THE ROLE OF LOCAL ECONOMIC DEVELOPMENT ON POVERTY ALLEVIATION IN NELSON MANDELA METROPOLITAN MUNICIPALITY

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The Role of Local Economic Development on Poverty Alleviation in Nelson Mandela Metropolitan Municipality

By

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Guided Research Report submitted in fulfillment/ partial fulfillment of the requirements for the degree of Students qualification to be awarded at the Nelson Mandela Metropolitan University

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Supervisor: Professor R Ncwadi
DECLARATION

I Andisiwe Zazaza- Msengana 212451871, declare that the work contained in this Guided Research is my own original work. It is being submitted for the degree of Master of Development Studies at the Nelson Mandela Metropolitan University, and that to the best of my knowledge this work has not been previously authored and submitted to any institution of higher learning.

_________________________________

Ms. Andisiwe Zazaza- Msengana
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ABSTRACT

Local economic development in South Africa has been a term used to define interventions to promote economic development in a specific area ranging from small neighborhood through to a region or district. Approaches to LED have developed and changed as local economies have had to respond to changing impacts in the global economy.

Local economic development projects range from simple and small to larger and more complex actions and programmes. They are aimed at changing local socio-economic relationships fundamentally over time. At the core of LED is the need to involve local people and institutions in the development of their local economies by focusing on opportunities for economic growth, employment creation through empowerment as well as social and economic transformation. Local economic development is most importantly about people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the local community.

In an attempt to assess the role of LED on poverty alleviation in NMBM three LED projects were identified. Participants were members of the projects. The study found that, indeed LED projects do have a positive impact in changing socio-economic conditions of the local people. LED initiatives play a role towards poverty alleviation and economic development since they contribute towards job creation, skills transfer, infrastructure development and improving livelihoods of the people community.
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May the Lord Almighty Bless and keep you.
LIST OF ACRONYMS

ASGISA  Accelerated and Shared Growth Initiative – South Africa
CDM     Cacadu District Municipality
DEDEA   Department of Economic Development Environmental Affairs and Tourism
DPLG    Department of Provincial Local Government
DTI     Department of Trade and Industry
GEAR    Growth Employment and Redistribution
IDP     Integrated Development Plan
ILO     International Labour Organization
NMBM    Nelson Mandela Bay Municipality
LED     Local Economic Development
LRED    Local and Regional Economic Development
MDG     Millennium Development Goals
NDP     National Development Plan
NGP     New Growth Path
NSDP    National Spatial Development Plan
PGDS    Provincial Growth and Development Strategy
PGDP    Provincial Growth and Development Plan
RDP     Reconstruction and Development Programme
CHAPTER 1

1.1 BACKGROUND/ RATIONALE OF THE STUDY

In South Africa, LED is a post 1994 phenomenon. Under apartheid, South Africa had a distinct regional planning policy regarding settlement patterns with all residential areas underpinned by racial segregation. As a result, the majority of the population was displaced and lived in marginalised townships. Strong central government control, characteristic of most of the 20th century, suppressed the emergence of LED initiatives in towns and cities of South Africa and lead to the erosion of local autonomy. With democratisation in 1994 however, came a new vision of development, and the concept of LED attracted more and more attention in government circles and amongst policy makers, to the point of being an explicit government priority today (Labour Force Survey of Statistics, 2003; Poverty and Inequality Report, 1998).

Apartheid created separate local government structures, both urban and rural, most of which were under-resourced and unable to service the needs of their communities. There are unequal rates bases, backlogs in service infrastructure in historically disadvantaged areas and spatial separations and service disparities between towns and townships. The resulting urban sprawl increases service provision costs. The social situation of the historically disadvantaged population of South Africa living in rural areas is characterized by relatively low standards of living and high rates of unemployment and poverty (Labour Force Survey of Statistics, 2003; Poverty and Inequality Report, 1998).
The Draft National Poverty Strategy (2010: 18) has two strategic objectives, which are the eradication of poverty and the reduction of inequality in society. According to this strategy, there are four guiding principles underpinning the approach being proposed in this Anti-Poverty Model, namely:

- Sufficiency, implying that the South African society has, as its priority, that everyone should reach at least a minimum threshold (e.g. a minimum standard of living) sometimes also closely related to human rights;
- Priority, implying that the needs of the most vulnerable should take priority;
- Equality of process, implying the quality of relations between people, the interactions between them, and the interactions between people and institutions;
- Equality of opportunity, implying resources, talents, institutions, and effort.

According to Policy Coordination and Advisory Services (2005: 03), the Provincial and Local Government departments have an important role to play in contextualizing national imperatives and grounding them within the realities and specificities of each province, and guiding local government in the development and implementation of IDPs and programmes for sustainable development.

The majority of people is resource poor and has insufficient incomes and often also limited access to basic services to satisfy their elementary needs. While the achievements made over the last nineteen years in addressing the social needs of the poor are quite impressive, concerns remain about the sustainability of these often strongly subsidized interventions (Rogerson, 2003). The context and the direction for the role of municipalities in economic development is provided in the White Paper on
Local Government. It states that “Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities.” Its role is therefore to create a conducive environment for economic development and growth.

Several broad intervention areas are identified in terms of local economic development initiatives for poverty alleviation (World Bank (2001, 2004a). More especially, key areas of municipal policy intervention are identified as relating to:

- Regulatory frameworks, which support the livelihoods of poor communities
- Access to municipal services, and
- Employment creation.

The aim of local economic development is to produce higher standards of living, improve the quality of life, alleviate poverty, create more and better jobs, advanced skills and building capacity for sustained development in the future for local communities. Improving the delivery of infrastructural services to poor communities is a critical element of local economic development in support of poverty alleviation. Local economic development is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community (World Bank, 2004).
1.2 PROBLEM STATEMENT

The context and the direction for the role of municipalities in economic development are provided in the White Paper on Local Government (1998). White Paper on Local Government (1998) states that “Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities.” According to the White Paper (1998) the role of municipalities is therefore to create a conducive environment for economic development and growth.

There are LED initiatives/ projects that are taking place in Nelson Mandela Bay Municipality to list the few is TATI project which is Tinarha Agricultural Tourism Initiative, UDDI, Uitenhage Despatch Development Initiative and Mayethu Sewing coop but in spite of these initiative unemployment and poverty still prevails. This research seeks to assess whether these LED initiatives/projects play a role in reducing unemployment and poverty in Nelson Mandela Bay Municipality.

1.3 OBJECTIVES OF THE STUDY

The aim of this study is to assess the role LED on poverty alleviation in Nelson Mandela Bay Municipality. An assessment will be conducted on how LED projects in Nelson Mandela Bay Municipality have been implemented and the impact that these projects have in the affected communities. The research objectives are to evaluate the success of LED on poverty alleviation in targeting the poorest areas, where unemployment is high and permanent jobs are difficult to create. The evaluation of its success and its effectiveness will be based on the following indicators.
The role played by LED in changing the lives of the people in the local community

What training was provided to people and how many people were able to find permanent jobs in these projects

Has LED project benefited the poorest in the target area?

To assess and evaluate the impact of LED initiatives in poverty alleviation and employment creation.

1.4 RESEARCH METHODOLOGY:

This study is based on a qualitative and quantitative research methodology. The data was collected through use of questionnaires and face to face interviews with the LED project beneficiaries. Qualitative research involves an in-depth understanding of phenomenon; as such it involves detailed verbal descriptions of characteristics, cases and settings. Observation, interviews, and document reviews were used as methods of collecting data (Creswell, 1998:15). Quantitative typically includes customer surveys and questionnaires. These can be conducted face-to-face with a clipboard and pen, over the telephone, via post or email, online or via your website. Survey questions have to be carefully considered so that the results will provide meaningful data. Quantitative research is essentially about collecting numerical data to explain a particular phenomenon, particular questions seem immediately suited to being answered using quantitative methods.
1.4.1 Sampling procedure

The sample was drawn from the members of the LED projects in Nelson Mandela Bay Municipality. These projects are based in the following areas: Uitenhage, Despatch and Zwide Township. Five members were interviewed from each project. This means that in total there were fifteen members that were interviewed. Whist no specific sampling framework was drawn, the aim was to reach as many respondents as is possible. Consequently only eight respondents were willing and able to answer the questionnaires.

