be any rigorous and critical analysis on the relevant approach to be used when implementing policies such as this one. This becomes more evident when a country / municipality gives a correct analysis of the nature and extent of the challenges confronting them. However, when one interrogates the policies introduced to address such challenges, often they do not address them but actually tend to either maintain the status quo or deepen the inequalities.

In his article entitled ‘overcoming apartheid’s legacy: the ascendancy of neoliberalism in South Africa’s anti- poverty strategy’, Cheru (2001) takes a critical look at South Africa’s strategies of dealing with poverty since 1994. He argues that in abandoning the Reconstruction and Development Program (RDP) in favour of a more market oriented Growth, Employment and Redistribution Strategy (GEAR). The country is on a track that is ideal to deal effectively with the deep poverty and inequality attributable to the apartheid policies during in the decades from 1948 to 1993.

While the objectives and intentions of the GEAR strategy are plausible, by design it does not contribute achieving them as Cheru (2001:12) correctly states “the government’s obsession with deficit reduction, containing inflation, restructuring state assets and tax reform has no direct bearing of Gear’s growth and employment targets. Over the three-year period 1996 – 98, virtually all Gear’s targets were missed. For example, GEAR projected that 650 000 jobs would be created between 1996 – 98, when in reality about 300 000 jobs were lost”, Cheru (2001:16).

From the above analysis it becomes apparent that the orthodox LED’s obsession on place marketing and foreign investment attraction may not work for the objectives of eradicating poverty and empowering local people to take control of their socio- economic development. This shows that the country’s development challenges cannot be left to the

markets to solve. This reality has been acknowledged by the South African President Thabo Mbeki in his address to the Commonwealth Club, World Affairs Council and US/SA Business Council Conference when he states;

*Notwithstanding some specific problems in some developing countries and especially African countries, there are many amongst these countries that have and continue to have stability and are at peace with themselves, countries that have responded positively, even under difficult circumstances, to the prescriptions of both the prospective investors as well as the multilateral institutions. Many of these countries have created the necessary climate conducive to investment, for example, by liberalizing the trade, privatizing state owned enterprises, reforming their tax systems and generally adhering to the prescribed injunctions, all done in an attempt to attract the necessary investments. The response from the developed countries, to these attempts by especially African countries to stay within the confines of the rules, has been to treat the African continent as one country, and therefore, to punish a country on the one end of the continent for the deeds of another on the other end. In our own country we have been assured that our economic fundamentals are correct and sound. We have developed a stable and effective financial and fiscal system. We have reduced tariffs to levels that are comparable to the advanced industrial countries. We have reformed Agriculture to make it the least subsidized of all the major agricultural trading nations. We have restructured our public sector through privatization, strategic partners and regulation. We have an equitable and sophisticated system of labour relations that is continuously adjusting to new developments. We play an active role in all multilateral agencies in the world. Yet, the flow of investment in our country has not met our expectations while the levels of poverty and unemployment remain high”.*

From this quote it could be argued that the assertion made by Bond (2002:11) that the continued reliance on orthodox LED in spite of its short-falls, corporate dominated power relations, seems to hold.

Mbeki further argues that African countries do not have and are unlikely to have in the foreseeable future, the strength themselves to determine what should happen to their economies. The more they get integrated into the world economy, the further their capacity will be reduced, making them more dependent on the rest of the world economy with regard to meeting the challenge of ending poverty within their countries.

Writing about South Africa's own LED policy paper, Bond (2002:8) argues that this paper decries the old fashioned industrial development (smoke- stack) chasing strategies, including the packaging of subsidies, tax reforms, and free infrastructure oriented to attract outside industry. Increasingly, due to the self defeating nature of the 'race to- the bottom' competition, a new approach to LED has emerged that instead, highlights the mobilization of internal resources, capacities and skills. Bond (2002:9) refers to this as a progressive approach or developmental LED.

## **2.6 Developmental LED approach**

On this approach Bond (2002:9) argues that contrary to the orthodox LED, this is a community based strategy associated with a new, more sustainable LED paradigm. It emphasizes the importance of working directly with low income communities and their organizations. He goes on to state (2002:10) that investment is all very well but benefits are unlikely to accrue to the most needy unless they are active participants in their development, with the capacity to plan, monitor and enforce wider benefits.

Bond's argument in this regard seems to be plausible in view of the fact that when people do not have skills, it is difficult for them to take advantage of the interventions that are aimed at empowering them so that they can move out of the poverty entrapment. To this end, Bond (2002:10) argues that municipalities need to either support the establishment of local training bodies or focus the activities of national training agencies on their local areas. This could be an important initiative for development because at the moment the aspect of training appears to be down played in government.

This is so in spite of the introduction of programmes such as the EPWP, whose main object is skills development.

In his article Jorg Meyer- Stamer (2002:6) argues that it would be surprising if entrepreneurship could flourish swiftly after centuries of oppression of initiative and creativity. “It would also be surprising if people who have passed through the sector of the South African education system which is not known for exceptional quality and achievements displayed a high innovation oriented mindset”.

As a form of solution to this challenge, Meyer-Stamer (2002:6) states that it would be irresponsible to suggest to a person in this condition that entrepreneurship is the way forward as long as it is not backed by systematic, comprehensive and high quality entrepreneurship awareness building and training. In support of the new approach to LED Rogerson (2002: 2) argues that there is a precipitating element of policy divergence in the international context of LED planning and the increased distinctiveness of LED planning in the developing world. In the developing world the emphasis on LED planning is now more weighted towards incorporating pro-poor interventions than is the case with the developed world.

### **2.7 LED initiatives in Mpumalanga**

In 2002 a study was conducted by Jorg Meyer- Stamer on the implementation of the LED policy in Mpumalanga. This study investigated different structures that play a role in the implementation of this policy. For example, the role played by the Province, the district municipalities and that of the local municipalities. The study also considered the interface if any, between existing structures which were established to promote economic development in the province, and the municipalities. This includes structures such as the Mpumalanga Investment Initiative (MII) and the Mpumalanga Economic Empowerment Corporation (MEEC).

### ***2.7.1 Structures involved in the LED***

There are a number of observations made in the study by Jorg Meyer- Stamer which are critical when conducting any further research in Mpumalanga on LED. Regarding the Province, district and local municipality relations the study shows that it is not clear who is supposed to play what role in the implementation of the LED policy amongst the structures mentioned. The provincial government argues that it should be involved primarily due to the fact that it co-ordinates the activities of the provincial sphere organizations such as the MII and the MEEC whose mandate is to promote economic development in the Province.

According to the paper, there appears to be deep uncertainties amongst municipal administrations as to their roles in the LED implementation. Their main doubts are the following:

- Is the municipality supposed to be the driver of the LED process, or a facilitator, or rather an active observer of a process which is driven by the local business sector?
- Who exactly in the municipal administration is supposed to be in charge of LED? Is it another burden to be shouldered by the municipal manager, or should the municipality acquire the services of a person who is exclusively dedicated to LED, or is it a task to be taken over by the mayor who then shares the responsibility with the business leaders?

It would appear that these uncertainties are widely spread as reflected in the finding of the current study on the LED in Thembisile municipality. Based on the nature of these challenges, it is not surprising that there is no coherent strategy for the implementation of this policy.

## **2.8 Sustainable Development**

Chapter 7 of the Constitution of the Republic of South Africa, 1996 is dedicated to local government and related issues. Section 152 (1) outlines the object of local government as follows:

- (a) To promote democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To ensure social and economic development;
- (d) To promote safe and healthy environment;
- (e) To encourage the involvement of communities and community organizations in matters of local government.

The fact that the Constitution gives primacy to the issue of sustainability of development is indicative of the importance of this aspect in development and service delivery in general. Also, the fact that the element of sustainability is one of the objects of local government, makes it mandatory for the local sphere of government to ensure that legislation, policies, programmes and strategies for implementation are designed in a manner consistent with the principle of sustainable development.

Subsection 152 (1) (c) of the Constitution, 1996 states that this local government sphere must promote social and economic development. Therefore, the policy on Local Economic Development (LED) has been introduced as a way of actualizing this objective. As indicated earlier, it is critical that the design and implementation of this policy must be in a manner consistent with the ideals of sustainable development. This will enable government to ensure that there is continued uninterrupted provision of services to communities.

When defining sustainable development, Treurnicht (1997:86) states that sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Treurnicht goes on to argue that the operationalisation of the concept remains problematic at all levels.

This is due to the fact that different practitioners and analysts tend to focus on different aspects of sustainability. In an attempt to operationalise this concept Treurnicht outlines four categories /aspects of sustainable development:

- social sustainability and the alleviation of poverty

- economic sustainability
- environmental sustainability
- institutional issues

When advancing a position that is in line with Treurnicht's assertion, Munslow et al. (1997:3) argue that making development sustainable goes beyond narrow concerns with economic growth to considerations related to the quality of that growth.

This means ensuring that people's needs are met, that the resource base is conserved, that there is sustainable population level, that the environment and cross-sectional consumers are integrated into decision making processes and that communities are empowered. Munslow et al. (1997:3) notes that the empowerment of the people is a critical component of sustainable development, "the pursuit of sustainable development requires a political system that secures effective citizen participation in decision-making". This view is shared by Cook (1997:278) as he states that human development (both individual and organizational) is necessary and dependant on other aspects of development if development is to be sustainable. Cook (1997:278) argues that in fact, development is not primarily about the people, but it is only about the people.

