THE ROLE OF LOCAL ECONOMIC DEVELOPMENT IN KING SABATA DALINDYEBO MUNICIPALITY

By

Nokwanda Gladness Gcaba

The Research Report submitted in fulfilment /partial fulfilment of the requirement for the degree of MA (Development Studies) to be awarded at Nelson Mandela Metropolitan University.

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Supervisor : Mr S. Msomi

Co-Supervisor: N/A
DECLARATION

I, Nokwanda Gladness Gcaba 213402122, hereby declare that the Dissertation for student qualification to be awarded is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

Nokwanda Gladness Gcaba
DEDICATION

I wish to dedicate this study to my late sister Nobambo Dandala and her late husband Ndodiphela Dandala, who were my aspiration in my life. My late brothers Bukhosibakhe Diko and Qobo Diko who contributed positively in my well-being.
ABSTRACT

The study sought to investigate the role of local economic development initiatives in rural areas of the King Sabata Dalindyebo Municipality in the Eastern Cape. This is the area which is mostly rural where poverty and unemployment take place every day. In South Africa, local economy is a critical success factor in addressing poverty and inequity. The South African Local Government White Paper on local government defines local government as a sphere of government that is committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve their quality of life.

The study evaluates the participation of local people in small business to contribute in economic development of South Africa. Skill development and access to business information is also assessed to understand the knowledge the locals possess so that the able to own businesses. The research was conducted among the municipal officials, Ward Councillors, Municipal Managers and local economic development directorate. 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.

Although most of the participants were educated people who have knowledge about the local economic development, people at grassroots level are struggling in being involved in different programmes funded by the government. The level of empowerment is low. Documents which are written in foreign language contribute to this challenge of not participating in local economic initiatives. There are few professionals who have experience and who can assist in planning and implementation of LED strategies and policies. Strengthening of already existing business association and partnering with business sector will promote active participants of the local people.

The Department of Economic Development and Environmental Affairs argues that a critical part of local government’s leadership role in the area of LED rests within its ability to draw other key stakeholders into the development process. Effective and sustainable local economic development has been associated with the emergence of strong local partnerships, bringing together key stakeholder from both public and private sectors along with local community interest groups. Although there were
studies that were conducted before the locals are unable to play active role in determining their own economic paths. The aim of local economic development to empower the local communities to identify their local resources to create opportunities for economic growth and employment. The objective to of this study is to create such opportunities so that the people at grass root level are able to understand their potentials in order to participate and promote the economic development of South Africa. Successful Local Economic Development depends on local participation as well as on national and regional structures to provide and support local initiative programmes.

The government has policies that have not reached every citizen of this country. As indicated in literature review most researchers had dealt with different methods of how the local economic development strategy can be implemented but the gap still exists. The study is supposed to close those gaps by involving different structures in the King Sabata Dalindyebo Municipality.
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<tr>
<td>ASGISA</td>
<td>Accelerated and shared Growth Initiative of South Africa</td>
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<tr>
<td>DEDEA</td>
<td>Department of Economic Development and Environmental Affairs</td>
</tr>
<tr>
<td>DLGTA</td>
<td>Department of Local Government and Traditional affairs</td>
</tr>
<tr>
<td>DOA</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>ECDC</td>
<td>Eastern Cape Development Corporation</td>
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<tr>
<td>ECSECC</td>
<td>Eastern Cape Socio Economic Consultative</td>
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<td>HRDC</td>
<td>Human Resource Development Council</td>
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<td>IDC</td>
<td>Integrated Development Corporation</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>ISRDS</td>
<td>Integrated Sustainable Rural Development Strategy</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<td>LGSETA</td>
<td>Local Government Sector Education and Training Authority</td>
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<td>NAFCOC</td>
<td>National African Federal Chamber of Commerce</td>
</tr>
<tr>
<td>NSDP</td>
<td>National Spatial Development Perspective</td>
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<td>PGDP</td>
<td>Provincial Growth and Development Plan</td>
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<tr>
<td>PIDS</td>
<td>Provincial Industrial Development Strategy</td>
</tr>
<tr>
<td>PT</td>
<td>Provincial Treasury</td>
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<tr>
<td>SALGA</td>
<td>South African Local Government</td>
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<td>SANRAL</td>
<td>South African National Road Agency Limited</td>
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<td>SAQA</td>
<td>South African Qualification Authority</td>
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<tr>
<td>SEDA</td>
<td>Small Enterprise Development Agency</td>
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<td>SETA</td>
<td>Sector Education and Training Authority</td>
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<tr>
<td>SMME</td>
<td>Small Medium Micro Enterprise</td>
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CHAPTER 1
INTRODUCTION AND CONTEXT

1.1 INTRODUCTION

The study investigates the role of local economic development in King Sabata Dalindyebo Municipality in the Eastern Cape. The Eastern Cape Province is characterised by a chronic accumulation of socio-economic disadvantage. The area has inherited an under-developed economy from apartheid South Africa. The Province still experiences economy development challenges. The agricultural sector that could benefit the economy is underperforming. People living in the entire Transkeian region are living in poverty and depend on grants issued by the government. All of the 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).