1.4.2 Data collection technique

Data was collected using a structured questionnaire and interviews with the members of the LED projects in NMBM. The data was collected over a two weeks period during elections. A pilot study was conducted during June 2014. Upon the results of the pilot study the questionnaire was modified to address shortcomings and challenges experienced during a pilot phase. A second phase of data collection was done during the week of 10th August 2014. Both open ended and closed ended questions were used, enabling respondents to fully express themselves. Fifteen questionnaires were distributed to the project members. Three LED projects were identified and each project had five members that were interviewed and they were my target group.
1.5 CHAPTER OUTLINE

- CHAPTER 1: OVERVIEW OF THE STUDY
- CHAPTER 2: LED MEANING AND CONTEXT
- CHAPTER 3: LITERATURE STUDY
- CHAPTER 4: SOCIO-ECONOMIC CONTEXT OF THE NELSON MANDELA BAY MUNICIPALITY
- CHAPTER 5: RESEARCH METHODOLOGY
- CHAPTER 6 FINDINGS
- CHAPTER 7 RECOMMENDATIONS

1.6. CONCLUDING REMARKS

This chapter presented the introduction and background, problem statement, research methodology and chapter outline. Having outlined these introductory aspects of the research, the next chapter presents the meanings and context of LED in South Africa.
CHAPTER 2
LOCAL ECONOMIC DEVELOPMENT: MEANINGS AND CONTEXT

2.1 INTRODUCTION
For one American LED scholar, LED represents increases in a ‘local economy’s capacity to create wealth for local residents’ (Bartik, 2003:1). Trah, 2004:1 paints a wider canvas of LED as a territorial concept and part of local development or regional management, specifically aiming to stimulate the local economy to grow, compete and create more jobs, in particular by making better use of locally available resources. Helmsing and Egziabher, 2005:1 consider LED to be ‘a process in which partnerships between local governments, NGOs, community based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory’. The World Bank views LED as ‘a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation’ (World Bank, 2003:1).

2.2 LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA
The South African constitution established “developmental local government”, and this includes the responsibility for economic development. Until about 2003, the conceptual discussion around LED in South Africa primarily focused the issues of poverty alleviation, upliftment of the previously disadvantaged persons (black empowerment) and infrastructure development. LED used to be conceptualised as part of a social policy and an affirmative action agenda. LED was often identified with small projects with an extremely limited impact which addressed marginalised groups of persons.
Evaluations found that the impact of such interventions was very limited. At the same time, it became obvious that there needs to be a stronger effort to enhance the job creation capacity of the established formal economy (African Development Report, 2002:1).

Thus, creation of location-based competitive advantage as a theme has been introduced into the LED policy. Economic development is based on the efforts of companies – some of them government owned, but most of them private. The main target group of local economic development (LED) are thus companies, in particular the private sector. LED efforts are often primarily directed at attracting companies. The main goal of traditional LED efforts (i.e. in industrialised countries: from the 1960s to the 1980s) was to attract new investors. It is much too narrow, however, to limit LED in this way. There are three types of companies which can be the targeted in LED: Local companies, external investors and start-up companies (Meyer-Stamer, J.2006).

Any local development effort involves the public and private sectors, and probably also other actors. The basic pattern of a successful LED effort involves a network, not an organization. LED is based on a policy-network, i.e. a set of different actors, governmental as well as non-governmental. The reason is that each actor contributes specific resources—legislative power, money, information and knowledge, credibility and prestige, and others (Ruecker/Trah, 2007).

On the public side, the legislative and several branches of the local or regional executive have to play a role. On the private side, chambers and other business
associations have to participate. But there may also be active involvement of companies, most obviously real estate and development firms and utilities, but also other companies, such as large firms involved in supplier development or community development activities (Ruecker/Trah, 2007).

Local economic development (LED) in South Africa has been a term used to define intervention to promote economic development in a specific area ranging from a small neighbourhood through to a region or district. Approaches to LED have developed and changed as local economies have had to respond to the changing impacts of the global economy. The emphasis in LED has grown beyond a preoccupation with local self-sufficiency towards understanding, developing and exploiting economic linkages from district and national, through to the global level. Local economic development projects range from simple and small to larger and more complex actions and programmes (Nel, 2005:1).

LED projects are aimed at changing local socio-economic landscapes fundamentally over time. At the core of LED is the need to involve local people and institutions in the development of their local economies by focusing on opportunities for economic growth, employment creation, through empowerment as well as social and economic transformation. Local economic development is most importantly about people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the local community. The Government of South Africa has promoted LED through the concept of the “developmental state” and offers practical and financial support to local groups organized for the purpose of developing the local economy (Rogerson, 2000:397).
2.3 NATIONAL ENABLING PERSPECTIVE

South Africa today is characterised by a highly dualistic economy, with a sophisticated formal sector of numerous globally-competitive multinational companies, paralleled to a population where up to 40% are unemployed and dependant on welfare grants and the informal sector to survive. This duality in South Africa has been termed as the first (formal) and second (informal) economy (CWCI, 2006). The basis for the current policy framework for LED was originally set down in the South African Constitution.

According to Sections 152 (c) and 153 (a) of the former, local government must "promote social and economic development" and it must "structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community". The Reconstruction and Development Programme (RDP) document (ANC, 1994) made implicit references to the notion of LED through the apparent support for community-based development and locality based initiatives. This was followed by the Urban Development Framework and the Rural Development Framework published by the RDP office.

However, during the first five years of the RDP, LED generally took second place to housing and infrastructure programmes. With the closing of the RDP Office, these policies were taken over by the Department of Housing and the Department of Land Affairs. The research has shown that LED initiatives have direct impact on the livelihoods of communities and those involved in the projects with positive
benefits derived by the dependants of the projects in the long run. Local Economic Development has many different faces and manifestations. At its core, it is about building endogenous capacity enabling local communities, their institutions and enterprises to act purposefully and in partnership with government at all levels to build a sustainable and inclusive economy in the area (Nel, 2001).

Local Economic Development is designed to tackle complexity and reach the places and target groups that mainstream policy and programmes, as well as the market, cannot reach. Specific LED programmes and projects can focus on enterprise development, essential infrastructure to support economic and business development in the local area, urban and village renewal, rural regeneration, pathways to employment, integrating the labour market, social inclusion, adapting to change and innovation, lifelong learning to mention but some. The creation and strengthening of endogenous capacity is either a pre-condition for, or a consequence of, effective action (DPLG, 2004).

2.4 SOCIO-ECONOMIC CONTEXT AND THE NEED FOR INTERVENTION
The Eastern Cape features regularly as the Province in South Africa with a chronic accumulation of socio-economic disadvantage. Bequeathed an under-developed economy by apartheid South Africa, the Province still grapples with a structurally skewed economy. It has an under-capitalised and under-performing agricultural sector that could potentially boost the economy. The tertiary sector presently accounts for most of the Province’s labour force, but carries a relatively bloated public sector.
Manufacturing is largely dominated by the automotive industry in the Nelson Mandela Bay Municipality and Buffalo City Municipality, predominant to such an extent that it creates potential vulnerability. All of these issues point to the need for policies promoting economic diversification, especially through small enterprises and cooperatives, as identified in the Eastern Cape Provincial Growth and Development Programme (PGDP, 2004–2014). LED in the province is being pursued by a wide range of actors at different levels (local, provincial, national and international) and within different sectors.