The fact that these analysts and many others, place human capacity building at the centre of sustainable development shows that there is now an acknowledgement that any development endeavour that does not place the people at the centre cannot be sustainable. This position is also supported by Munslow et al (1997:4) as they state that sustainable development implies self reliant and cost effective development, facilitating access to health, shelter, clean water and food.

The people centered development goes against tendencies and the belief by some development practitioners who operate with assumptions that they can transform and develop society. These are the type of development practitioners who often go to communities to unleash predetermined programmes in an attempt to develop such communities.

In many instances these endeavours do not yield the intended results. Munslow et al (1997:5) capture this position correctly as they state;

*a thorough understanding of a problem is necessary before answers can be sought. Rarely can the solutions devised on the word processor or written page be easily translated into development practice and thereby achieve anticipated results. Reality is messy; there are so many unknowables and outright surprises.*

Following these positions one can safely argue that development cannot follow a similar route in more than one locality. Every development area needs to be studied carefully as it has its unique development needs. This will ultimately lead to a number of varied strategies for different areas.

When arguing for a holistic approach towards understanding communities and development, Kotze and Kotze (1997:61) state that developers have an analytical approach to context and usually divide it into economic, political and social. Thus the most popular and explicit usage of context refers to a fragmented context, analytically formulated within their analytically fragmented framework of their own realities, namely, their own disciplines and professions. The essence of assertion is that developers should not be prescriptive to communities. They should instead, engage communities in understanding challenges, conceptualization of intervention programmes and the implementation thereof.

The White Paper on Reconstruction and Development Programme (RDP 1994:8) advances this position on development as it states that development is not about delivering services to a passive citizenry. It is about active involvement of people and a growing empowerment thereof. When reflecting on this position, Theron and Westmore (1997:156) state that what could be deduced from this statement of the RDP document is that development is context bound and therefore conceptualized by members of a given society sharing a particular dynamic environment and societal reality.

Looking at the Local Economic Development (LED) policy as an intervention to poverty alleviation and a tool to stimulate economic activities at the local sphere, it could be argued that this is one of the policies that should be driven by the people it is intended to empower. By its design the LED recognizes the uniqueness of environments and socio-economic realities of different localities. Therefore, people of those localities should be the ones who define their own poverty and should be involved in the conceptualization of the intervention strategies. This exercise would help ensure relevance of the strategy and the improved level of empowerment of the people. This will also have direct implications to sustainability because when the development practitioner lives in the area, the inhabitants of the area should be the ones who has to ensure that the programme continues and that it helps them to grow from one stage to the next.

In his article entitled “Empowering people for Sustainable Development”, Cook (1997:276) states the following;

*“Creating performance without building capacity is clearly not sustainable, but simply building capacity without motivating performance wastes that capacity”.*

This is a critical statement in view of the fact that it reflects widely spread practice where institutions tend to focus their attention on sharpening the institutional systems with the belief that this will automatically lead to the achievement of the organizational goals. There is therefore a tendency to neglect the empowerment of the people for whom the system are meant to assist. This is an unfortunate reality in view of the fact that systems need people (machinery), on their own they cannot lead to high organizational performance. Also, in many instances institutions, particularly government institutions tend to operate with an assumption that it is only how best the policy /programme has been crafted that counts.

This tends to compromise the sustainability element and as such the programme/project only lasts for the duration of the availability of the development official. Sustainability can only be achieved if the beneficiaries are empowered to carry on with the programme after the development practitioners shall have left.

Cook (1997:276) identifies four central building blocks of development viz. environmental capacity, economic capacity, political capacity and human capacity. Public involvement is another critical aspect. In recognition of the importance of public involvement in development, the South African government has adopted participatory development as a service delivery mode. This marks a significant shift from the mode that used to put the state at the centre of development and people as passive recipients of services. It is now mandatory for all state organs to involve the public in all of their processes, from policy development to implementation (Constitution, 1996, Section 195 (e)).

At the municipal sphere this culminated into the introduction of Integrated Development Plan (IDP) system. Public participation is a key element in the IDP system. As it was argued earlier that people should be involved at all stages of policy development and implementation. Therefore, developmental programmes such as the Expanded Public Works Programme (EPWP) and the Local Economic Development (LED) should be driven by the people they are designed for. It is for this reason therefore, that it is felt that a discussion on the LED should reflect on participatory development.

## **2.9 Participatory Development**

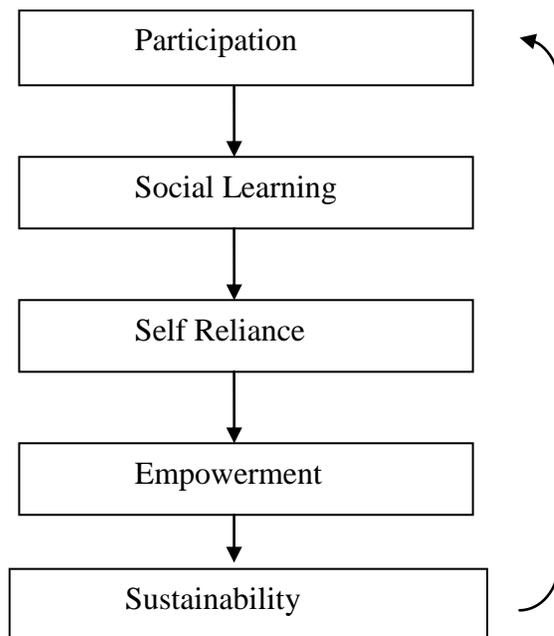
In his article “Participatory and Community Capacity Building” De Beer (1997:21) states that capacity building for participatory development rests on the premise that people can lead their own change process. They can be actors and not merely subjects of change. In the same article David Korten is quoted stating:

*The time has come to devote ourselves to explicit strategies for democratic structural changes that will enable people to liberate themselves from the oppressive social structures which perpetuate their dependency and powerlessness including those of many of our public bureaucracies. Only in this way can we build the public with resilience and capacity for autonomous creativity and continued redefinition. The condition essential for survival in a crowded, competitive and rapidly changing world.*

It is only when people are empowered in the manner articulated in the above quote that they can fully take control of their development as envisaged in the White Paper on RDP. What appears to be striking in the quote are the phrases “capacity for autonomous creativity, and continuous redefinition”.

If communities can be empowered up to the level where they could apply autonomous creativity, it would be easier for them to conceptualize and implement programmes that are sustainable so that they continuously benefit. Also, the issue of continuous redefinition is critical. It refers to a situation where people continuously reflect and define their poverty and state of development, and seek lasting solutions to such challenges.

Theron and Barnard (1997:38) introduced on the debate what they referred to as the process of awakening, raising of consciousness or conscientization, which according to them constitute a process of self transformation through which people grow and mature as human beings. They argue that in this sense, participation is a basic human need. According to them the development planning process needs to flow in the following manner:



The diagram above clearly shows that public participation ultimately lead to empowerment and sustainability. It is therefore critical for development practitioners to have a clear understanding of the long- term benefits of involving the public in their own development.

In their article entitled “Development Management in Africa: Issues for South Africa”, Piccard and Garrity (1997:75) introduce two critical elements of development, the human resource capacity building and institutional strengthening and reorientation. The previous sections dealt considerably with human capacity building, and therefore it is argued that there is need to reflect on the aspect of institutional strengthening and reorientation as another key component of development.

## **2.10 Institutional capacity**

In development, institutional capacity building is of equal importance in the empowerment of the people. It is thus critical for government to ensure that all of its organs charged with the responsibility of facilitating development are sharpened and strengthened accordingly. For a country like South Africa this will be more important in view of a long history of non-participation of the public in their own development.

The reorientation of institutions is therefore critical as Piccard and Garrity argue. There are three major functions of a developmental state which were identified by Piccard and Garrity viz.

- state as provider;
- state as facilitator; and
- state in partnership

### **2.10.1 State as provider**

This includes the core functions of government such as producing a set of coherent policies for socio-economic development. The state is also expected to provide *inter alia*, infrastructure that is necessary for development. In order to fulfill this role the state must have capacity to develop, implement and monitor all the processes.

### ***2.10.2 The state as facilitator***

The state as facilitator relates the implementation of policies and the control of the environment for development. The state needs to provide and allow space for creativity and the emergence of as many initiatives as possible.

### ***2.10.3 The state in partnership***

The state has the responsibility to build a conducive environment for cooperation and trust. To this end, South Africa has developed policies to promote Public Private Partnership (PPP). The state needs to create the necessary platforms and forums for the exchange of ideas.

From the three functions of the state identified by Piccard and Garrity it becomes apparent that the role of the state in development crucial. It is important however, to ensure that in the process of facilitating development it does not create a sense of dependency amongst its people, but create a conducive environment for independent thinking, innovation and creativity. This will help in the sustenance of programmes and projects introduced in communities.

## **2. 11. Conclusion**

The literature reviewed in this chapter has clearly showed that for the development policies such as the LED to succeed in empowering people, it would be critical for both policy makers and development practitioners to consider the important element of sustainability. It also became clear that in order to achieve sustainability of development programmes, it critical to ensure that people who benefit from such interventions should actively participate in every aspect because this would empower them to be active participants in their own development.

# Chapter 3

## 3. Research Methodology

### Introduction

This chapter reflects on the research design and methodology. The chapter provides some discussion on the relevant design for the study such as this one. It reflects in depth on Evaluation Research as the preferred design for this study. The chapter also discusses the critical aspects of research methodology such as sampling, data collection and analysis to be used in the study.