The focus of this chapter is a general introduction of the study that is exploring the implementation of local economic development strategy in King Sabata Dalindyebo Municipality. Among other things, the chapter gives the background and rationale of the study. There are other topics that are discussed that will be dealt with extensively in the whole research. This gives the overview of the study. Other topics or point are: research problem, research aim, objectives, literature review, methodology, research approach, population and sampling data collection and data analysis.

1.2 RATIONALE/BACKGROUND TO THE STUDY

The National Directorate of Economic Development and Planning within South African Local Government Association is responsible for economic development. One of the key objectives for this Directorate is to assist the local government in developing local economic development programmes that ensure that priorities and policies determined at a national level are rolled out at provincial and local level.

World Bank states that local economic development is about local people working together to achieve sustainable economic growth that brings economic benefits and
improves quality of life for all in the community. As stated in the Integrated Sustainable Rural Development Strategy (ISRDS) document, local government must, amongst other objectives, attain socially cohesive stable rural communities with viable institutions, sustainable economies and access to social amenities so to contribute to the growth and development of local communities.


Cohen (2010:3) states that the Local Economic Development Programme established by the Department of Provincial and Local government is an outcome-based initiative driven by local stakeholder. South African Local Government Association has a significant role to play in improving the effectiveness of local economic development planning and implementation. To deliver the South African Local Government Association objective, there should be identification of the key issues that differentiate the process and implementation of local economic development in rural versus urban local authorities, and various categories of local authorities (Cohen 2010:3).

GTZ, the German Agency for Development Cooperation, defines local economic development as an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms (Patterson, 2008:3).

Department of Economic Development and Environmental Affairs – Driver of Local Economic Development in the Eastern Cape Province Department of Economic Development and Environmental Affairs is the provincial institution with central responsibility for defining and driving Local Economic Development policy in the Eastern Cape Province. Department of Economic Development and Environmental Affairs (DEDEA) defines local economic development as a unique field of government policy that directly connects the programmes and resources of central government, both national and provincial, with the combined initiative and
coordinated efforts of local institutions and communities working together to address their agreed priority needs and opportunities MEC for DEDEA (Patterson 2008).

The priority outcomes of the local economic unit within DEDEA are driven by national, provincial and local policy imperatives, such as the National Spatial Development Perspective (NSDP), Accelerated and Shared Growth Initiative of South Africa (ASGISA), Provincial Growth and Development Plan (PGDP), Provincial Industrial Development Strategy (PIDS) and the Integrated Development Plans (IDP’s) among others MEC for DEDEA (2008)

The unit also has to ensure that there is a coordinated effort and will seek to leverage resources amongst key stakeholders where the delivery of local economic development initiatives is concerned. This is evidenced by the converging and coordinating efforts of the Department, Department of Local Government and Traditional Affairs (DLGTA), Department of Agriculture (DOA), the Office of the Premier (OTP) and the Provincial Treasury (PT) and the Thina Sinako Provincial Local Economic Development Programme. To ensure that those managing and delivering local economic development have the necessary skills, the unit organises in-house training from accredited institutions.

The local economic development is supported by the following initiatives: investing in infrastructure; sectorial support (tourism); tender and procurement policies; assisting and targeting small medium micro enterprises; marketing and partnering programmes.

1.3 THE RESEARCH PROBLEM

The purpose of the study is to investigate the role and the impact of local economic development initiatives when they are implemented in rural communities in King Sabata Dalindyebo Municipality. The research involves identifying and harnessing ideas and skills to stimulate economic growth and development. As this municipality in the Transkei, it is consumption-based rather than manufacturing or production based. The people in this municipality mostly depend on government declaration of working opportunities and a huge number of people depends on governmental preferences such as social grants, disability grants and pension grants According to
HSRC (2000), the spatial distribution of poverty is such that 75% of South Africa’s poor live in rural areas.

Generally, the Eastern Cape is characterised by poor and ineffective economic and development planning for localities by provincial and national government. This has resulted in weak capacity of the local state especially in areas of development. This is caused by structural inequalities that lead to the problem of underdevelopment and poverty, as well as a fractured and uncoordinated approach to local economic development characterised by poor targeting and lack of transparency in the location of resources.

There is a need to identify the challenges in local economic development support for rural local government. Furthermore, it is important to establish whether the local economic development programmes address the following: The research involves identifying and harnessing, ideas and skills to stimulate economic growth and development. Although SALGA has local economic development initiatives, rural areas are still lagging behind in essential services and poverty alleviation initiatives. There are many ill-conceived expensive and ultimate unsustainable projects which are referred to by some poverty specialists as “development by piggery” (Hindson & Hindson: 2005).

The above authors continue to argue that the problem is that these projects are often developed in isolation from other local, regional or even national strategies and are typically expensive and unsustainable. Political dimension are sometimes behind unsuccessful local economic development that focus on infrastructure legacy projects like bridges that are designed to reflect personal legacies rather than community needs and have little effect on local economy.