This multi-actor, multi-level, multi-sector character of LED has been recognized internationally. It provides fertile ground for experimentation with different LED approaches, led by different actors operating at different levels, with different goals. Although this does not fit in neatly with either the IDPs or with the Provincial Growth Development Plan (PGDP), the diversity reflects a necessary search for effective LED approaches in a context where LED implementation in South Africa is in a crisis of credibility (Hindson. Hindson. & Preddie, 2003).

At the provincial and local spheres of government, there has been an attempt to combine two approaches, which are the conflicting paradigms at national level regarding appropriate LED approaches. The Department of Provincial and Local Government (DPLG) emphasizes pro-poor, community economic development and empowerment, and the Department of Trade and Industry (DTI) stresses on economic growth-oriented enterprise development based on competitive advantage and production for export. Combining the two approaches the Eastern Cape Province, seeks
to encourage the implementation of economic development in such a way that it has
direct and tangible benefits in terms of social development, empowerment and poverty
alleviation, particularly within disadvantaged communities (Hindson .D et al, 2003).

2.5. LOCAL ECONOMIC DEVELOPMENT IN GENERAL

The rise in the levels of poverty and unemployment in the last 30 years has
necessitated the need for countries and local municipalities to develop “self-reliance
strategies which are practised either as traditional form of livelihood or as local
alternatives to overcome poverty”. Akah (2008) argues that globalisation has
weakened the control states have over their economies, and this has forced localities
both rural and urban to pursue locally determined appropriate development strategies.
In South Africa, LED has been interpreted in different ways resulting in a considerable
degree of Policy confusion (Rogerson, 1997).

It is important to note that LED occurs at different levels and can take place at ward
level, neighbourhood level or at city level of which poverty manifest itself categorically
within these three levels of society and this is an outcome stemming from local initiative
and driven by local stakeholders (Fosler, 1991 ) as cited in Nel, and Rogerson,
2005).The main aim of local economic development initiatives is to encourage local
participation to determine economic and social welfare initiatives for the locality and the
community. The concept is based on promoting local approaches that respond to local
needs and conditions of the people within a community. Local Economic Development
requires the creation of an environment that enables the stimulation of new
opportunities, in rural and urban regions where there may be limited existing opportunities for economic growth. Local Economic Development programmes should aim to strengthen and re-enforce good governance and identify sustainable income generating opportunities for local community particularly for previously disadvantaged people.

According to Nel (1999), Local Economic Development Strategies are important because they allow for the development planning that is custom made to suit the needs of the area and encourage a bottom-up approach to programme. Ackerson (2005:4, and Rivett Carmac 2008) identified the following essential features to LED:

- A bottom up approach
- Building local development coalitions through networking
- An institutional not an organisational approach
- Focusing on community resources towards resolution of community resources issues
- Mobilisation of community capital in support of community economic development
- Community advocacy and heightened competition between communities
- More business-like approach to development

Local economic development can be viewed as a mechanism to reduce the levels of poverty. LED can be defined as a “process in which local governments and/or community based groups manage their existing resources and enter partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area”. Blackley and Bradshaw (2002)
define LED as a “process in which local government or community based organisations engage to stimulate or maintain business activity and employment.

The principal goal of LED is to stimulate local employment opportunities in sectors that improve the community using the existing human, natural and institutional resources”. LED interventions can range from small neighbourhood, town or city. The concept of LED is driven by the need to use local resources to create jobs and stimulate local economic activity. In recent times, as noted by the International Labour Organisation (ILO), centralised and macroeconomic policies have failed to support local economic development and have led to high levels of unbalance in development. Macroeconomic policies have been criticised for heavily putting emphasis on economic growth, thus neglecting the beneficiation from this economic growth at local level. LED aims to move away from centralised and economic policies by adopting a bottom up approach to job creation and stimulating local economies.

2.6. LED IN AFRICA GLOBAL CONTEXT

The International Labour Organization (ILO) maintains that globalisation ‘has changed the rules that govern the world’s economies, connecting national, regional and local economies more than ever before’ (ILO, 2008a:2). Further, it asserts that local economies are strongly influenced ‘by policies and processes formed at the supranational level, such as market liberalisation, expanding global production systems and the changing terms of trade’ (ILO, 2006:2).
Globalisation is a vital driver of changes in the way local and regional development is planned (Pike et al., 2006; Ruecker & Trah, 2007; Christensen & Van der Ree, 2008; Rodriguez-Pose, 2008a, 2009a). It is acknowledged that one of the major features of globalisation ‘is that markets have become more pervasive and are affecting countries simultaneously across the world’ (Christensen & Van der Ree, 2008:2).

In addition, globalisation ‘implies changes, opportunities and threats and not all territories across the world have the same capacity and tools to make the world an even playing field’ (Rodriguez-Pose & Crescenzi, 2008:372). One outcome of accelerating globalisation that has been observed is the way it exposes even the most remote spaces to competition and forces firms, localities and regions to react and adjust to the new economic conditions’ (Pike et al., 2006:4).

In this reshaped terrain for local and regional development, planning for local economic development (LED) is now a widespread facet of international development planning, particularly in the context of pervasive trends towards decentralisation the deliberate and planned transfer of resources away from central state institutions and of shifting structures of government and governance (Rodriguez-Pose & Tijmstra, 2007; Christensen & Van der Ree, 2008; Rodriguez-Pose & Sandall, 2008; Rodriguez-Pose & Ezcurra, 2009). Localities are increasingly viewed as ‘pivotal sites of competitiveness in a new global economy’ (Valler & Wood, 2010:140) as globalisation gives LED strategies ‘a bigger role to play in international development’ (Rodriguez-Pose, 2008a:24).
particular, LED ‘offers a means to counteract or take advantages of the forces of globalisation by maximising local potentials’ (ILO, 2006:2). Amid current circumstances of global economic turmoil, localities are compelled to find new solutions to support local competitiveness and to create inclusive development (Gomez & Helmsing, 2008; ILO, 2008a).

2.7 CONCLUDING REMARKS

The principal goal of LED is to stimulate local employment opportunities in sectors that improve the community using the existing human, natural and institutional resources”. LED interventions can range from small neighbourhood, town or city. The concept of LED is driven by the need to use local resources to create jobs and stimulate local economic activity. In recent times, as noted by the International Labour Organisation (ILO), centralised and macroeconomic policies have failed to support local economic development and have led to high levels of unbalance in development. Macroeconomic policies have been criticised for heavily putting emphasis on economic growth, thus neglecting the beneficiation form this economic growth at local level. LED aims to move away from centralised and economic policies by adopting a bottom up approach to job creation and stimulating local economies.
CHAPTER 3
LITERATURE REVIEW

3.1 Theories of Development

The aim of this chapter is to present literature review. The chapter is divided into two sections. The first section presents a theoretical literature review. The second part presents the policy framework. This chapter also explores the historical and intellectual evolution in scholarly thinking about how and why development does or does not take place.

3.1.1 Classic Theories of Economic Development: Four Approaches

The classic post–World War II literature on economic development has been dominated by four major strands of thought:

1. The linear stages of growth model
2. Theories and patterns of structural change
3. The international dependence revolution
4. The neo-classical, free market counterrevolution

Theorists of the 1950s and 1960s viewed the process of development as a series of successive stages of economic growth all countries must pass. It was an economic theory of development in which the right quantity and mixture of saving, investment and foreign aid were all that was necessary to enable developing nations to proceed along an economic growth path that had historically been followed by the more developed countries. This linear stages approach was replaced in the 1970s by two competing schools of thought. The first one which focused on theories and patterns of structural
change used modern economic theory and statistical analysis in an attempt to portray
the internal process of structural change that a typical developing country must undergo
if it is to succeed in generating and sustaining rapid economic growth. The second, the
international dependence revolution was more radical and more political. It viewed
underdevelopment in terms of international and domestic power relationships,
institutional and structural economic rigidities (Todaro and Smith, 2011).