### 3.1 Research Design

This is an empirical study which will draw mainly from a qualitative research paradigm. Local Economic Development is a government programme aimed at addressing the social aspects such as poverty, unemployment and economic growth. Therefore, the study can best be conducted using the Evaluative Research methods. This approach may be the most appropriate particularly in view of the assertion by Rossi *et al.* (2004; 21), that social problems are not research laboratories. The dynamic nature of problems and programmes to be evaluated sometimes pose a challenge for the researcher/ evaluator to be flexible and innovative without compromising the quality of the study. The study does however also refer partly to the quantitative paradigm, particularly with regard to statistical information.

Rossi et al. (2004; 55) identify three types of evaluation:

- assessment of programme theory;
- assessment of programme process;
- impact assessment;

#### 3.1.1 Assessment of Programme Theory

The assessment of programme theory focuses on questions that deal with the way in which the programme is conceptualized and designed.

When defining Programme Theory, Rossi et al. (2004; 93) state that it is a set of assumptions about the relationship between the strategy and tactics the program has adopted and the social benefits it is intended to produce.

According to Rossi et al. (2004; 134), when examining a programme's theory, evaluators often find that it is not very convincing. "There are many poorly designed social programs with faults that reflect deficiencies in their underlying conception of how the desired social benefits can be attained. This happens in large part because insufficient attention is given during the planning of new programs to careful, explicit conceptualization of a program's objectives and how they are supposed to be achieved".

Using the above analogy, it is argued that while Local Economic Development is well conceptualized in terms of its intended objectives at the national sphere, it is possible that the implementing agents, in this case, the municipalities might miss the critical aspects such as the need for sustainability.

One of the reasons why deviations may occur is as Rossi et al. (2004; 135) put it, that the human service professions operate with repertoires of established services and types of interventions associated with their specialty areas. As a result, programme design is often a matter of configuration of familiar *off the shelf* service into a package that seems appropriate for a social problem without a close analysis of the match between those services and the specific nature of the problem. It is possible therefore that in some municipalities, the LED strategies may require other interventions such as social grants.

### ***3.1.2 Assessment of Process***

Rossi et al. (2004; 56) argue that it is important to know how to intervene in an accurately diagnosed social problem. A programme must still be implemented well to have a reasonable chance of actually improving the lives of communities involved.

The assessment of programme process is about checking if the programme is executed according to its intended design. South Africa is one of the countries whose policies have been hailed by the international communities as noteworthy.

However, the country has recently witnessed a number of unrests which are partly a result of poor or lack of implementation of the good intentioned policies of government. It may be important therefore to determine if there are no deviations in the proposed policy implementation of the LED in the Thembisile municipality.

### ***3.1.3 Impact Assessment***

Impact assessment (Rossi et al. 2004; 58), is an evaluation tool that assists to gauge the extent to which a programme produces the intended improvements in the social conditions it addresses. It therefore establishes whether the desired outcomes were attained and whether those changes include unintended side effects. It would seem that this is a critical evaluation tool because it is possible for an effective policy to yield undesired results due to the implementation problems. It is therefore important that there should be constant evaluation of the theory/ concept, the process and the impact. This study will therefore attempt to utilize the three critical evaluation tools.

The study is cross sectional in that the data collection methods do not influence one another in terms of sequence. The qualitative information will be from the interviews, observation and documentation, while the quantitative information will be from statistics on the projects initiated through the LED assistance.

## **3.2 Research Methods**

### ***3.2.1 Sampling***

The population for this study is constituted by the municipal officials, including the political head, i.e. the executive Mayor, entrepreneurs and the Non Governmental Organizations (NGOs).

- Executive Mayor – Thembisile municipality
- Municipal Manager – Thembisile municipality
- LED officer/ Manager – Thembisile municipality
- Five Entrepreneurs who benefited from LED in Thembisile municipality
- Non Governmental Organizations (NGOs) focusing on LED in the area.

***(a) Executive Mayor***

The purposive sampling method was used as the Executive Mayor is the only person at that level in the municipality.

***(b) Municipal Manager***

The study used the purposive sampling because there is only one municipal manager.

***(c) LED Officer / Manager***

The purposive sampling method was used in this category

***(d) Entrepreneurs***

A stratified random sampling was applied for this category. The study stratified according to the variable of gender.

***(e) Legislation, policies and statistical information***

The Local Economic Development policies both from the municipality and the national guidelines, other related legislation such as the Integrated Development Plans and statistical information were also collected from the municipality.

***(f) Non – Governmental Organizations***

Due to the fact that there are a limited number of NGOs whose focus is on LED in the area, all of them would be interviewed.

**3.3 Data Collection**

- The semi structured interviews was conducted with the executive mayor, the municipal manager, the LED officer/ manager, five entrepreneurs and all NGOs in the area.
- The documentation (legislation, policies, and statistical information) on economic development including LED was collected from the municipality.
- The researcher asked for the database of the available small businesses in the municipal area.

- The observation method was used at the business sites. This process followed the interviews with entrepreneurs. The intension is to verify on the information that shall have been given, particularly in relation to the elements of growth and sustainability of the businesses.

### **3.4 Data Analysis**

When analyzing the sustainability of the LED strategy of the Thembisile municipality, the study focussed on three of these elements, i.e. human, political and economic capacity.

#### ***3.4.1 Political capacity***

The political capacity in this case refers to the extent to which the policy implementers (municipality) understand the conceptual framework and the overall objectives of the LED as articulated in the concept document developed by the national Department of Local Government. The information that will shed light in this regard will be elicited from the interviews with the senior officials of the municipality as indicated earlier.

#### ***3.4. 2 Human capacity***

Cook (1997: 272) argues that the human capacity is one of the key elements of sustainability. It is unfortunate that in many instances this critical element is often neglected. Most development practitioners tend to focus solely on the economic capacity.

With regard to this aspect the researcher intends to test the extent to which both the LED practitioners at the municipality and the entrepreneurs are equipped with the necessary skills and the in depth understanding of economic development, entrepreneurship and business development in general.

It is critical that both the entrepreneurs and the LED practitioners who are assisting them to become knowledgeable of the sector in which they are operating. The information in this regard will also be elicited through interviews.

### ***3.4.3 Economic capacity***

The economic capacity is critical to the development of businesses and development in general. For instance, an institution can plan exceedingly well on other aspects but if that planning is not accompanied by the required financial resources, it is bound to fail. The economic capacity in this instance will refer to a number of aspects. Firstly, it will be important to check the manner in which the municipality gives financial assistance to businesses involved in LED.

The financing model used by the municipality can affect the sustainability of a business involved in LED. For example, if the municipality applies, what is often referred to as fiscal dumping, i.e. just giving out sums of money without the necessary close monitoring of whether it will be used as intended, such monies can be used on the activities that do not relate to the business.

In some instances, there is a tendency for development practitioners to provide funds when businesses involved are not doing well or on a brink of collapse. While this might be well intentioned, it might lead to what is called distortion. It becomes a distortion in a sense that financial assistance is seen as the only solution to problems of business growth and sustainability. This often defeats the objectives of sustainability because the businesses may ultimately be unable to function in a sustainable manner. It might be important for the entrepreneur and the developer to first diagnose the problem before seeking financial assistance.

The legislation and policies will be analyzed for policy direction and strategies. It is from the policies and legislation that the researcher will be able to establish whether the strategy used by the Thembisile municipality have a growth or a survivalist in orientation. The statistical information will be analyzed to assess the impact of LED strategies.

### **3.5. Conclusion**

The use of Evaluation Research method is more appropriate for a study such as this one because it is more about the evaluation of some critical elements of a policy, in this case the sustainability. The three aspects of Evaluation Research such as Assessment of Conceptual understanding of the Programme Theory, Assessment of Process and Impact Assessment are important instruments which might assist towards ensuring the success of the programme or policy.

## **Chapter 4**

### **Introduction**

This chapter deals with the presentation and analysis of data. The data for this study has been collected through interviews and questionnaires. The important aspects of Evaluation Research have been used to assess different aspects of policy design and implementation.

### **4. Data presentation and analysis**

It has been stated earlier in this report that this study takes the form of Evaluation Research. Therefore, the assessment on the sustainability of the Thembisile Municipality's Local Economic Development strategy is done in terms of the analysis of responses to questions that are designed along three aspects of evaluation research such as:

- assessment of conceptual understanding;
- assessment of process theory;
- assessment of impact.

This chapter therefore deals with the presentation and analysis of data collected through methods reflected in chapter 3 of this report.

The narrative method is used to analyze the data that was collected through interviews and observation, while the one gathered through the use of a questionnaire is analyzed quantitatively in the tables. The study also analyzed policy documents which inform and underpin the Thembisile LED strategy. The following are the data on responses to questions under various the three aspects of evaluation research as stated above;

#### **4.1 Assessment of Conceptual Understanding**

The following are questions used to assess the conceptual understanding of Thembisile municipality's LED practitioners;

- (i) What is your understanding of the LED policy?
- (ii) What are the main objectives of the LED policy?
- (iii) What is the role if any, of the municipalities in the implementation of the LED policy?
- (iv) Does Thembisile municipality have strategy for the implementation of the LED policy?
- (v) What is the link if any between Provincial Growth and Development Strategy (PGDS) and the municipal LED strategy?
- (vi) What are the pillars of the Mpumalanga economy?
- (vii) What are the pillars of Thembisile economy?