As suggested by Hindson and Hindson (2005:12) through local economic development, local government can assist in organising the poor in order to increase their negotiation power on markets. Other body like non-governmental organisations (NGOs) may also help improve the functioning of markets for the poor, by providing market-based micro-credit facilities, training, capacity building and market analysis.
1.4 RESEARCH AIM AND OBJECTIVES

1.4.1 Aim of the Study:

The research aims to examine the role and impact of local economic development programmes on rural communities residing in King Sabata Dalindyebo Municipality.

1.4.2 Objectives of the study

The objectives of the study are as follows:

- To investigate the progress of transformation of the economy through Broad-Based Black Economic Empowerment;
- To investigate the community’s participation in economically viable and sustainable ventures;
- To understand economic growth through development and promotion of business environment;
- To study the extent of skill development; and
- To investigate access to information necessary for business decisions.

1.5 SCOPE AND SCALE OF RESEARCH

The research investigates the role of local economic development in rural area of King Sabata Dalindyebo Municipality in Mthatha district in the Eastern Cape. This had been based on the guideline for implementing local economic development in South Africa (2005) and the National Framework for Local Economic Development in South Africa (2005).

The outcomes were elicited from the responses from the population selected by the researcher. In addition, the views and responses collected by necessary tools and methods from the different participants will be analysed and validated before they can be presented. The study has focused on how the implementation of local economic development changes the lives and livelihood of people living in rural area of King Sabata Dalindyebo Municipality. This would also to bring the notice of challenges that impede the implementation of local economic development strategy.
This study sought to identify challenges in local economic development support for rural local governments and to further explore current local economic trends in selected international countries. Furthermore, it is important to establish whether the Local Economic Development programmes address the following: local economic development programmes initiatives throughout implementation stages; existence of monitoring and evaluation systems of local economic development programmes; local economic development pilot programmes; and local initiatives with the context of the National Framework of Local Economic Development.

Currently, there is no effective form of monitoring and evaluation of poverty alleviation programmes and local economic initiatives in most local municipalities. The strategic management of local economic development programmes aimed at reducing poverty and inequalities in rural communities require the establishment of such a system.

1.6 THEORETICAL FRAMEWORK / LITERATURE REVIEW

The Constitution (1996) recognises the importance of local government in economic development through the following statement that a municipality 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 White Paper on Local Government (1998), which introduced the concept of developmental local government, defines local government as committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.

The 2000 LED Guidelines to Institutional Arrangements and the 2002 Draft LED Policy focused on pro-poor development. Local municipalities differ with those in the larger metropolitan areas. Most local economic development officials have adopted an approach that is focussed on creating a more supportive and competitive business environment, as well as investment in infrastructure. In contrast, most of the smaller centres have focused on increased service delivery, extension of the social grant system, public works and small medium micro enterprises initiatives.
Cohen (2010) argues that local economic development initiatives in smaller centres tend to be project-based, expensive and unsustainable. While those in larger centres are increasingly focused on creating appropriate institutional market enabling frameworks, that offers a much more effective and sustainable way of leveraging public-sector funds into economic growth and development. In contrast, Hindson and Hindson (2005:12) suggest that local economic development is premised on the idea that it is local actors mobilising local resources that can make the difference. They contend that local actors need outside support, and must understand obstacles and opportunities in a national and global context.

1.7 RESEARCH METHODOLOGY

This area presents an overview of the methods to be used in the study. Areas include research methodological approach, the research design, population, sample and sample techniques, data collection and data analysis.

1.7.1 Research Approach

The methodology adopted in this study was qualitative research approach. The research would use the qualitative approach to undertake research procedures to find a solution to a problem of the issue to be addressed. Qualitative research assumes that the interpretive understanding is only possible by way of uncovering or deconstructing the meaning people give to the situation. The study has focused on King Sabata Dalindyebo Municipality where qualitative research form had been used to determine the impact of local economic development initiatives in the rural community in the municipal area.

1.7.2 Research Design

The research was designed to achieve the objectives set out by the researcher. The research design of the study has made use of an observational study design since one of the aims of the research is to define a relationship between the outcome and its causes. In this case, it was the challenges that may impede implementation of local economic development in King Sabata Dalindyebo Municipality. A case study approach had been adopted in this study. This is the type of qualitative research in which data are gathered directly from the individuals (individual cases) or social or community groups in their natural environment for the purpose of studying
interactions, attitudes, or characteristics of individuals groups. The purpose of this methodology is to examine a single case in-depth in order to understand the phenomenon.

1.7.3 Population

Population composed of officials, councillors working in King Sabata Dalindyebo Municipality. The population of the study was 20 participants. Officials are employees of the municipality while the rural community will be represented by councillors or ward representatives. The target group would be males and females both youth and adults. This targeted population for the study includes the following:

- Local economic managers;
- Local economic development unit members;
- Councillors; and
- Officials.