3.1.2. Adam Smith: a theory of competitive capitalism and growth

Adam Smith provided one of the earliest and most enduring metaphors for the operation
of the capitalist market system: the invisible hand what Smith called the invisible hand is
simply what we refer to as the forces of supply and demand working to attain
equilibrium in a competitive economy. Smith believed that there was a harmony of
interests among consumers and producers and among workers, landlords, and
capitalists and other groups in the society which the competitive capitalist system
mediates to the benefit of all. No sources are provided in this whole paragraph. (Todaro
and Smith 2011).

3.1.3. Smith’s views on economic development

Smith believed capitalism to be a productive system with the potential to vastly increase
human well-being. In particular, he stressed the importance of the division of labour and
the law of capital accumulation as the primary factors contributing to economic
progress. In Smith’s view, capitalism had a natural tendency towards broadening and
deepening of division of labour since doing so contributed to lower costs and increased
output thus enhancing the profit opportunities for producers. In his analysis it is the accumulation of physical capital, technological progress, the specialisation of labour and the free trade that are the intertwined sources of expanding economic wealth. Economic will continue as long as capital is accumulated and new technology is introduced. (Todaro and Smith, 2011: 111).

3.4. DEVELOPMENTALIST THEORIES OF ECONOMIC DEVELOPMENT

3.4.1. Rostow’s Stages of Growth

It is said that the most influential and outspoken advocate of the stages of growth model of development was American historian Walt W. Rostow. According to Rostow, the transition from underdevelopment to development can be described in terms a series of steps or stages through which all countries must proceed. One of the principal strategies of development necessary for any take off was the mobilisation of domestic and foreign saving in order to generate sufficient investment to accelerate economic growth. One of the principal strategies of development necessary for any take-off was the mobilisation of domestic and foreign saving in order to generate sufficient investment to accelerate economic growth. The economic mechanism by which more investment leads to more growth can be described in terms of the Harrod –Domar growth mode (Todaro and Smith, 2011: 111).

3.4.2. Structural Change Models

Structural change theory focuses on the mechanism by which underdeveloped economies transform their domestic economic structures from a heavy emphasis on traditional subsistence agriculture to a more modern, more urbanised and more industrially diverse manufacturing and service economy. It employs the tools of
neoclassical price and resource allocation theory and modern econometrics to describe how this transformation process takes place. (Todaro and Smith, 2011:115).

3.4.3. The Lewis Theory of Development

Basic model one of the best known early theoretical models of development that focused on the structural transformation of a primarily subsistence economy was that formulated by Nobel laureate W. Arthur Lewis in the mid-1950s and later modified, formalised and extended by John Fei and Gustav Ranis. The Lewis sector model became the general theory of the development process in surplus labour developing nations during most of the 1960s and early 1970s, and is sometimes still applied. In the Lewis model the underdeveloped economy consist of two sectors: a traditional, overpopulated rural subsistence sector characterised by zero marginal labour productivity a situation that permits Lewis to classify this as surplus labour in the sense that it can be withdrawn from the traditional agricultural sector without any loss of output. The primary focus of this model is on both the process of labour transfer and the growth of output and employment in the modern sector. (Todaro and Smith, 2011:115).

3.4.4. Structural change and patterns of development

The patterns of development analysis of structural change focuses on the sequential process through which the economic, industrial and institutional structure of an underdeveloped economy is transformed over time to permit new industries to replace traditional agriculture as the engine of economic growth. The accumulation of capital, both physical and human, a set of interrelated changes in the economic structure of a
country is required for the transition from a traditional economic system to a modern one. These structural changes involve virtually all economic functions, including the transformation of production and changes in the composition of consumer demand, international trade and resource use as well changes in socio economic factors such as urbanisation and the growth and distribution of a country's population. (Todaro and Smith, 2011: 115)

3.5 POLICY FRAMEWORK TO ADVANCE LED IN SOUTH AFRICA

The following range of key policies and policy papers have, either directly or indirectly, contributed to the LED debate in South Africa:

3.5.1 THE CONSTITUTION (1996)

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

Chapter 2 of the Constitution calls for the establishment of the “socio-economic rights” of every citizen, which include a right to an environment that is not harmful to one’s health, access to adequate housing and a right to social security for people who are
unable to support themselves and their dependants, an appropriate social assistance, a right to a basic income and access to a minimal level of economic resources, a right to non-discrimination in the distribution of income, productive output and economic resources, a right to non-exploitation in all work, in the labour market, in the household and in the informal economy and a right to a just share of the means of production of the economy.

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

3.5.2. WHITE PAPER ON LOCAL GOVERNMENT (1998)

The White Paper, empowered municipalities to adopt integrated development planning, performance management and local economic development as strategic approaches to democratise development, while at the same time creating an environment conducive for people and communities to address their needs. The document states that “Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities”
3.5.3. THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP)

The Reconstruction and Development Programme of 1994 prescribed for a developmental and pro-poor responsibility driven government, with coherent and integrated socio-economic development to underpin most of the government development policies aimed at reducing poverty, and redressing inequalities and injustices that apartheid (RDP, 1994: 84).

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

3.5.4. THE GROWTH, EMPLOYMENT AND REDISTRIBUTION STRATEGY OF 1996 (GEAR) This strategy was geared towards focusing on the expansion of the private sector and achieving high rates of economic growth. It prescribes for the transformation of both the private and public sectors to create sustainable stable economies and favorable environments to attract and encourage private investment (Aliber, 2002: 15).

3.6.5. DRAFT NATIONAL FRAMEWORK FOR LOCAL ECONOMIC DEVELOPMENT (LED) IN SOUTH AFRICA (2006-2011).

The draft National Framework for Local Economic Development focuses on what the state can do to support stakeholders to realise their own and their collective objectives. It emphasizes the need for local people to work together with each other and with external role players to improve their living standards. The state should play the role of facilitator and monitor.
This framework for LED seeks to mobilize local people and local resources, within the framework of the PGDS and NSDP, to become competitive in the economic marketplace, both domestic and international. It supplements the range of current sectoral initiatives to deal with the challenge of employment creation. It intends to build a shared understanding of LED in South Africa and puts into context the role of local economies in the national economy. It also lays the foundation for the co-ordination of economic development planning and implementation across government and between key role players. It lays the basis for deepening community access to economic initiatives, support programmes and information. Objectives of the framework include:

- Build a shared understanding of LED in South Africa.
- Elevate the importance and centrality of effectively functioning local economies in growing the national economy
- Reduce poverty more effectively through local level debates, strategies and actions.
- Improve community access to economic initiatives, support programmes and information
- Improve the coordination of economic development planning and implementation across government and between government and non-governmental actors.
- Build greater awareness about the importance and role of localities which, globally, are playing an increasingly significant role as points of investment, decision-making and development in a world where the global-local dynamic is emerging as a key hallmark.
**3.6.6. PROVINCIAL GROWTH AND DEVELOPMENT PLAN 2004-2014**

The Provincial Growth and Development Plan (PGDP) 2004-2014, which was approved by the Eastern Cape Executive Council on the 4th of June 2003, is designed to deal with the spread and incidence of poverty and unemployment in the Eastern Cape, as well as the spatial inequality between different regions. The plan prioritises interventions in three sectors, i.e. manufacturing, agriculture and tourism. Its programmes are built on government’s existing interventions, particularly those that create jobs and fight poverty. Simultaneously, it intends to redirect government plans and spending towards addressing fundamental problems in the economy. The PGDP’s vision, as articulated by stakeholders, is: “To make the Eastern Cape a compelling place to live, work and invest in”. The targets for growth and development in the Eastern Cape, for the period 2004 – 2014, are listed in the table 3.6.6.1