#### ***4.1.1 Responses to each question and observations***

Thembisile municipality has established a committee for the development and implementation of the municipal LED strategy. The Committee is comprised of municipal Councilors and the LED Manager. When asked to briefly describe how the Committee was established and its composition thereof, the response received was of such a nature that it necessitated some reflections in this report. This is mainly due to the fact that the composition appeared to reflect the understanding and thus the approach of the municipality on Local Economic development.

There are four subcommittees and each of them is comprised of two Councillors. The Subcommittees are;

- SMME and Business Development;
- Community Development;
- Agriculture and Rural Development;
- Tourism.

When asked about the reason why the four subcommittees are given names as reflected, it was indicated that the linking of subcommittees to specific government departments is done in order to enable the municipality to regularly receive information on the programmes of departments that are aimed at empowering people economically.

For example, the first two subcommittees are linked to the department of Economic Affairs, while the other two are linked to the Departments of Agriculture and Tourism respectively. A further discussion on this matter will be done in the analysis section of this chapter.

The Committee indicated that they will be more comfortable if they could be interviewed as a team than as individuals. It was further stated that the Chairperson of the Committee should be the main respondent while the other members would occasionally fill in where it is felt that when providing a response on a particular issue, the Chairperson did not cover sufficient ground.

There was general consensus before commencement of the interviews that the views expressed by the Chairperson represent the entire Committee. The Mayor of the municipality however, was interviewed alone on the same day as some of the questions posed to the Committee are applicable to him as well.

#### ***4.1.2 Information from interviews***

When responding to the question that enquires about the understanding of the LED policy the respondents stated that it is the policy through which the municipalities help people to get funds from government departments and other structures to start their own businesses. Regarding the main objectives of the LED policy the respondents identified the following;

- To help people start small businesses;
- To assist small businesses to get funds;
- To help in addressing the problem of unemployment.

On the role if any, of the municipality in the implementation of the LED policy the respondents stated that the role of the municipality in the LED policy implementation is to liaise with the department on behalf of the people in order to get the departmental programs that can benefit the people.

The departments occasionally invite the municipality to some of their meetings particularly where issues that are deemed to be of interest to the municipality are to be discussed.

The Department of Agriculture is the only one that is said to be consistently involving the municipality in their projects. Another role of the municipality is to engage the management of the shopping complex around the area to solicit funds for the people.

According to the respondents the municipality does have an LED strategy and it was developed through the help of the consultants and there after adopted by the municipality. Regarding the link if any, between the municipal LED strategy and the Provincial Growth and Development Strategy (PGDS) it was argued that the municipality does not have a PGDS document and there has never been any discussion around this document. The Committee would like to have a workshop on this document so that members can be familiar with its contents. At the moment the Committee is not in a position to tell whether there any link or not.

The Committee identified the following as the pillars of the Mpumalanga economy

- Agriculture
- Tourism
- Mining

Agriculture and Tourism were identified as the pillars of the Thembisile municipality.

#### **4.2 Assessment of Process Theory**

In order to assess the process theory in terms of the implementation of the LED policy at the Thembisile municipality there were a number of questions asked and the responses were given. This section reflects on the responses given.

Regarding the question whether there is a working relationship between the municipality and the emerging entrepreneurs it was indicated that the municipality assists the entrepreneurs to get funds for their businesses and also provide them with information on

which institutions to consult when they experience challenges in business. For example, the Department of Trade and Industry through Khula Enterprise helps people to get loans for their businesses. It was further stated that the main areas where entrepreneurs are assisted are; funding and the provision of advice.

Regarding the monitoring of development or growth of the enterprises under LED it was indicated that members of the Committee sometimes pay visits to the businesses to see how they are doing. On the question whether there is provision of training/ mentoring to emerging entrepreneurs under LED it was stated that entrepreneurs are advised to apply for training from the Department of Labour. This therefore means that the municipality is not directly involved in the training of entrepreneurs.

#### **4.3 Assessment of Impact**

The assessment of the impact of the policy that is being implemented is one of the critical aspects of Evaluation Research. What follows are the questions aimed at soliciting responses that would help assess the impact of the implementation of the LED strategy of Thembeleshe municipality and the responses thereof.

On the question whether the municipality has an instrument to measure the improvement/ growth of the LED enterprises it was stated that there is no specific instrument.

The municipality relies on the visits that members of the Committee often undertake to see if the enterprises are doing well or not. On the question of reporting after undertaking the visits it was stated that some members do write reports but it is not a standard practice.

Regarding the question about whether there are cases where the municipality is required to intervene and if so how does it do so, it was indicated that there has never been any intervention. However when requested by an Entrepreneur to assist, the Committee provides with the necessary advice. In terms of the total number of people employed by enterprises established through the help of the LED it was stated that such statistics is not yet available.

The information from the questionnaire is presented in a table below.

Questions	Yes	No
1. Does the municipality have an LED strategy?	10	0
2. Have you undergone any training/ workshop on LED?	0	10
3. Do you have any Economics/ Development Studies background?	3	7
4. Do you have a mechanism to track the development/ growth of LED enterprises?	0	10
5. Do you have any monitoring strategy for LED enterprises?	8	2
6. Do you have information on the expenditure patterns of LED enterprises?	2	8
7. Do you hold regular meetings with entrepreneurs?	6	4
8. Do you have information on the skills levels of LED Entrepreneurs?	1	9

**Table 1**

The table presented above reflects the manner in which the members of the LED Committee responded to the questionnaire that was administered. Regarding the first question on whether the municipality has an LED strategy, all respondents said yes it does. The second question relates to whether they have attended any workshop or training on LED and none of them had attended any.

The third question was on the educational background of individual members. The interest was to establish if any of them had done studies related to economic development or development in general. Only three of the ten Committee members had studied economics as a subject and are teaching it at high school level currently. All ten members of the Committee said that the municipality does not have an instrument to track the development/ growth of the LED enterprises.

The fifth question was on the monitoring tool or strategy for the LED enterprises. Eight members of the Committee said the municipality does not have a monitoring tool. The sixth question relates to knowledge about the spending patterns of the LED enterprises. Only two of the ten respondents said they have some knowledge on the spending patterns of enterprises.

Regarding the question on whether there are regular meeting held between the municipality and Entrepreneurs, six of the ten members of the Committee said they do hold regular meetings while others said no.

Regarding the knowledge of the skills levels of the Entrepreneurs, only one of the respondents said yes while others said they do not have such information.

#### ***4.3.1 Interviews with the municipal Mayor***

As indicated earlier, the Mayor of Thembisile municipality was interviewed on the same day with the Committee on LED. Some of the questions used for the interviews with the Committee were also during the one with the Mayor. The following are the questions and responses of the interview;

When responding to the question that seeks to establish the understanding of the philosophy that behind the Local Economic Development policy as adopted by Local Government in South Africa, it was stated that Local Economic Development is a policy through which local government can contribute to the country's economic growth by stimulating economic activities for local people.

In this way the municipalities will also be building their revenue base as the creation of more Entrepreneurs will lead to an increase in the tax base.

The main objectives of the LED policy as identified by the respondent are the following;

- To cultivate a culture of entrepreneurship at the local level;
- To offer financial support and skills development to Entrepreneurs; and
- To provide or seek advice on behalf of Entrepreneurs.

The respondent identified Tourism and Agriculture as the pillars of Thembisile's economy. When responding to the question on what the link is if any, between the Provincial Growth and Development Strategy and the Municipal LED Strategy, the respondent stated that the PGDS provides a broader framework for provincial economic development and also outlines the critical areas or pillars of the provincial economy.

The municipal LED strategy on the other hand enables the municipality to identify their unique strengths and plan for economic development. There is a need for the LED strategy to speak to the provincial strategy as it is all encompassing. The critical areas of economic activity/ pillars of the municipal economy are also located within the broader provincial strategy.

Regarding the respondent's assessment of the performance of Thembisile municipality regarding the implementation of the LED policy it was stated that municipality has done relatively well in the implementation the LED policy. The municipal strategy has been adopted. However, there are some areas that need some improvements.

As indicated in chapter 3 of this report, part of the data was collected through visits to the LED enterprises. Eight enterprises were visited for this purpose. During these visits a questionnaire was administered to managers of each business. Below is a table that shows questions and responses from the entrepreneurs:

**Table 2****Questionnaire for Entrepreneurs**

<b>Questions</b>	<b>Yes</b>	<b>No</b>
1. Does your business have a bank account?	8	0
2. Do you make deposits more than once to your business account in a month?	3	5
3. Was your business first financed through a loan?	6	2
4. Are you able to repay the loan and save some amount for the business?	2	6
5. Do you have a management team?	8	0
6. Have undergone training in entrepreneurship/business or financial management?	3	5
7. Do you have regular meetings with officials from the municipality?	2	6
8. Do you understand Local Economic Development as a Concept?	3	5
9. Are you able to analyze your business growth?	2	6

Regarding the first question on whether the business has an account, all the respondents said they do. Three of the respondents said they are able to make more than one bank deposit in a month. Six of the eight enterprises were financed through a loan.

Only two of the eight respondents said their businesses are able to repay the loan and save some money.

All respondents agreed to use management teams. Only three of the eight respondents had undergone training either in Entrepreneurship/ Business Management or Financial Management. Only two of the respondents said they do have regular meetings with officials from the municipality. Only three of the eight respondents said they have understanding of Local Economic Development concept. Only two of the respondents said they are able to analyze their business growth.