1.7.4 Sample and Sampling Techniques

The research has indicated the target population where a sample had been used for the study. Non–probability sampling was the technique used for sampling as qualitative research based in this technique (Maree 2007:79). According to Bless and Higson-Smith, a sample is a subset of the whole population which is actually investigated by a researcher and whose characteristic will be generalised to the entire population. Snowball sampling can also be used by the researcher to ask participants to reveal hidden population who can contribute to the research. Smaller sample size was used in the following manner: Individual interviews: 5 participants for in-depth interviews

1.7.5 Data Collection

Data collection was categorised in order to determine the techniques and associated tools that will be needed to collect the data. Interviews as a method of collecting data is conducted among the population and the questions may be asked
individually or as a group. Both structured and unstructured interviewing would be used for collecting data. Both types of interviewing involve direct interaction between the researcher and the respondent or growth. Document analysis had been used for analysis of official documents, policies laws and etcetera.

1.7.6 Analysis of Data

The process in this research involved incorporating emerging questions and procedures. Collecting data by interviews and a process whereby data are analysed inductively building from particulars to general themes or categories, with the researcher making interpretations of the meaning of the data.

Before analysing data, the researcher categorised the information into themes. Powell and Renner (2003:2) regard these themes as coding the data or indexing the data where exclusive variables are labelled.

In addition, Powell and Renner (2003:2) suggest that in order to bring meaning to the words the researcher have to:

- Identify themes or patterns that is; ideas, concepts, behaviours, interactions incidents, terminology or phrases used.
- Organise them into coherent categories that summarize and bring meaning to text.
CHAPTER 2

LITERATURE REVIEW

Problem Area: The role of Local Economic Development in King Sabata Dalindyebo Municipality.

2.1. INTRODUCTION

The issue discussed in this study is to inform the local government to shape the local economies so that the people living in these communities could benefit. As the definition offered by Integrated Development Corporation (IDC) local economic development Network conference as follows. Local Economic Development is an ongoing process by which key stakeholders and institutions from all spheres of society work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic processes for local business and strengthen the competitiveness of local firms (dplg.gov.co.za).

The Department of Provincial and Local Government (2005) defines local economic development as an approach towards economic development which allows and encourage local people to work together to achieve sustainable economic growth and benefit and improve quality of life for all residents in local municipality (dplg.gov.co.za).

The Eastern Cape Socio Economic Consultative (ECSECC) assists the local government in the Eastern Cape to engage in enhancing economic development in the region. The objective of the programme is to significantly reduce the number of households who live below the poverty line by 60-80 by 2014 (ECSECC Report of Proceeding, 2011). The consultant recommends that the district municipality is supposed to support the local economic development activities.

According to South African Local Government association (SALGA, 2006), planning and research for the development of all Local Economic Development projects in the province will get priority attention to ensure project viability and sustainability. The intention is for people to benefit from economic growth through increased local economic development, employment creation and development initiatives within the context of sustainable development.
2.2. BACKGROUND

Municipalities have a constitutional mandate to promote local economic development. The Constitution (1996) section 153 recognises the importance the local government in economic development through the following statement: A municipality 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 South African government has prioritised rural development and urban renewal as key strategies to counter the legacy of uneven development in the country. The 2000 LED Guidelines to Institutional Arrangements and the 2002 Draft LED Policy focused on programmes that are initiated by the government to support all municipalities in South Africa in implementing these strategies. These areas are to be attractive and dignified places to live so as to make investment and promote tourism. The focus should be to address the needs of the poor and marginalised people and communities.

According to DPLG (2003), the success of local economic development depends on local partnerships as well as on national and regional structures to promote and support local initiatives. Government has a particular role to play in local economic development, by ensuring that local economic development leads to job creation, sustainable rural development and urban renewal. Local economic development interventions must benefit disadvantaged and marginalised people and communities within municipal boundaries through an inclusive and redistributive approach to economic development (DPLG 2003) www.local.gov.za.

The Municipality System Act (2000) made integrated development planning compulsory and legislated a number of key local economic development functions, roles and responsibilities. The aim of the Act is to provide the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic uplifting of local communities.

Cohen (2010) argues that the White Paper on Local Government (1998) has introduced the concept of developmental local government, and defines it as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives. According to Trah (2007), local economic
development is the strategy which should addresses the challenges of low skill level and non–existent entrepreneurial culture amongst the black population. Other challenges are inappropriate or weak support mechanisms, lack of access to financial and business development services, spatial marginalisation and numerous market failures that lead to high unemployment, low income and thus widespread poverty.

Trah (2007) mentions that local economic development may be described to denote community development, poverty reduction, small medium micro enterprises (SMMEs) promotion, regional planning or local development in general (including social development, health, education).

In the draft local economic development policy paper issued in 2000 a series of interlocking challenges that confront localities constitute the following:

- To balance local economic strategies so they achieve both increased competitiveness sometimes through economic transformation and poverty alleviation and job creation.
- To address enormous pent up demand for service delivery, particularly where services have not reached vulnerable members of society, as well as severe affordability constraints.
- To engage in more open, transparent and mutually respectful state-society relations and to forge new and reformed inter-governmental relationships (DPLG, 2000).

2.3 CHALLENGES FACING KING SABATA DALINDYEBO MUNICIPALITY

King Sabata Dalindyebo Municipality is demarcated into two districts: Mthatha and Mqanduli. The municipality is in Transkeian region where there are no manufacturing or production firms but it is consumption based area. Its residence depends on government declaration of working opportunities. A huge number of people depend on social grants, disability grants and pension grants. This has contributed to poor economic growth suffering of most people in the area.