<table>
<thead>
<tr>
<th>Core Objectives</th>
<th>Targets: 2004 to 2014</th>
</tr>
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<tbody>
<tr>
<td><strong>Systematic poverty eradication,</strong> which focuses on eradicating poverty in rural areas and underdeveloped townships in the province through a holistic, integrated and multi-dimensional approach to pro-poor programming; <strong>Agrarian transformation and strengthening household food security,</strong></td>
<td>• To maintain an economic growth rate of between 5% and 8% per annum</td>
</tr>
<tr>
<td></td>
<td>• To halve the unemployment rate by 2014</td>
</tr>
<tr>
<td></td>
<td>• To reduce, by between 60% and 80%, the number of households living below the poverty line by</td>
</tr>
</tbody>
</table>
which focuses on stimulating growth in the agricultural sectors, specifically in the rural areas through targeting factors and activities that are related to agriculture, including land use and ownership, development of agricultural skills, etc.; Consolidation, development and diversification of the manufacturing base and tourism potential, which seeks to use appropriate technology and the development of entrepreneurial skills in the manufacturing and tourism industries to create jobs and raise the level of income in the Eastern Cape.

| 2014 | To reduce, by between 60% and 80%, the proportion of people suffering from hunger by 2014 |
|      | To establish food self-sufficiency in the province by 2014 |
|      | To ensure universal primary education by 2014, with all children proceeding to the first exit point in a secondary education |
|      | To improve the literacy rate in the province by 50% by 2014 |
|      | To eliminate gender disparity in education and employment by 2014 |
|      | To reduce, by two-thirds, the under-five mortality rate by 2014 |
|      | To reduce, by three-quarters, the maternal mortality rate by 201 |

However, national policies, as pursued by the Department of Provincial and Local Government and the Department of Trade and Industry DTI in particular, are based on conflicting paradigms and have been pulling in different directions: one towards a focus
on poverty alleviation within poor communities, and the other towards engagement with global economic forces through means to enhance competitive advantage. They are based on different policy paradigms, the one rooted in people centred development and the other in market oriented development.

3.6.7. ACCELERATED AND SHARED GROWTH INITIATIVE – SOUTH AFRICA (ASGISA) The Accelerated and Shared Growth Initiative for South Africa (ASGISA) is a strategy that aims to achieve a higher and sustained range of economic growth, through greater socioeconomic inclusion in the development of the economy. The objectives set out by ASGISA include:

- Halve poverty from one-third of households in 2004 to one-sixth of households in 2014.
- Halve unemployment by about 30% in 2004 to less than 15% by 2014. Average annual economic growth rate of 4.5% per annum to 2009 and 6% growth per annum from 2010 onwards

3.6.8. THE NEW GROWTH PATH

In 2010 there was an introduction of New Growth Path aiming at accelerated job creation. Despite improved growth, the economy remained one of the most inequitable in the World. Due to the inequalities that were created by the Apartheid regime in the mid-00s, 40% of the national income went to the richest 10% of households. Subsequently, there was an increased rate of joblessness. The New Growth Path strategy prioritized robust job creation. Therefore it has aimed at reducing unemployment levels in the country by 10 percentage points by 2020, down from the
current rate of 25 per cent (New growth policy 2010:8). There are six priority areas that the policy is focusing on:

- Job creation
- Infrastructure development,
- Agriculture,
- Mining,
- Manufacturing,
- The "green" economy and tourism.

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

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

According to the National Development Plan, South Africa needs an economy that is more inclusive, more dynamic and in which the fruits of growth are shared equitably. It further states that by 2030, the economy should be close to full employment, equip people with the skills they need, ensure that ownership of production is more diverse and able to grow rapidly, and provide the resources to pay for investment in human and physical capital. South Africa displays features of a low-growth, middle-income trap, characterised by lack of competition, large numbers of work seekers who cannot enter the labour market, low savings (hence a reliance on foreign capital inflows) and a poor skills profile. Many of these features are rooted in the evolution of the economy over the past 150 years.

Employment scenarios prepared by the Commission suggest that most new jobs are likely to be sourced in domestic-orientated businesses, and in growing small- and medium-sized firms. While most jobs are not created directly in exporting firms, the sectors that are globally traded tend to have more potential to stimulate domestic spin-offs. Given South Africa’s low savings rate and the need to invest at a higher rate, it is important to grow exports and expand output in those sectors. South Africa’s trade profile has not fulfilled either of these objectives over the past 15 years. Making progress will mean intensifying the country’s global presence in areas of competitive advantage, while building the necessary infrastructure and skills. Economic growth needs to accelerate in a more inclusive manner. These are twin imperatives.
Government’s New Growth Path aims to create 5 million new jobs between 2010 and 2020.

New Growth Path seeks to do so by providing a supportive environment for growth and development, while promoting a more labour-absorbing economy. Lowering the cost of living is a necessary adjunct to raising the standard of living and encouraging investment; it will also facilitate the call for wage moderation at both the middle and top end of the income spectrum. The Commission believes that the country can create 11 million jobs by 2030 by:

- Improving economic policy coordination and implementation
- Building partnerships between the public sector, business and labour to facilitate, direct and promote investment in labor-intensive areas
- Raising competitiveness and export earnings through better infrastructure and public services, lowering the costs of doing business, improving skills and innovation, and targeting state support to specific sectors
- Strengthening the functioning of the labour market to improve skills acquisition, match job seekers and job openings, and reduce conflict.

Meeting the objectives of the plan requires leadership to drive implementation, and to convince South Africans of the need to make mutual sacrifices for longer-term benefits. It will also require a change in the structure of the economy and the pace at which it grows. The crisp question is how. Transforming the economy and creating sustainable expansion for job creation means that the rate of economic growth needs to exceed 5 percent a year on average. To bring this about we propose: Increasing exports, focusing on those areas where South Africa already has endowments and comparative advantage, such as mining, construction, mid-skill manufacturing, agriculture and agro-processing, higher education, tourism and business services.
3.7 CONCLUDING REMARKS

National and provincial government developed policies and programmes that determine how the public sector will invest, how infrastructure and services will be developed, how different economic sectors will be promoted, and how government will regulate and support various aspects of economic activity. To be effective in achieving economic growth and human development objectives, these measures must be supported and reinforced by the actions of the municipalities, working in partnership with local communities and enterprises. This is why government programmes and funds should be accessible so that local Economic Development is achieved so as to fight poverty and unemployment. Initiatives such as the one mentioned above should be supported and monitored so that employment opportunities are created, it be should an understood that not everybody will be employed by government but such initiatives create employment and change socio-economic conditions that the people live in to the better.

Abrahams (2003:189) concluded that the impact of LED on the livelihood of individuals and communities could be proved by a number of LED initiatives aimed at addressing particular social and economic challenges at the local level, focusing on the mobilization of local resources, redistribution of resources, promotion of local creativity and innovation, investment in human capital, the provision of technical assistance and training for self-employment and business start-up and support for enterprise creation.
Nel (2001: 12-13) and Meyer-Stamer (2003:24) note that starting Local Economic Development initiatives is not an easy task. It involves overcoming political, organisational and societal fragmentations. The authors" sentiments are shared by Harcourt (1997:6) who argues that to deal with poverty and growth, there’s a need to highlight on the action and ways with a political buying over the LED initiatives and the execution plans set.