#### **4.4 Data Analysis**

As stated in the earlier chapters of this research, the focus of this study is to investigate the sustainability of the Thembisile municipality's LED strategy. The study therefore, sought to evaluate various aspects of the LED policy as implemented by the Thembisile municipality. The assessment of the conceptual understanding, process theory and the impact of the implementation of the LED policy are therefore critical in determining the sustainability element.

In his article on sustainable development, Cook (1997:276) states that the central building blocks of development are environmental capacity, economic capacity, political capacity and human capacity. Taking from this argument, it would therefore be critical for any development endeavour to take these aspects into account. Under the Assessment of Process Theory it is important to check whether such aspects as economic, political and human capacity have been addressed in the implementation of the municipal LED strategy.

##### ***4.4.1 Assessment of Conceptual Understanding***

The understanding of the concept of Local Economic Development and the philosophy behind it are critical for development practitioners, particularly operating at the local spheres of government.

Poor conceptualization of a programme no matter how good intentioned, may lead either to deviations from the intended objectives or a complete failure of the implementation. It is for this reason that the understanding of the LED by the practitioners at the Thembisile municipality was assessed.

It would appear that the concept of Local Economic Development is not clearly understood by members of the LED Committee of the municipality. The provision or assistance given to entrepreneurs to obtain funds seems to be the key issue in the municipality's approach. In two of the responses, the respondents reflected on this aspect. While this is not entirely incorrect, the LED concept is much broader than that. For example, what may be more critical even beyond the provision of funds is the creation of conducive environment for economic activities within the municipal area.

This could be done amongst other things, by ensuring that there are enabling policies and by-laws that make the area attractive for investment. Another point relates to the provision of funds without due consideration of the capacity to manage. There is some anecdotal evidence showing that in some instances emerging entrepreneurs spend the moneys on items that are not related to the business. The money spent in this way will not be helpful to the growth of the business.

In the second chapter of this research there was a reflection on the fact that a study that was conducted by Jorg Meyer- Stamer in Mpumalanga in 2002 found that there is lack of clarity on the roles to be played by various role players in the implementation of the LED policy. It would appear that this finding is also applicable to Thembisile municipality. In their response to a question that sought to get their understanding of the LED policy, members of the Committee on LED stated that they liaise with government departments to assist entrepreneurs to get funds. They also liaise with departments to get programmes that will be of benefit to the LED entrepreneurs.

While it is important for different sphere of government to have synergized plans, local government, in this case the municipalities are the ones which must take the lead with regard to planning for economic activities at the local sphere. It is therefore problematic to find the municipality depending on the Provincial Departments to give them programmes. Ideally, different government Departments should take part in the planning processes of the municipalities, especially during the drafting of the Integrated Development Plans (IDPs).

The dependence of the municipality on the department leads to a situation where the focus goes mainly to programmes of departments which are responding positively to the requests. Thembisile municipality is a typical example to this scenario. During the interviews it emerged that the only department which is consistent in their interaction with the municipality is Agriculture. This could be the reason why most of the projects and businesses under LED are in the field of Agriculture. In this case the development direction of the municipal area is dependent on the departments and not the municipality.

Regarding the existence of the LED strategy, it was indicated the municipality does have one. However, it was developed by the consultants on behalf of the municipality. One major problem with the consultancy driven development is that after their departure there is often no one to drive the process because in most cases government institutions do not emphasize skills transfer. This could be the reason why members of the Committee did not seem to have a clear understanding of Local Economic Development as a concept.

When responding to the question on the link between the LED strategy and the PGDS, the response tended to create some doubts around the understanding of development in general. The concept of integrated planning adopted by South Africa as its development mode suggest that development plans between and across the spheres of government should relate to each other. The development plans of municipalities should be in line with the priorities identified at the Provincial sphere. It is therefore unfortunate to note that members of the Thembisile LED Committee did not know anything about the document.

With regard to the question on the pillars of the economy both at provincial and local spheres, they were identified as they are reflected in the PGDS document. This means that there is clarity on this matter.

#### ***4.4.2 Assessment of Process Theory***

In Evaluation Research it is critical to assess the implementation process of a particular policy. It is through the assessment of the implementation process that one could be in a position to see if a particular policy will yield the intended results. As reflected in the earlier chapters of this research, even a good intentioned policy may see deviations at the implementation stage due to a number of factors, e.g. poor conceptual understanding of the objects of such a policy. In the case of Thembisile's LED strategy it is critical to see if the implementation is done in such a manner that ensures growth and sustainability of the enterprises or not.

With regard to the response to the question on the relationship between the municipality and the entrepreneurs, it would appear that the municipality sees itself as a conduit through which provincial departments reach the communities. It was further indicated that the municipality helps entrepreneurs to get loans for their businesses. While there is nothing fundamentally wrong in that exercise, the access to funds should not be seen as a panacea to challenges of small/ emerging enterprises.

The growth of a business is one of the indicators of its sustainability. It is therefore critical for development practitioners to have a mechanism to monitor and determine if the businesses they are helping, are growing or not. While there was an indication that members of the Committee do sometimes pay visits to the business site, there does not seem to be a systematic process with instruments to measure the growth of business over time. As shall be shown in the information from the questionnaire, there does not seem to be a plan for such visits and there does not seem to be reporting mechanisms that would ensure that corrective actions are taken to assist those enterprises that do not seem to be growing.

Another critical element for sustainable development is skills development. As Cook (1997:276) noted in his article, the development of human capacity is of utmost importance in development. In terms of the response to the question of training, it would appear that this aspect is not given the primacy it deserves particularly in the context of development. It is not enough for the municipality to refer the entrepreneurs to the Department of Labour. The view held in this study is that the municipality was supposed to spearhead the process and where possible, prescribe in accordance with the skills levels of individual entrepreneurs. The municipality should also enter into a memorandum of understanding with the service providers so that all Entrepreneurs under their empowerment programmes can go through relevant skills development programs.

#### ***4.4.3 Assessment of impact***

Impact assessment is one of the key areas in policy development and implementation. It is critical for the developer to continuously assess if a policy under implementation yields the intended results. This exercise would help developers to take relevant corrective actions where necessary. In the context of this study therefore it was critical to investigate if Thembisile Municipality does assess the impact of the implementation of their LED strategy.

As reflected earlier it would be important for the municipality to have an instrument to measure growth and improvement if any, of the LED enterprises. Regarding this critical aspect it was discovered however, that there is no instrument. The indication was that the municipality relies on the visit to see if there is improvement of the enterprises or not.

However, it must be indicated that even in the case of visit, there was supposed to be an instrument through which all members of the Committee would conduct the assessment. This approach would assist them so that they could have consistency in the issues they are reporting on after visits. This could lead to a situation where the municipality develops a systematic plan for intervention.

Reports are very critical instruments for the development of institutions. It is through report that a particular company can be able to trace its growth over a period. It would be expected that the municipal Committee on LED would make it mandatory for members to submit report after every visits undertaken to the LED business sites. It is somewhat problematic that members of the Committee present the reports on a voluntary basis. Through this approach, the *site visit* as a monitoring tool tends to lose its significance.

Regarding the question on how the municipality intervenes when its LED enterprises are not doing well, it was indicated that the municipality only provides advice whenever approached by individual entrepreneurs. It was further indicated that in most cases people are referred to the Department of Trade and Industry for expert advice.

A reactive approach may not be helpful because some entrepreneurs may not come for such advice at the time when their businesses could still be rescued. They may only approach the municipality or any relevant institution when their businesses have completely collapsed. This often leads to an unfortunate situation where government spends a lot of time and money starting new businesses.

There is a growing concern amongst South Africans that government seems to be dealing with Entrepreneurs which are forever emerging. It was also unfortunate that the municipality does not have statistics of the number of people according to enterprises established through the LED programme. This omission is unfortunate on the part of the municipality because it is mainly through such statistics that government could assess the impact of their economic empowerment endeavours on poverty, especially at the local sphere. Without such information it may be difficult for government see if their policies do indeed reduce poverty as expected.

#### ***4.4.4 Interviews with the Mayor***

This is an office with the responsible for providing strategic leadership at the level of municipality. It is therefore critical for this office to have a thorough understanding of

government policies so that it can be able to provide direction in terms of policy development and implementation. As indicated earlier the Mayor of Thembisile municipality was interviewed using some questions that were similar to those used for the Committee. This section therefore analyzes the responses provided by the Mayor during the interviews.

On the question that sought to establish the Mayor's understanding of the theory behind the Local Economic Development policy in general, the response showed that there is clarity on the part of the Mayor. In his response the Mayor appeared to understand that the significance of stimulating economic activities at the local sphere goes beyond empowering individuals. An area with more economic activities is likely to lead to a rise or improvement on the revenue base of the municipality. When this happens the municipality will have more money for services. In this way every member of the community would benefit from the vibrant economy.

Regarding the objectives of the LED policy three key aspects were mentioned;

- ✓ cultivation of a culture of entrepreneurship;
- ✓ financial support and skills development;
- ✓ provision of advice for entrepreneurs.

These three aspects are important in the implementation of the LED policy. It is plausible to note that the Mayor fully understands the elements that supports growth and sustainability of businesses.

Another critical area relates to the link between the municipal LED strategy and the Provincial Growth and Development Strategy. It is important that development practitioners in all spheres of government should strive towards ensuring that there is synergy in the development plans. The question in this case sought to establish if this understanding is there from both the Mayor and the LED Committee.