Many South Africans reside in rural areas. Most people in King Sabata Dalindyebo Municipality reside in poor rural areas. National Framework for local economic development in South Africa (2006-2011) states that these areas still suffer from past
underdevelopment and the fact that they were experiencing segregation which was characterised by division of people based on race and colour.

Service infrastructure and transportation is also not developed in the area. There is no proper housing, and no proper road construction to transport the produce. Municipal infrastructure service provision is reaching critical level. Where it is justifiable to invest in critical infrastructure to unlock agricultural potential, this should be considered. Beyond government investment, local citizen involvement in economic development and innovation should be vigorously encouraged aimed at improving literacy and numeracy as a basis for participating in local economic opportunities.

Where it is justifiable to invest in critical infrastructure to unlock agricultural potential this should be considered.

As it has been indicated earlier by the White Paper (1998), local government has a task to implement local economic development in South Africa to have better quality of life. King Sabata Dalindyebo Municipality is among other municipalities which experience challenges to implement local economic development strategy efficiently and effectively. The following are key challenges in implementing of local economic development in South Africa as they are described by National Framework (2006-2011).

- Most cities do not have adequate economic growth strategies in place and therefore 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 concentrations of poverty
2.4 THE VALUE OF PARTNERSHIP WHEN LOCAL ECONOMIC DEVELOPMENT IS IMPLEMENTED

Local economic development gives an opportunity to local government, the private sector, the non-profit organisation and the local community to work together in building the local economy and thereby creating jobs and fight poverty. It also aims to enhance competitiveness and thus encourage sustainable growth that is inclusive as indicated by White Paper (1998).

Department of Provincial and Local Government (DPLG) (2003) discusses the roles play by the municipalities and the civil society.

The districts can also provide significant co-ordination and support role to local municipalities by administering the following responsibilities:

- Plan and co-ordinate LED strategies within the framework of Integrated Development Plans (IDP).
- Establish an LED structure, representing the districts and local municipalities, to foster co-operation and co-ordinate LED policies, strategies and projects within the district.
- Identify lead LED sectors that can kick-start development within Districts by undertaking economic research and analysis.
- Promote joint marketing, purchasing and production activities.
- Promote networking of firms within the District (for example, tourism routes).
- Collect and disseminate information to assist local municipalities with LED policies.

DPLG (2003) continues to state that local residents must be fully involved in the local development process. For successful local economic development processes to become community-driven, a community must have a core of local, capable and respected leaders who are prepared to commit time and energy to local economic development. The active engagement of women and young people in the leadership group is essential. Community leaders need to have or acquire the necessary skills, knowledge and attitudes necessary to manage economic change. Leaders must operate in a transparent manner and be accountable. Moreover, leaders must be willing to report, listen and ensure the support of the community.
2.5 CONCLUSION

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. Local economic development is an outcomes-oriented programme based on local initiatives by local stakeholders.

The broader aim of local economic development is to create employment opportunities for the King Sabata Dalindyebo community, alleviate poverty and redistribute resources and opportunity benefit of all residents. The local economic development in this context is community-driven through individuals and sectors. The sectors referred to are local government, business and civil sectors. The three sectors aim to impact on individual communities within the municipal jurisdiction.

Government has a particular role to play in local economic development, by ensuring that local economic development creates to job creation, sustainable rural development and urban renewal. The local economic development interventions must benefit disadvantaged and marginalised people and communities within municipal boundaries through an inclusive and redistributive approach to economic development. Local government structures have a particularly important role to play in harnessing national and regional resources to promote their areas and in facilitating strategic local partnerships to enhance and sustain economic growth.
CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the following: the research methodology; the research methods for data collection; the research process; the research design; population; sample and sampling techniques; ethical considerations and conclusion.

3.2 RESEARCH METHODOLOGY

The research methodology is the philosophy or the general principle which guides a researcher’s investigation. It is the overall approach to studying the problem under investigation and includes issues such as constraints, dilemmas and ethical choices within the research (Dawson, 2002:25). Leedy and Ormrod (2010:6) argue that the research methodology has two primary functions, namely: the general approach the researcher takes in carrying out the research project; and the manner this approach dictates the particular tools the researcher selects.

In this study, qualitative research methodology had been used. The strength of qualitative research is its ability to provide complex textual descriptions of how people experience a given research issue. Moreover, it provides information about the “human” side of an issue that is, the often contradictory behaviours, beliefs, opinions, emotions, and relationships of individuals’. Qualitative methods are also effective in identifying intangible factors such as social norms, socio-economic status, gender roles, ethnicity, and religion, whose role in the research issue may not be readily apparent (Mack, Cynthia, Kathleen, Greg, & Emily, 2011:3).

3.3. RESEARCH METHODS FOR DATA COLLECTION

In this study, the researcher has used face-to-face in-depth individual interviews to gather data about the viewpoints and opinions of the respondents. An interview is a two-way conversation in which the interviewer asks the participant questions to
collect data and to learn about the ideas, beliefs, news, opinions and behaviours of
the participant (Maree, 2007:35).