Therefore, there is a need for studies to investigate the impact and effectiveness of LED programmes in the alleviation of poverty and unemployment through job creation to the benefit majority of previously disadvantaged communities.
CHAPTER 4
SOCIO-ECONOMIC CONTEXT OF NELSON MANDELA METROPOLITAN MUNICIPALITY

4.1 Introduction and Background

Nelson Mandela Bay Municipality is a sparsely populated region compared to the Eastern Cape Province. The population of NMBM is estimated at approximately 1,152,115 according to Census 2011. 44% of households access at least one social grant. 3% of residents have no schooling, 13% have Grade 7 or less (primary school level) and 75% have Grade 12 or less (secondary school level). There are developmental challenges facing Nelson Mandela Bay, such as poverty, unemployment and service delivery backlogs. According to NMBM Economic Development Strategy (2009:12) the population of NMB is characterized by:

- Low levels of education
- Low levels of employment
- Low levels of income
- High levels of involvement in formal and subsistence economic activity
- Deepening poverty and high levels of income inequality.

4.2 DEMOGRAPHICS OF NELSON MANDELA BAY

Nelson Mandela Bay has a population of 1,152,115 (Development Partners Report) and covers an area of 1,950 km². There are 289,000 households in formal areas. Although the situation changes constantly, the most recent studies show that there are 35,257
households in informal areas and approximately 49 009 qualifying households in backyard shacks.

Source: [www.google.co.za](http://www.google.co.za)

### 4.2.1 Assistance to the poor

There was an increase in the number of households receiving indigent subsidies from the municipality, indicating increase in poverty and unemployment.
4.2.2 Sectoral Contribution

Manufacturing is the single largest contributor to the GGVA 31.1% followed by community services 27%

4.2.3 Tourism

A key sector of the local economy, which has recorded a steady increase over recent years, is the tourism sector. This has contributed to job creation and the growth in the local hospitality industry. This can be attributed to the favorable and strategic geographical location of Nelson Mandela Bay and to its abundance of natural resources, such as a 40 km expanse of golden, beaches, of which four carry Blue Flag status.

4.3 Key economic drivers

The economy of Nelson Mandela Bay is driven by the following:

- A world-class automotive industry.
- A world-class manufacturing base exporting to every continent.
- Superb educational institutions and training facilities.
- The deep-water port of Ngqura.
- Abundant open land ready for development, e.g. around Coega and other areas.
- Tourism.

4.4 RESEARCH SCOPE

The research problem area is the role of LED on the alleviation of poverty in the NMBM area. The Nelson Mandela Bay Municipality is as a result of the merger between
Uitenhage and Despatch with other several smaller adjacent local authorities. This merger took place in 2000 and gave rise to one metropolitan municipality. According to the Eastern Cape Socio-Economic Consultative Council (ECSECC, 2007: 6), Nelson Mandela Bay (NMB) is home to about 1,152,115 people, and the Bay is the economic hub of the Eastern Cape Province, accounting for over 40% of Provincial Value Added. It further states that despite the Metro’s status as an economic hub, levels of poverty and unemployment remain high, although lower than the Provincial average.

The context of the research area is the NMBM townships where LED projects are taking place. There are three LED projects that were selected for this study and these projects are located in three different townships within the NMBM. Two of these projects are located in the Despatch / Uitenhage area, which are the Tinarha Agriculture and Tourism Initiative (TATI) Project and Uitenhage and Despatch Development Initiative (UDDI) and Mayethu Sewing Project in Zwide Township in Port Elizabeth. For the purpose of the study three LED projects were identified in the NMBM.

4.4.1 Uitenhage Despatch Development Initiative Eco Hub Project

The UDDI community eco hub serves as a LED tool that demonstrates how communities are able to create a value chain within the environmental sector at community level within rural environments, using basic technics and concepts. The first pilot site was developed in Khayamnandi, Despatch, and Nelson Mandela Bay as a partnership between Department of Economic Development and Environmental Affairs and the UDDI. The eco hub has proven its impact that it is a viable model to accelerate
job creation, skills transfer in the townships, and as key to create environmental awareness and instill a change in the mindset of the local disadvantaged communities who are particularly in the implementation of the project.

The UDDI Eco Hub is a project that aimed to introduce opportunities for disadvantage communities to benefit and explore opportunities presented within the environmental sector, with the key objectives of reducing poverty and create jobs for sustainable livelihoods within the green sector. The Eco Hub also has a tyre composter production area, as an informal business manufacturing venture, where recycled tyres and wood are used to manufacture the production units for composting and gardening. Compost is sold to communities to generate income for the project, and also provides a readymade production unit where people can grow their vegetables in tyres and stack it in their yards. Project target group are unemployed individuals, Women, youth and disabled. The project has created 72 full time jobs of which 50% are women, 30% youth and 20% are males.

4.4.2. Tinarha Agriculture Tourism Initiative

TATI is a commercial farming enterprise operating on a 135 hectare site leased from Nelson Mandela Bay Metropole on a ten year lease ending in 2019. The water source is the municipality water which is granted to the project as a contribution by the municipality to job creation in the area. Electricity is available on site and a well maintained tar road connecting to Rocklands’ with Uitenhage is less than 100 meters away. TATI has 17 members with management that have vast experience both in
farming and management. TATI is operated by a general manager and a production unit management team to oversee functional units of the business. Areas that are targeted by the project have an unemployment rate of 35% and an average spending of R54 per month per household on fruit and vegetables. A total of 100,000 households were identified in the target area. The business is envisaged to create employment for 50 local people and assist with the food security goals of the province.

4.4.3. Mayethu Sewing Project

Mayethu Sewing cooperative was established in 2011 as a cooperative. There were seven members in the coop but two of the members left the coop because they were not patient enough to wait for the project to kick off. The members of the cooperative are all women aged between 40 to 67 years. They are all Xhosa speaking people and are all married with children. The project received a sponsorship of R86000.00 from the office of the premier in 2011 and with the funds they received they managed to buy machines. The projects also received assistance from Department of Social Development. Department of labour assisted them with training on business development. National Development agency also assisted the project with training. The project’s main business is sewing. They manufacture bags, school uniform, Jackets, polar fleece blankets and traditional wear. They take community members on temporal basis. They get a stipend of R500.00 per person. The objective of the projects was to create employment opportunities for the local people fight poverty in the area. The project has helped the members as well as employees to meet the basic needs such as food.
CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction and background

This chapter provides a description of research data methods that were used in assessing the role of LED on poverty alleviation in NMBM. Babbie and Mouton, (2001:647) define research methodology as the methods, techniques and procedures employed in the process of implementing the research design; taking into account the principles and assumptions that underlie its use. Research methodology focuses on research process and the kinds of tools that were used (Babbie & Mouton, 2001: 75). This research used qualitative methods of research. This simply because the research in question, sought to understand the role of local economic development using the LED projects within the NMBM.

Research methodology outlines the techniques, methods, tools, and procedures used in conducting the research design (Mouton, 2002: 36). Research methodology focuses on research process and the kinds of tools that were used (Babbie & Mouton, 2001: 75). This research will use both qualitative and quantitative methods of research. According to Schurink (2003:2) qualitative research is an accepted methodology in all social sciences and applied fields of practice; because it helps researchers understand people and the social and cultural contexts within which they live.

5.2 Qualitative and Quantitative Research methodology

Both Qualitative and Quantitative data were used to gather information from more than one source. The facts that the approach to the study is both Qualitative and Quantitative
in nature, these data collection techniques are applicable to the study. Qualitative research is characterized by its aims, which relate to understanding some aspect of social life, and its methods which (in general) generate words, rather than numbers, as data for analysis.

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

Qualitative research is typically more flexible – it allows greater spontaneity and adaptation of the interaction between the researcher and the study participant. For example, qualitative methods ask mostly “open-ended” questions that are not necessarily worded in exactly the same way with each participant. With open-ended questions, participants are free to respond in their own words, and these responses tend to be more complex than simply “yes” or “no.” This research study follows a qualitative research approach because it allows for open-ended way of giving or expressing views (Henning, 2004: 45). Hence, this type of approach allowed the researcher to explore the in depth and richness of the phenomena or approach. Bloomberg and Volpe, (2008:10) also argue that qualitative research is based on critical perspective and is a broad study of social phenomena. It is further argued by Strauss
and Corbin, (1990: 17) that qualitative research is not influenced by statistical procedures or quantification. Subsequently, the research question chosen by the researcher was not highly influenced by statistics, but sought to assess the role of LED on poverty alleviation using the projects NMBM. In light of the above, qualitative research gives a platform to a new information that verifies or nullifies research hypothesis. Thus, a qualitative research is inductive in its nature.