Unlike the members of the Committee the Mayor appeared to have clarity on this matter. For example, there was mention of the fact that the Provincial strategy provides a broader

development framework for the entire Province while the municipal strategy focuses on the municipal area's unique areas of strength economically.

Regarding the Mayor's critical assessment on Thembisile municipality's performance in the implementation of the LED policy, the response did not show the same level of confidence and clarity that was evident throughout the interview processes. The use of phrases such as "doing *relatively well, there are areas that need some improvements*", are indicative of lack of confidence on the performance. When a follow up question was asked on the specific areas where the municipality was doing well, there was no clear response. There was an emphasis of the fact that the municipality has already adopted the strategy. The issue here however, is that it is not enough to have a plan because it is the implementation of such that may lead to the improvement in the lives of people.

When analyzing the level of understanding of policy between the Mayor and the LED Committee it would appear that the Committee is the one that still needs to be empowered. However, it must be indicated that it would not help for the person at the strategic level to have clarity on issue if he/ she can not influence people at the operational level to share the same understanding including the vision.

#### **4.5 Results of LED**

Is plausible to note that the municipality has an LED strategy as all of the interviewed members of the Committee responded positively in the questionnaire. While this is the case, it was somewhat problematic to note as shown in the answers to the questionnaire that none of them had been to a workshop on LED. In fact, during the interview process all members supported a view raised by one of them that they would appreciate it if the researcher could organize a workshop for them.

It is critical for practitioners of Local Economic Development to have some background on either Economic or Development Studies.

Some educational background on these fields of study could enable a person to understand some important dynamics of development, debates around LED as an approach and generally the economic realities that need to be taken into consideration.

It was however, not encouraging to note that only three out of seven respondents did have some background. Another challenge that is related to this is that the Committee is comprised mainly of the political office bearers. The slight problem with this is that academic credentials and experience do not count when electing politicians; therefore it is not surprising to find them without educational background in areas where they operate.

As indicated earlier in this research, the growth aspect is one of the key issues when it comes to the sustainability of a business enterprise. In the context of LED it would be important for the municipality to have a mechanism or instrument that they could use to track the growth of the businesses under the LED programme. All members of the Committee stated that the municipality has a mechanism to track the growth of the enterprises. During the interviews it was indicated that the municipality occasionally conducts some inspection to check which of the enterprises are still operational. While such inspections are appreciated, they may not replace the need for systematic way of tracking growth.

Monitoring is one of the key aspects of policy implementation. In the implementation of a critical program such the LED it would important for the municipality to have a monitoring strategy. Monitoring would help the municipality to intervene timely as soon as they notice that entrepreneurs are not doing well on certain aspects of business. Without this tool the municipality would only know about the crisis when the Business has already collapsed.

When responding to the questionnaire, eight of the respondents stated that the municipality does not have a monitoring strategy. The two who said the municipality has a strategy could be referring to the visits that members of the Committee sometimes undertake to the business sites.

It must be noted that during these visits there is no instrument that would guide members of the Committee on the aspects to focus on. This therefore weakens the significance of the whole exercise.

The expenditure pattern is one of the tools usually used to assess the sustainability of such a business. A sustainable business is the one whose expenditure is less than the income. When monitoring the businesses under the programme it would be important for the municipality to have some knowledge about the expenditure patterns. It is unfortunate to note that only two of the respondents stated that they have some knowledge of the expenditure patterns of businesses they usually visit.

The fact that only two members have such important information also shows that there is no uniformity and cohesion in manner of operation amongst members of the Committee. If the Committee had uniformity in terms of its operation other members would have learnt about the importance of collecting information on the expenditure patterns when they visit a business. Regarding regular meetings with entrepreneurs, it is encouraging that six respondents said they do have such meetings. However, it would be proper if all members had regular meetings with the entrepreneurs they only occasionally visit.

Regarding the information on the skills levels of entrepreneurs, nine of the respondents said they do not have any. This is an unfortunate reality considering the importance of skills development in business. The human capacity has been identified by Cook (1997:278) as one of essential elements of sustainable development. It was thus expected of the municipality to prioritize skills development. When people are trained accordingly they develop the necessary skills in critical areas such as marketing and financial management. They would therefore be in a position to work towards ensuring that their businesses growth from one point to another and that they are eventually sustainable.

#### ***4.5.1 Data from entrepreneurs' questionnaire***

In terms of the questionnaire responses all eight respondents indicated that their businesses had bank accounts. When it came to the frequency of making deposits only three of them said they do make deposits in their business accounts more than once in a month. The question around the frequency of deposits tries to establish how busy the enterprises are. From the discussion with the respondents it also emerged that they are not too busy.

In terms of the start up capital six of the eight businesses were financed through loans. The information on whether the businesses were started through money from loans is critical in that it would show whether the businesses had extra financial burden over and above the need to be sustainable and grow. From this information it would appear that the majority of businesses have loans to repay. This makes it imperative for Entrepreneurs to ensure that their businesses are viable. This also applies to skills development programmes by the municipality.

While all businesses indicated in the questionnaire that they have management teams, from the interviews it emerged that most of them one or two individuals are doing almost everything. For example in one Agriculture project, the person who was interviewed was the chairperson and he also keeps the records of the business and is also in charge of the finances. The slight problem with this scenario is that it is often not easy to have proper controls including checks and balances when one person does everything.

One of the questions in the questionnaire was on training in entrepreneurship/ business or financial management. In terms of the responses only three had undergone some training in these areas. This reality does not auger well for entrepreneurs who are in a government programme because one of the issues that government always emphasizes is skills development.

The issue of skills development was supposed to be prioritized in the implementation of the LED program. This is particularly so in view of the fact that government wants to see

visible impact from the interventions introduced. If people are not properly equipped with the skills necessary for their growth it may be difficult for government to realize this objective. Training the entrepreneurs would increase chances of growth and sustainability of the businesses as the knowledge in business would be broadened.

Regarding the meetings with officials from the municipality only two of the eight respondents said they do have regular meetings. This appears to be an unfortunate reality in view of the fact that meetings would provide an opportunity for the municipality to be appraised on the hardships that entrepreneurs are faced with. This would enable the municipality to proactively come up with interventions to address such challenges.

Regarding the entrepreneurs' understanding of Local Economic Development as a concept, only three respondents said they do understand. When people are in a programme it is important for them to know what it seeks to achieve and generally what that programme or policy is all about. The argument in this research is that it is critical for entrepreneurs to clearly understand why it is important to have viable economic activities at the local level. It is unfortunate that a majority of the Entrepreneurs do not seem to know how they fit into government's plan to stimulate economic activities at the local sphere.

The issue of growth is one of the critical elements of a sustainable business. It would therefore be critical for both the municipality and entrepreneurs to be able to analyze their growth. This would enable them to seek solutions to challenges they face even before their businesses could reach a crisis stage. It is unfortunate to note that the majority of entrepreneurs do not have reliable tools to measure their growth.

During the interviews it emerged that the main interest of entrepreneurs is on business continuity. They become satisfied when the business continues to be operational. It should be noted that the word business sustainability is avoided purposely because it would suggest that these enterprises are able to sustain themselves without further input or interventions.

## **4.6 Analysis of the LED guiding documents**

In this section an analysis is made of the documents that guide the implementation of Local Economic Development at Thembisile municipality and beyond. This exercise is aimed at investigating whether these documents provide measures that would ensure sustainability of the LED initiatives. The documents analyzed are:

- National Framework for Local Economic Development;
- Provincial Growth and Development Strategy;
- Thembisile Local Economic Development Strategy.

### ***4.6.1 National Framework for Local Economic Development***

The National Framework for LED was developed by the National Department of Provincial and Local Government in 2005. This framework was developed after the Department had identified some weaknesses in the economic development initiatives particularly at the local level.

This came after a study was conducted on 52 municipal regions in the country in 2004. It is not an intention of this study to have an in depth discussion on the study mentioned. However, it was felt that it would be necessary to reflect on some of the findings which might have implications for this study.

It was discovered that out of the 52 municipal regions, 20 of them accounted for 82,8 % of the country's Gross Value Added (GVA). Gauteng alone accounted for 40% of the GVA. Only 8 areas grew above the national average of 2,5% per year between 1996 and 2003. 11 areas grew below the national average with the rest being around the average percent growth. The framework draws an interesting inference from this scenario as it states:

*“What this means is that to accelerate growth, serious attention will have to be given to these 20 regions as they currently account for most of the economic activity and have the best chance of contributing to higher levels of national growth. 57.8% of the population*

*live in these 20 regions as well as 46.1% of the country's poor (people living below the Minimum Living Level).*

The framework seems to suggest that more attention must be given to the 20 municipal areas because they already account for most of the economic activity. This approach would be problematic in view of the fact that already the country has a problem of skewed development.

Adopting such an approach would not help but widen the existing inequalities further. Another point relates to the fact that 46% of the country's poor live in these areas. This shows that these are not the areas where the majority of the poor people in this country live because the 54% of the poor people live in areas where there is not much in terms of economic activities.

The argument that these areas should be given more attention as they stand a better chance of contributing to higher levels of national growth is problematic because already the country is experiencing the problem of a jobless growth.