The researcher has used interviews to achieve a holistic understanding of the
interviewees’ point of view or situation concerning the implementation of local
economic development in King Sabata Dalindyebo.

Interviews would be conducted face-to-face with the participants to collect first hand
data. In using the qualitative research approach, the researcher developed an open-
ended interview schedule that was used to collect the data from the participants
(Maree, 2007:35). The unstructured interview offers the most complete freedom as
the researcher is free to order content and structure in whatever sequence he or she
wishes. The researcher also has complete freedom in choosing words she uses and
the way she explains questions to respondents (Crano & Brewer, 2002:223).

Kumar (2011:160) mentions the following advantages when using interviews as a
data collection tool: the interview is more appropriate for complex situations, it is
useful for collecting in-depth information, information can be supplemented and
questions can be explained.

3.4 RESEARCH PROCESS

The process involved in conducting research must have certain characteristics. It
must, as far as possible, be controlled, rigorous, systematic, valid and verifiable,
empirical and critical (Kumar, 2011:29).

As it was indicated above, the tool that had been used to collect the data was the
interview. The researcher went to participants with a note pad and built a rapport by
first greeting and asking each interviewee how their day was and also by projecting a
positive image of a sincere person engaged in a harmless but important task. Again,
the researcher has motivated the interviewees by explaining to them that the
information that will be gathered will be valuable to the municipality. At the beginning
of the process of collecting the data, the researcher started writing down the
responses of the interviewees immediately the interview had begun. Data had been
collected by means of semi-structured interviews. Each interview will last for 30
minutes.
3.5 RESEARCH DESIGN

In this study, the researcher has used a case study as a design to conduct this research. A case study is a “systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest. Case studies offer a multi-perspective analysis in which the researcher considers not just the voice and perspective of one or two participants in a situation, but also the views of other relevant groups of participants and the interaction between them. Furthermore, it opens the possibility of giving a voice to the powerless and voiceless, for example, children or marginalised groups” (Denzin & Lincoln, 2003:450 - 451).

A qualitative case study is an approach to research that facilitates exploration of a phenomenon within its context using a variety of data sources. This ensures that the issue is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood (Pamela & Susan, 2008:544).

3.6 POPULATION

A population is a group of elements or cases, whether individuals, objects, or events, that conform to specific criteria and to which we intend to generalise the result of the study. This group is also referred to as the target population or universe (James and Sally, 2010:129). The population will be composed of officials, Ward Councillors, Municipality Managers and Directors of LED programmes working in King Sabata Dalindyebo Municipality.

3.7 SAMPLE AND SAMPLING TECHNIQUES

In this study four (4), municipality officials, two (2) Municipal Managers, one (1) Local Economic Development Directorate and two (2) Ward Councillors will form the sample size of the investigation. The sampling method to use in this study is the convenience sampling. Convenience sampling elements are selected based on the fact that they are easily and conveniently available. Most importantly, it is usually quick and cheap.

According to Maree (2007:177), convenience sampling method refers to situations when population elements are selected based on the fact that they
are easily and conveniently available. It is usually quick and cheap. It is useful in explanatory research where the researcher is interested in getting inexpensive, quick approximation of the truth and in pilot studies where a few respondents are necessary to test questionnaire.

3.8 ETHICAL CONSIDERATIONS

“De Vos (2005:57) defines ethics as a set of moral principles which is suggested by an individual or group, is subsequently widely accepted, and which offers rules and behavioural expectations about the most correct conduct towards experimental subjects and respondents, employers, sponsors, other researchers, assistants and students” an extract from conference documents by A Munro http://www.defsa.org.za/node/370. Permission to conduct the research in the municipality was sought from the municipality officials, the Municipal Managers, the Local Economic Development Directorate and from the Ward Councillors. People in authority were given a written form that will describe the research and also asked those in authority to grant the researcher permission to conduct the research. Maree (2007: 41) highlights that the essential ethical aspect is the issue of the confidentiality of the results and findings of the study and the protection of the participants’ identities. This could include obtaining letters of consent, obtaining permission to be interviewed, undertaking to destroy audiotapes, and so on.

3.9 CONCLUSION

This chapter has presented and discussed the following: the research methodology, the research methods for data collection, the research process, the research design, population, sample and sampling techniques, ethical considerations and conclusion.
CHAPTER 4

FINDINGS AND INTERPRETATION OF DATA

4.1 INTRODUCTION

During the research, two municipal officials, two Ward Councillors, one directorate of local Economic Development and two Municipal Managers of King Sabata Dalindyebo Municipality were interviewed by the researcher to assist in gathering information on the implementation outcomes of the local economic development (LED) programmes. In the next sections of my report, the researcher will present the research findings by providing biographic profile of the participants, presenting themes that are dealt with in the interview and that are subjected to literature control.

The last section will be the conclusion of this chapter.

4.2 BIOGRAPHIC PROFILE OF THE PARTICIPANTS

The researcher has conducted interviews in the municipality and has selected three participants and their biographical particulars are as follows: Participants one is a black male, 61 years old. He is a Director in the local economic development unit, highly qualified and obtained BCom and MBA degrees.