This study seeks to understand the role of LED on poverty alleviation in NMBM. Any impact whether is seen as positive or negative will be assessed. The research paradigm embedded in the research is that of interpretive knowledge. In light of what has been said, this study can be classified as an exploratory and interpretive research because it is not scientific based but more subjective in nature and relies on the perceptions of the respondents.

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

Purposeful sampling techniques are sampling techniques that will be used and according to Patton (1990) purposeful sampling techniques can be used in qualitative research. It allows researchers to explore the common and unique manifestations of a target phenomenon across a broad range of phenomenally and/or demographically varied cases (Sandelowski, 1995). Researchers may also choose to sample cases to represent a combination of pre-selected variables (Trost, 1986), or typical or unusual cases of a phenomenon, in order to describe it as it tends to appear or uncommonly appears.

As in any qualitative study, the ultimate goal of purposeful sampling is to obtain cases deemed information-rich for the purposes of study. The obligation of researchers is to defend their sampling strategies as reasonable for their purposes. This type of sampling is said to be useful mostly if the researcher is trying to develop something which little is known about (Kumar, 2005:178-179). Purposeful sampling allows for selection of respondents that have a unique view, occupy important roles or portfolios in answering the research question (Remler & Van Ryzin, 2011:63). Besides, the researcher has a specific purpose in mind (Neuman, 2011:213). In order to get more information to further complete the study, beneficiaries of the LED projects were interviewed.

5.2.2 Data Collection Technique

The primary research was conducted using a questionnaire as a reporting instrument. In most of the cases in-depth interviews were conducted. An interview schedule to guide
the interviews was designed using the prepared questionnaire in focus groups. The interviews were based on semi-structured questions to allow flexibility and give room for the researcher to make follow-ups on issues raised. Semi-structured interviews were used in this study because the interviewer wanted some control and a predetermined set of questions. However, the study allowed for flexibility and explorations. This study in particular used in-depth interviews; this type of interview allowed the researcher to understand the respondent’s perspectives. It used a set of open-ended questions, with some probes here and there (Remler & Van Ryzin, 2011:63). Besides, face-to-face interaction was vital in this study in order to clarify any vagueness or ambiguities (Kumar, 2005:124). Open-ended type questions were mostly used; loose-question approach as Thomas, (2003:63) puts it; allows the interviewer to elicit respondents interpretation of every general.

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

5.2.3. Questionnaires

The questionnaires were not posted, they were delivered by hand. This was done to ensure that the respondents receive the questionnaires without delay. The questionnaires had straightforward questions to avoid ambiguity. George (2004:104) states that mailing of questionnaires holds many benefits when compared with other data collection methods because they are a relatively low cost, they eliminate interviewers and field supervisors, have a central control, and promise anonymity for respondents. Some researchers believe that mail questionnaires give the respondent more time to reply objectively; yet one of the disadvantages is the low response rate.

5.3 Ethical Consideration

The researcher regards compliance with professional ethics as very important when conducting a research, especially one that involves human beings. According to Rose and Lawton (1999), “ethics can be defined as a set of principles, often defined as a code or system that acts as a guide to individuals who are concerned with how they should conduct themselves in a given situation”. The researcher made everything possible to adhere to professional ethics.

Voluntary participation- To recognize that the participants were participating willingly, the researcher phoned all identified participants and requested them to participate in the study. The researcher also informed them that no one is obliged to take part if they had problems.
No harm to the participants- The study did not expose the participants to any harm, be it physically, psychologically or emotionally. The researcher made sure that the information required from the participants did not embarrass and it did not have potential of endangering their lives.

Anonymity and Confidentiality- The researcher conducted the study in a manner that the participants were assured that their responses will not be published or given to a third party without their consent.

5.4 Concluding Remarks

Both qualitative and quantitative methods were used to collect data from the respondents. This chapter has discussed the research methodology that this study seeks to address; that is role of LED on poverty alleviation NMBM. The sampling method that will be utilized in addressing the said topic is non-probability sampling. This sampling method used purposive or judgmental sampling method. Semi structured interviews were used as the methods of data collection. Questionnaire was used as a form of gathering information as much as possible. The next chapter discusses the empirical findings of the interviews conducted and the implications of the results. Chapter 4 will discuss the empirical findings of the interviews conducted.
CHAPTER 6
PRESENTATION OF THE RESEARCH FINDINGS

6.1. Introduction

The purpose of this chapter is to present the research findings, analysis and interpretation of results. The purpose of the research was to assess the role of LED on poverty alleviation in NMBM. The research objectives are to assess and evaluate the success of LED project in targeting the poorest areas, where unemployment is high and permanent jobs are difficult to create and how these projects contribute to poverty alleviation and employment creation.

Due to time constraints the research focused on three projects that received state funding within the NBMM. The presentation of the results was obtained direct from the beneficiaries of the following projects: Tinarha Agriculture and Tourism Initiative, Uitenhage Despatch Development Initiative and Mayethu Sewing Project.

An analysis of the responses from members of the project is provided below. The interviews were conducted, in order for the researcher to get answers on the role of LED on poverty alleviation in NMBM.

There three projects that participated in the study are UDDI. TATI and Mayethu Sewing Project. Five members from each project were interviewed. The aim of the interviews was to determine the following from the participants;

- The role played by LED in changing the lives of the people in the local community
- What training was provided to people and how many people were able to find permanent jobs in these projects
• Has LED project benefited the poorest in the target area?
• To assess and evaluate the impact of LED initiatives in poverty alleviation and employment creation.

Only beneficiaries of the projects and employees were interviewed. In the questionnaire that was used section A dealt with biographical information, section two of the questionnaire dealt with economic status of the respondent and section C dealt with the issue of Local Economic Development as mechanism to alleviate poverty.

6.2 Participants of the projects

6.2.1. Biographical information of participants

6.2.1.1. Gender of the participants

Figure 6.1: Gender

The study shows that females in all three projects are dominating in terms of gender. According to the study 64% percent represent women and 36% represent males. This study shows that females are willing to work even under bad circumstances.
6.2.1.2. Language proficiency of the participants

Figure 6.2: Language.

Data collected shows that the majority of the project members are Xhosa speaking people. Only 6% of the respondents were Afrikaans speaking but can speak Xhosa as well. None were English speaking people. This shows that these project targets previously disadvantaged individuals who are unable to enter the corporate world.
6.2.1.3. Age of respondents

Figure 6.3: Age

The above graph illustrates that majority of the respondents were ages 31 to 36, followed by ages 43 to 49 and ages 51 to 57. There were two respondents in ages 37 to 43. No respondents were captured in ages 25 to 30. Ages 41 to 69 there were three respondents. This shows that there is high unemployment rate among youth they opt for community projects.
6.2.1.4. Marital Status

Figure 6.4: Marital Status

According to the data that was collected those that are married in the three projects that were interviewed were five, single were the majority followed by divorced and one person was widowed. This research shows that single individuals partake in the community, they mentioned that they partake in the community projects because they cannot find descent work and do not have spouses to supplement their income.
6.2.1.5. Educational Level

Figure 6.5: Educational levels

The graph above shows that 44% of the respondents attended school and passed the grades between grade 9 which is standard 7 and grade 12 which is standard 10. The graph shows that 25% attended between grade 5 which is standard 3 and grade 8 which is standard 6. 13% left school between grade 1 which is standard A and grade 4 which is standard 1. The respondents between these grades said they left school because schools were too far and had to head livestock. One respondent had a diploma in teaching but because of lack of employment, the respondent decided to join the
cooperative. Lack of employment from the researcher’s point of view might be the result of illiteracy because for illiterate people it is hard to get employment.