Focusing on the 20 areas could lead to a situation where the country would enjoy growth which however, will not impact on poverty levels. It is therefore critical to investigate the cause of poor performance of the 32 municipal areas so that the necessary interventions are sought to try and bring them to acceptable levels. This is more critical in view of the fact that the majority of the poor live in these areas.

According to the Mpumalanga Growth and Development Strategy (MPGDS: 17) the Mpumalanga province was performing at the national average growth of 2.5% during the period of the study. However, the MPGDS goes further to state that the province is experiencing the challenge of unequal development as the rural areas do not have much of economic activities. Looking at the location of Thembisile municipality it could be argued that it is one of the struggling municipalities as the area is largely rural. Therefore the challenges identified at the rural municipalities in the framework would be applicable.

The framework identified a number of challenges for municipalities in the implementation of the economic development policy and these are:

- most cities do not have adequate economic growth strategies in place and are unable to tackle poverty,
- cities cannot develop local economic strategies in isolation from national economic policy,
- manufacturing is in long- term decline,
- there is a decline in levels of professional employment,
- unemployment and low skills levels are major barriers,
- cities make a key contribution to social and economic life in the country but they are also the greatest concentration of poverty.

The challenges mentioned above have serious implications towards development at the local sphere. While the framework highlights these as challenges faced by municipalities in the cities, it must be noted that these are not unique to the cities. In fact, it could be argued that municipalities in rural areas are worse when it comes to experiencing these harsh realities.

It is often argued that cities are better off when it comes to finding relevant skills for their critical positions. The MPGDS also remarks that most parts of Mpumalanga, particularly rural areas are affected by movement of skilled labour to the cities. However, the framework mentions as challenges, i.e. the lack of adequate economic growth strategies and low skills levels in the cities.

If this is the case with the cities, the rural areas are most likely to be worse. It is expected that cities would be in a better position to get skilled personnel in policy development areas. However, the fact that the cities are said to be lacking when it comes to development of local economic strategies shows that the country still has more to do before there could be viable economic activities at the local sphere.

#### ***4.6.2 Reorientation of the LED***

When studying the “LED framework” it would appear that it was developed with the view to address the challenges and weaknesses in the implementation, and to also reorient the entire policy. The following phrase from the framework is indicative of this position:

*“The framework promotes a strategic approach to the development of local economies and a shift away from narrow municipal interests focused only on government inputs into ad-hoc projects – the idea that the concentration of economic activities supports competitiveness is an old one, but the rise of knowledge – intensive New Economy has redirected the attention to the cluster. The idea is that innovation, collaboration, knowledge transfer and network required to support competitiveness in the New Economy is facilitated by linkages provided within a dense clustering of related firms.”*

The implementation of the LED programme has for some time focused on government inputs, often financial, into small scale projects. In most cases these projects lacked the element of sustainability, thus affecting the impact of the entire intervention. Some municipalities, including Thembisile are still input driven. It is plausible to note that government is now putting more emphasis on the knowledge intensive strategy, knowledge transfer and the clustering of economic activities.

Skills development and knowledge transfer should be at the heart of the LED strategy if government is to achieve the ideals of ensuring growth and sustainability of the LED enterprises. It is unfortunate that some municipalities like Thembisile for example, did not put primacy on this critical aspect of development.

The framework has a number of themes. A reflection on some of these themes will be made as they are critical in this discussion. The usefulness of these themes is in the fact that they provide for the environment necessary for successful local economic planning.

### **(a) Institutional building**

This theme is about strengthening the capacity of municipality to deliver on economic development through critical aspects such as creating networks, partnerships with different institutions which can play a role, and creating linkages with other government structures, the business community and civil society.

Creating linkages and networks with various institutions are critical for development because the municipality cannot single handedly address the development needs of the community. This has been one of the weaknesses in terms of the implementation of the LED programme. Forging links with for example, research institutes would benefit the programme immensely as the municipality would be in a good position to be informed of the cutting edge debates around economic development.

### **(b) Non – local relationships to local development**

The traditional LED approach put more emphasis on self sufficiency for local institutions as a way of creating local competitiveness. The current debates however, are more in favour of a model that recognizes the fact that local development does not take place outside the global forces. It is critical therefore, for economic development practitioners at the local sphere to take into account the provincial, national and regional economic realities when they do their planning.

In the case of Thembisile municipality it was discovered that the LED practitioners knew little about the Mpumalanga Growth and Development Strategy. Under such conditions the ideals of ensuring that there is integratedness in planning across different spheres of government is defeated. Ideally municipal plans should relate to the provincial imperatives so that there should be synergy in planning.

### **(c) Appropriate scale of local intervention**

As stated earlier, the implementation of local economic development has shifted from an approach that focused purely on local economic activities to the one that is more regionalist in orientation.

This came after realization that localities may not succeed in their endeavour to be fully competitive without the help of provincial and national structures of government. For example, the local area needs to have their plans in line with the Provincial Growth and Development Strategy and the National Spatial Development Perspective. The municipality may not develop a plan that is contrary to the development trajectory of the national government.

In line with these developments the Gauteng province has developed what they refer to as the “Gauteng City Region”. Through this approach they hope to bring in an element of integratedness in the planning processes of different spheres of government, and create linkages with various non- governmental structures. As a way towards achieving what they referred to as a ‘single developmental region’, Gauteng Premier at the Gauteng City Region Summit in 2006 states that they want to have;

*“A city province characterized by a seamless and integrated approach to governance and a holistic, compassionate and responsive government. All spheres of government in Gauteng shall strive to function as a single entity with an integrated approach to service delivery, economic planning and social development, facilitated by a system of inter-governmental relations that is based on enhanced and revised roles of national, provincial and local government, with a single system of metropolitan local government”.*

The approach that Gauteng is adopting seems to be in line with the Local Economic Development Framework as it places integrated development at the heart of the planning processes. In essence, the framework seeks to introduce into the LED policy the elements of integratedness across government institutions and linkages with non governmental institutions.

#### ***4.6.3 Mpumalanga Growth and Development Strategy (MPGDS)***

The MPGDS as the document that should guide economic development in Mpumalanga is the key document which must be used by municipalities when developing their local

strategies. This would be in line with the position outlined by the national Department of Provincial and Local Government in the Framework for Local Economic Development.

It is be expected that this document would contain critical information such as areas regarded as the pillars of the economy of the province, an in-depth analysis of the socio-economic conditions of the province, institutional arrangements necessary for the implementation of developmental programmes and the strategy through which the province aims to implement its programmes.

The document is clear in terms of outlining the objectives and the provincial growth and development priorities. The document identifies six priority areas for intervention. These areas are said to be based on the social, economic and developmental needs of the province, these are;

- economic development
- social infrastructure development
- social development
- sustainable environmental development
- good governance
- human Resource Development

The document goes further to provide details on the status of the province in each of the priority areas listed. While the document plausibly translates the priority areas into implementable programs with performance indicators, targets and responsible departments, there is lack of clarity regarding coordination of activities of different implementing departments to ensure that is no silos planning and implementation of programmes.

It would be critical for the province to have strategy on how different activities of departments and municipalities are to be channeled towards an integrated system for socio- economic development of the province. This is the aspect that the Gauteng province sought to address with their document on ‘Gauteng City Region’.

Regarding these priority areas the document appears to be too descriptive. It goes at length to describe the current situation in the province on reach of the priority areas. What seems to be lacking is a broad provincial departmental plans that are linked to the PGDS and that there is synergy in order to maximize the impact. For example, the document needs to provide details on what is to done to improve the institutional capacity of the department and municipalities. This aspect is critical in view of the fact that it is useless to have good plans when the implementing agent does not have capacity to realize the good intentions of policy.

#### ***4.6.4 Thembisile LED strategy***

As stated earlier in this chapter, Thembisile municipality sees agriculture and tourism as the pillars of their economy. While the two are key areas of economic activities in the municipal area, in their LED strategy there is an acknowledgement that there is not much in terms of economic activities happening in the municipal area. In their strategy the municipality states:

*“There are limited job opportunities in Thembisile and associated with is the relatively high levels of unemployment and low income levels. Most of the population of Thembisile relies on external areas of economic activity like Tshwane and Emalahleni (Witbank) to provide job opportunities. There is limited industrial activity at Kwamhlanga and Kwaggafontein, and retail activities are mostly concentrated around some of the major intersections.*

*Extensive agricultural activities take place in the rural parts of the municipality although not at high level intensity.*

*About 108 899 hectares of State Owned land located in Thembisile is occupied by semi – commercial farmers who lease land with an option to purchase. The tourism potential in Thembisile is not utilized at all”.*

The introduction of Local Economic Development policy in the country could be viewed as a way of curbing large scale migration of people in search of better job opportunities, which was a feature of the development trajectory of South Africa before 1994.

This system saw many people leaving their local areas, mostly rural, to the cities, mainly Johannesburg and Pretoria. The whole process led to skewed development in favour of major cities. It is unfortunate to note, as shown in the above extract, that some local areas still depend on major cities for jobs and economic activities.

With regard to the retail activities that are said to be concentrated at Kwamhlanga and Kwaggafontein, this refers to mainly, the shopping complexes where there are a number of chain stores. The kinds of employment offered by these shops are mostly casual/temporary jobs. Therefore the quality of the jobs and the income thereof is somewhat meager as reflected in the strategy.

The municipality's LED strategy seems to be consistent with the information obtained through interviews. Both sources place agriculture as the main area where some level of economic activity is taking place. What seems to be somewhat problematic though is that the provincial Department of Agriculture appears to be the driver of the process instead of the municipality. Ideally, it is the municipality which was supposed to be leading the process with national and provincial departments aligning their programmes to fit into the development plans of the municipality.