Participants two is a black woman, 31 years of age. She is also working as an official in LED unit. She has honours degree. Participants three is a black male, 51 years old. He has BSC honours degree. He is a Ward Councillor. All participants are highly educated. As a result, they are the right choice for the type of information that is needed by the researcher. They are busy implementing the policies of local economic development in King Sabata Dalindyebo.

4.3 QUESTIONS AND RESPONSES

Economic Transformation

4.3.1 What do you think the local government must do in order to promote Black Economic Empowerment among blacks?

Representative 1 and Representative 2 both agree that Black Economic Empowerment can be promoted by introducing government incentives. They
emphasise that municipal support is limited. In contrast and Representative 3 suggested that more education on available appointments. Representative 2 suggested on the reduction of red tape procurement and payment periods. There should be an increase in skills development programmes and capacity building units.

Andrew (2008) describes empowerment and its more recent Broad Based version as a policy of intervention driven from the economic and industrial complex in the government. He further explains its aim as directly addressing the economic skewed racial profile where BEE calls the private sector to restructure itself and create opportunities for previously disadvantaged individuals.

4.3.2 How would big and successful businesses contribute to the empowerment and growth of small business in King Sabata Dalindyebo Municipality?

All the three representatives agreed on empowerment being done by private business. Representative 1 intimated that some retailers and business association such as National Roads Limited South African (SANRAL), SPAR groups, Pick and Pay in the King Sabata Dalindyebo Municipality should support small business in their districts. Representative 3 commented on compliance issues; that compliance should be implemented if it has been proven that compliance-costs are lesser than if it was not implemented. Representatives 2 argued that empowerment could be done through direct investments from the private sector through local economic development initiatives. The Department of Trade and Industry recommends that local empowerment plays a key role in creating the conditions for small medium enterprise development. A ‘bottom up’ development philosophy in favour of small medium enterprise can only function with substantial local empowerment, as local and regional authorities are closer to their business communities.

4.3.3 What type of assistance do you think must be given to informal businesses to help them grow in to the status of formal businesses?

There seems to be a common understanding regarding the need for informal business and legitimise it to formal business. However, the red tape problem arises and compliance issues such as tax, money laundering, proper registration are a
major obstacle. Representative 1 provides that small enterprise and development authority (SEDA), Eastern Cape Development Corporation (ECDC) and the Municipal Local Economic Development Unit; all established by the government can assist informal business owners in legitimising their business into formal business like (Small Enterprise Development Authority, Khula, Eastern Cape Development Corporation) and integrated development corporation (IDC). Representative 2 was objective that assistance can be provided by lending business premises at discounted rental fees to provide capacity. Granting small business loans for business assets like machinery, equipment and fixed assets encourages the legitimisation of the informal business sector.

Smith and Perks (2006:18) suggest transformation objectives to have the following secondary goals:

- To highlight the role and nature of transformation and training.
- To examine the skills levels of black micro entrepreneurs in the informal sector.
- To investigate the type of training interventions needed in developing black micro entrepreneurial skills.
- To develop a model of training interventions and methods needed for upgrading black micro entrepreneurial skills.
- To provide general guidelines on how training interventions can facilitate the acquisition of black micro entrepreneurial skills.

Community Participation

4.3.4 How do professionals who have knowledge and experience in local economic development policies help the local government invest in businesses?

The three representatives agreed on the gap and imbalance on the supply of professional in local government. There is a common agreement from the respondents that cluster municipalities have a shortage of qualified professionals. That means more skilled or adequately qualified municipal officials are in shortage. Representative 1 admitted that ‘job experience’ was an issue in the municipality.
Representative 2 also stated inconsistent caused by problem of shortage of skilled municipal employees to deliver effectively. Because of the scarce skill problem, there seems to be a vacuum between local government and private sector communication in this regard.

The national treasurer proposes that municipal professionals should demonstrate the following skills:

- Demonstrate knowledge and insights into existing legislation, regulations and codes affecting activities on municipality in South Africa.
- Apply the principles and ethics and professionalism to municipal code of conduct.
- Develop comprehensive plan to achieve compliance with an established code of ethics (www.lgseta.co.za)

4.3.5 What provisions does the Local Economic Development in terms of planning have for the involvement and participation of the local people in the King Sabata Dalindyebo Municipality?

All three participants mentioned structures within the municipality that assist in the participation and involvement of the local population in the King Sabata Dalindyebo Municipality. These structures have a designed mechanism to promote community and stakeholder participation. Representative 2 suggested structures such as the IDP, Business Events, Flea Markets and ward based programmes. Representative 1 noted that LED forums, Sector Forums and Local Action Teams would be helpful. Representative 3 included LED forums and Road Shows.

The Local Government White Paper (1998) introduced the notion of ‘developmental’ local government. Definition of developmental local government: ‘Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.’

Increasing the number of black people that manage, own and control enterprises and productive assets; facilitating ownership and management of and other enterprises and productive assets by communication, workers, cooperatives and other collective enterprises; human resources and skill development, achieving
equitable representation in all occupational categories and level in work force; preferential procurement and investment in enterprises that are owned or managed by black people (Gilman, B. www.bowman.co.za).