6.2.2. SECTION B Respondents in Economic Information

6.2.2.1. Respondent's financial Status

![Figure 6.6 Respondents Financial Status.](image)

All the respondents indicated that they have other financial support from the government, either child support grant or old age grant. Some indicated that their husbands are working at the farms in Kirkwood they are supported even though it is not enough. The respondents are happy of the opportunities that the government is providing to them because they said these project assisted them in providing food on the table and they are able to take care of their health. The respondents mentioned that before they started these projects they were struggling financially because it was only their spouses that were working. Respondents that are not married mentioned that they
were struggling to feed their families because no one was looking after their children the respondents only dependent on child support grant.

6.2.2.2. Respondents Sources of income

Figure 6.7. Sources of Income.

The graph above shows that the majority of the respondents which is 37% receive social grants, while 18% have assistance from their spouses. 8% are getting assistance from their siblings. The researcher identified that in all three projects the respondents covering 37% are getting stipends of about R500.00 to R1800.00 per month which is
money they did not have before. The respondents mentioned that their source of income is their stipends and believe that as the business grows they will get more money.

6.2.3. Section C

6.2.3.1. Impact of LED initiatives as mechanism to alleviate poverty.

Figure 6.8. Income Levels

The graph above shows income levels of the respondents. The graph reveals that 33% of the respondents receive a salary of R500.00 per month, while 27% receive between
R900.00 to R1300.00 per month. 20% of the respondents receive R500 to R900.00 per month. 13% of the respondents receive a salary of R1300.00 to R1700.00 and 7% receive a salary between R1700.00 to R2100.00.

The respondents mentioned that the salary they are getting is better than nothing. They mentioned that the social grants they receive together with their salaries bridge the gap. They mentioned that they are grateful for being part of LED initiatives because with the little they have, they are able to provide basic needs for their families. Some of the respondents mentioned that they built homes with the salaries they receive from the project. The respondents mentioned that the salaries are based on their role and responsibilities in the project. What transpired from the responses was that all three projects share their profits equally at the end of the year.

6.2.3.2. Respondent years of employment in the project

![Years in the project Title](image)

Figure 6.9 Years of Employment
The graph above illustrates that 34% of the respondents have been members of the project since 2011. The graph also shows that 33% of the respondents have been members for more than five years, whereas another 33% shows that the member have 3 to 4 years in the project.

6.2.3.3. Roles and responsibilities of respondents

![Roles and Responsibilities of Respondents](image)

Figure 6.10 Roles and Responsibility of Respondents.

The Graph shows that from all three projects that were interviewed 40% comprise general workers. There is only one project which has an admin officer. Operators
comprise 33%. All three projects have managers 20% that oversee the smooth running of the project. All three projects have general workers whose roles vary from project to project 40%

6.2.3.4 Trainings Skills Offered.

Figure 6.11 Training Offered.

The graph above shows that from three projects that were interviewed the majority of the respondents received training on business management, crop production, bookkeeping and sewing which are in line with the business that they do. Only a small percentage has not yet received training but the respondents hope that they are also
going to be trained. Respondents mentioned that they do not pay for their training, government offers them training free of charge, Department of Social Development, Department of Labour, Small Enterprise Development Agency and National Development Agency were mentioned by the respondents in terms of training that was offered to them.

6.2.3.5 Products offered by the projects

TATI project produces vegetables like butternut, cabbage, lettuce, potatoes peppers and pepper dew. The project is selling its produce to local supermarkets, restaurants as well as Dynamic Commodities for pepper dew. UDDI Eco Hub is selling its produce to local people. The respondents from UDDI Eco Hub mentioned that they plant spinach, tomatoes, beetroot and carrots in tyres and sell them to local people. The UDDI Eco Hub, with the help of UDDI is providing training to local people on how to plat their vegetables in tyres and recycling. The respondents of TATI mentioned that they want to explore oversee market with the help of SEDA. The respondents from TATI also mentioned that they were approached by Dynamic Commodities in Port Elizabeth and signed a contract to supply them with pepper dew in bulk for oversees market. Mayethu sewing project is selling their products to local people, higher learning institutions and government departments. The respondents mentioned that even though they have not yet explored big contract, they are certain their business in time is going to be a viable and sustainable business. The project is trying also trying to explore oversees market as well.
6.2.3.6 Challenges facing the three projects that were interviewed

6.2.3.6.1 Respondents from TATI project reported that one of their challenges is their tunnels that were damaged by hail storm. The respondents mentioned that ever since the tunnels were blown away by storm they were unable to plant tomatoes on a large scale. The respondents mentioned that they were at ease when they received funds from Department of Social Development because with some of the money they received they hired someone to fix the tunnels, they were never fixed. The respondents mentioned that they also have a challenge with their extension officer from Department of Agriculture. Funding was also a huge challenge because what they received does not meet the demand of their produce.

6.2.3.6.2 Respondents from UDDI Eco Hub mentioned that their big challenge is theft and no buy inn from the community members. Lack of funding to roll out the project. The respondents also mentioned that the project was burnt down and had to start afresh.

6.2.3.6.3 Respondents from Mayethu Sewing Cooperative mentioned that their main challenge is access to markets. They further mentioned funding as a challenge and lack of support from municipality.
CHAPTER 7

7.1. RECOMMENDATIONS AND CONCLUSION

The researcher was assessing and investigating the role of LED on poverty alleviation in the NMBM. Three projects were identified as the basis to assess LED in NMBM. The study shows that beneficiaries of LED projects appreciate the fact that government is doing something to support cooperatives and community projects. Thus it is recommended that government departments that have funds to promote economic development must make funding available for such initiatives. The municipality should avail their LED staff to assist local project in terms of accessing funding. Funding should be made available to all qualifying projects and cooperatives. Funding should not be granted in bits and pieces, it should be exactly the amount that is stipulated in the business plan. In order for the funding to make an impact, government departments are requested to look at few projects at a time instead of trying to fund everyone so as to see the impact of the funding and meet the objective the coop is trying to address for example, poverty alleviation and employment creation

Funding institutions more especially those that provide grant funding must put clear guidelines and conditions on how to acquire the fund. Monitoring of projects must be done by all stakeholders involved in the implementation of the project. Training should be provided to all the members of the project so that all the members are capacitated. For the projects that require marketing of their projects, the municipality together with the funders of the projects must make it a point that they assist the project in marketing of their products. Municipalities should assist the local projects with access to markets,
internally and externally. Municipalities must also try to assist projects to lobby external investors.

Government must make the funds accessible to cooperative that are in business. Assist in growing these projects to sustainable businesses that will promote entrepreneurship, skills development, job creation, poverty alleviation and social upliftment and promote integration, by improving networking between different stakeholders in making these projects succeed. Municipalities as well must have a budget that is set aside for these initiatives and align them in their Integrated Development Plans.

7.2. CONCLUDING REMARKS

The aim of local economic development is to produce higher standards of living, improve the quality of life, alleviate poverty, create more and better jobs, advanced skills and building capacity for sustained development in the future for local communities. Improving the delivery of infrastructural services to poor communities is a critical element of local economic development in support of poverty alleviation. Local economic development is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community (World Bank, 2004).

This study concentrated on three project to assess socio economic impact of LED projects in alleviating poverty and employment creation, there study shows that community people are passionate about their projects and are working hard to meet their basic needs. The study shows that people have been in these projects for the past six years and are working very hard to prevent hunger. People are trained in these
projects, skills are transferred, employment for local people is created and more employment is envisaged in the near future. There are tar roads constructed as a result of these projects. The respondents agreed that these projects changed the livelihood of the people in the communities.
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