This approach to development by the municipality seems to be informed by the fact that they seem to see the role of the municipality to be more of a conduit through which programmes of provincial departments reach the local communities. This becomes more apparent when studying the main objectives of the LED strategy of the municipality:

- to support and facilitate current economic development initiatives by external service providers as best as possible;
- capacitating the SMMEs.

While the first objective seems to be indicative of how the municipality perceives themselves in development, the second one seems to be more critical and in line imperatives of sustainable development. Capacity building and skills development are key towards growth and therefore sustainability of small businesses. However, the municipality does not have a clear programme to capacitate the Entrepreneurs.

During the interviews it emerged that one of the pillars of the economy in Thembisile is Tourism. However, the strategy states that the tourism potential of Thembisile is not utilized at all. What this means is that tourism is only at the level of a potential in this municipal area as it is not yet explored. Perhaps this is because at the moment there is no government department that has taken the lead as in agriculture. This could therefore mean that tourism will remain an untapped potential for a long time in Thembisile, and this does not make it a pillar of economy as the municipality does not enjoy any economic benefit from it.

#### **4.7 Conclusion**

As discussed in the earlier chapters of this study, Local Economic Development policy is an important intervention which if implemented accordingly could help improve the socio- economic position of the local people. From the analysis of the data presented in this chapter, it becomes apparent that at Thembisile municipality there is need to first ensure that the LED policy is clearly understood. The understanding of the concept is critical as it affects the implantation and other phases.

## **Chapter 5**

### **5. Findings, conclusion and recommendations**

#### **Introduction**

This section covers a discussion on the findings, conclusion and recommendations from the study. The findings of this study are done in accordance with the research aims, objectives and questions as reflected in the first chapter. The findings will also be discussed in terms of the three key aspects of Evaluation Research, the Assessment of Conceptual Understanding, the Assessment of Process Theory and the Assessment of Impact.

As indicated in the earlier chapters, this study has two aims. Firstly, it investigates the economic development strategies employed by the Thembisile municipality. Secondly, it assesses the sustainability of the strategies used to obtain sustainable development.

In terms of the first aim, Thembisile municipality uses a development strategy that has three aspects. The first one is about the provision of funding to the LED entrepreneurs. The second one is about linking the entrepreneurs to relevant departments for financial and other forms of assistance, and the third one is skills development for the entrepreneurs.

With regard to the funding provided to entrepreneurs it was discovered that the Thembisile municipality provides funds though on a small scale. While this might be helpful particularly in view of the fact that most of the LED enterprises are owned by emerging entrepreneurs, there is strong need for such funding to be complimented with close monitoring, mentoring and training.

It is unfortunate that the Municipality was found to be somewhat weak on these aspects. Although individual members of the LED committee do sometimes visit the enterprises,

there does not seem to be a system of evaluating progress in terms of growth and sustainability. Also linked to this is their third aspect on training. The study found that the municipality does not have a training programme for their entrepreneurs. This is also an unfortunate reality because skills development is one of the important issues if one is to achieve sustainability.

Regarding training it was noted that the municipality is somewhat reactive in approach. They wait for entrepreneurs to make enquiries. Even then they only refer them to the Department of Labour. There is no Memorandum of Understanding between the Department of Labour and the Municipality. Such a standing arrangement would be ideal as it would afford the municipality an opportunity to determine the kinds of training to be provided their entrepreneurs.

The other part of the strategy used by the municipality is about linking the entrepreneurs to the government departments that are relevant to their needs. For example, if an enterprise deals with farm produce the entrepreneur would be referred to the Department of Agriculture. The creation of linkages for the local business is very critical. It gives the entrepreneur a much needed exposure to business. It also opens opportunities for markets and possibilities of accessing funds to expand the businesses.

Notwithstanding the advantages mentioned above about the creation of linkages for the entrepreneurs, the implementation of this strategy by Thembisile municipality did not necessarily focus on the creation of networks. The manner in which this strategy was employed tended to confuse the municipality's role in the implementation of the LED policy. There was more of a referral because they liaised with departments in order to be informed about the departmental programmes that are aimed at empowering the communities, and then referred their entrepreneurs. In this way it would appear that the programme is not necessarily driven by the municipality as they do not seem to have clear programs of their own. They rely on what is offered by other institutions.

It is critical that the LED policy should be driven by the municipality and other institutions would then come in where it is necessary.

## **5.1 Findings**

### ***5.1.1 Program Evaluation***

#### **(a) Assessment of Conceptual Understanding**

As argued in the earlier chapters, it is critical for the implementers of policies and programmes to have a clear understanding of the concept or the philosophy that behind such programmes. Without this level of understanding there is a risk of deviations from the intended objectives, particularly at the implementation stage.

This study also sought to investigate the level of understanding of the LED concept by the practitioners at Thembisile municipality. To this end a number of questions aimed at eliciting responses that would help assess the conceptual understanding were posed to the LED Committee and the Mayor. In terms of this aspect it would appear that the LED Committee's understanding of the LED policy is that it is more about the provision of funds to the emerging enterprises. Also, the Committee felt that their role is that of linking entrepreneurs to relevant departments for empowerment programmes.

While the Committee's understanding of the LED policy is not completely off the mark, it would be misleading to assume that the policy is just about the aspects mentioned. The aspects mentioned are part of the strategies that could be used to address particular challenges in the implementation of the policy. For example, the sourcing of funds is critical in view of the financial status of many of the entrepreneurs.

The view held in this study is that the Local Economic Development policy is broadly about firstly, the creation of the conducive environment for economic activities to flourish at the local sphere. This could be achieved through the introduction of investor friendly policies, introduction of tax relief programmes, etc. Secondly, the creation of platform for Public Private Partnerships to take place at the local sphere, as against solely focusing on government institutions. It was noted that the municipal Mayor had a clearer understanding of the LED concept.

This is an unfortunate situation because it may not help much to have the political head of the institution being the only who is clear on issues. There must be ways of ensuring that his understanding filters down to the implementers as they are significant role players in policy development and implementation.

#### **(b)Assessment of Process Theory**

When studying the responses provided for questions that were aimed at eliciting information around the process of implementation, it could be argued that they are consistent with observation made earlier on the effects of a lack of conceptual understanding. It was argued that a lack of a clear understanding of the concept leads to deviations from the intended objectives of the policy. For instance in this case, it was indicated that the main areas where entrepreneurs are assisted are funding and provision of advice. Influenced by their understanding of the concept of LED, the Committee prioritized the provision of funds.

Another area of concern is that the Committee seemed to neglect the critical aspect of monitoring the growth of the LED businesses over a period of time. As a response to a question on the availability of a monitoring system it was indicated that they often pay visits to the business sites. However, even when they do this they do not have an instrument to measure growth. They also do not seem to have focus areas when conducting such visits.

It is an argument held in this study that capacity building is one of the critical areas for sustainable development. Building capacity through training and mentoring would help curb the problem of dependency on government inputs (funds) by the entrepreneurs. It would be critical for the municipality to have a clear programme to communicate with their LED entrepreneurs. The provision of training should not depend on the initiatives from individuals as it is at the moment. Even when the Department of Labour provides training, there is a need for a constant communication initiated by the municipality with a view to shape the type of training relevant for their Entrepreneurs.

### **(c) Assessment of Impact**

The responses to questions on the Assessment of Impact show that the municipality does not have ways of assessing the impact of their interventions in development, in particular the LED policy. Firstly, the absence of an instrument to measure growth of the enterprises means that they do not know if the businesses they have helped to establish are sustainable over a period of time.

Secondly, the absence of an evaluation tool means that the Municipality is not in a position to know the overall impact of their policies on unemployment and poverty in general. To this end, the Municipality does not seem to have statistics on the number of people employed in the LED enterprises. The inability to assess the impact of policy interventions is an unfortunate reality because the Municipality as the implementer would not have the information to assist them in terms of taking corrective actions during the implementation process.

### **5.2 Limitations of the study**

The study intended to conduct interviews with the relevant Non Governmental Organizations operating within the municipal area. However, it was discovered that the area does not have such organizations, particularly in the area of economic development. It was therefore decided that the study could still be pursued without such information as the other groups in the sample were available.

### **5.3 Conclusion**

In view of the findings of this study on various aspects investigated, it is concluded that while Thembisile municipality does have an LED strategy, there is lack of the element of sustainability.

This was evident with the absence clear instruments to measure growth, the absence of a proper monitoring system and the lack of capacity building mechanisms for LED Entrepreneurs.

## **5.4 Recommendations**

Based on the findings on various aspects investigated in this study, the following recommendations are made with a view of assisting the municipality to improve in their implementation of the LED policy:

- A workshop should be organised to broadly discuss the concept of Local Economic Development;
- The municipality needs to develop an instrument through which they could measure the growth of LED enterprises over a period of time;
- In order improve on monitoring system, the municipality must develop some guidelines to be used by Committee members during visits to the business sites;
- The municipality must develop a capacity building strategy as it is critical for growth and sustainability of businesses;
- The municipality must put some focus on the introduction of policies that would help create an environment conducive to economic activities;
- The municipality must create a platform for Public, Private Partnerships (PPP) so that they could be in a position to tap into the resources of private sector;
- There must be constant evaluation on the overall impact of the LED policy on poverty and unemployment.

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