4.3.6 What is your perception about the inclusion of the private sector and the community by the local government in decision making on Local Economic Development) strategies and the use of funds?

The inclusion of private sector and the community in decision making on LED strategies and availability of funds was the main focus. All participants agreed that the inclusion of the private sector was necessary in strategy development. This should include all stakeholders in the analysis, strategy development planning and processing. Regulation should provide a platform where implementation and monitoring guarantees development strategy efficiency. This partnership between private business and local community should have objectives which result in win-win benefit. Local Economic Development planning should be an integrated effort between government, private business and the local population in the Municipal District.

The World Bank defines local economic development as a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation with the objective of building up an economic capacity of a local area to improve its economic future and the quality of life for all. Government uses various interventions to promote BEE in areas such as, procurement, regulations, financing and institutional support. Most importantly, government need to enter into partnership with the private sector. The effective complementation of BEE programmes will need the partnership among private sector, trade unions, and community based organisations. The government will enter into contracts which will be regulated by the state (DTI: SA Economic Transformation. A Strategy for BEE).
4.3.7 How would the local government engage with business organisations who are representative of the members in the informal business sector?

All the three participants’ responses were consistent with the idea of business organisations partnering with local government in implementing transformation strategies and policies. Representative 1 and representative 3 sided with the objectives of African Hawkers Association in the King Sabata Dalindyebo Municipality region. According to Community-based and business-based mutual objectives, such as those of National African Federal Chamber Of Commerce (NAFCOC), every project in local government must have an element of Local economic development. Representative 2 stated that there are informal traders’ forums from the local economic development mediated by the OR Tambo Municipalities. Meetings with the organisations in this forum occur frequently.

The co-operate development policy (2004) supports the strategic importance of co-operatives, the Integrated Strategy on the Promotion of Co-operatives and Collective Entrepreneurship. The policy further proposes the prioritisation of support programmes for cooperatives. The policy facilitates the provision of support programmes that target co-operatives, specifically those that create employment or benefit disadvantaged groups.

Promotion of Business Environment

4.3.8 What assistance do you think could be given to small businesses to help them increase their productions and service delivery in the municipality?

Representative 1 stated that small scale informal business like farmers do supply business with fresh produce as well as local traditional art crafts on a small scale.

Representative 2 advised that skills transfer and capital monitoring for a start-up business was vital. Representative 3 stressed on the need of exposure of informal business to stable, fair, sound and transparent business methodologies. Representative 3 also suggested that local Community should also focus on exporting their products.

The report from the industrial development corporation (2012) most of South Africans did not have access to banking services in 2010. The majority of informal
businesses have limited access to formal financing. Government has created alternative channels of small and medium-sized enterprises (SMEs) financing, including the provision of credit guarantees to commercial banks which are willing to lend to small businesses, and direct lending by specialised SME financing entities.

4.3.9 How rigid is the national labour policy concerning the rights of businesses to choose their own hiring and firing policies?

The available regulatory bodies should allow flexible labour policies and allow business to fulfil the desired mutual objectives exclusively and inclusively. Representative 1 and Representative 2 highlighted the existence of legislation which rationalised the relationship between employer and employee. There should be a win-win relationship. Representative 3 stated that the apartheid policies exploited this relationship between employer and employee. This led to difficult business operations and efficiencies. Representative 2 expressed that there were standard and market-related salaries which were also not in equilibrium. The infringements of salaries led to a skewed distribution of wealth. Berman (2014-10-11) in the 12 point plan for prosperity proposed that the cure for poverty is to remove policies that would prevent people to have jobs. Policies like affirmative action are barriers for poor people to be hired by private bodies.

4.3.10 What do you think should be done in businesses to make investment decisions and allocation of resources democratically?

Representative 1 commented on the negative impact caused by restrictions placed in the current legislation. Representative 2 commented that business should follow a marketed-oriented approach where intervention was kept to a minimal. There should be free access to entry and exit to promote completion and efficiency. Hence, intervention by authorities from government, business and community is kept to a minimal. Representative 3 states that economic policies are propagating a mixed economy where the government interfere at will. The regulatory environment remains an important factor impacting on the growth of small businesses, but also a matter of great complexity, as it aims to balance various tensions stipulated in the Annual Review of Small Businesses in South Africa (the Department of Trade and Industry (DTI) 2008:52). The South African legal system provides effective protection to property rights, and contract rights are adequately respected and enforced. Laws
and regulations affecting businesses and individuals are uniformly applied. Both foreign and domestic investors are allowed to participate in all sectors of the economy without any discrimination.

Skills Development

4.3.11 What type of skill development programmes are introduced in your area?

Representative 1 mentioned that the municipality provides workplace experience for interns, skills development programmes for current employees and Leadership initiatives organised through SEDA, Service Sectors and sector education training authority (SETA). Representative 2 mentioned the following skills introduces at King Sabata Dalindyebo Municipality: Business Skills, Finance Skills, Recruitment Skills and IT Programming Skills. Representative 3 listed a number of skills programmes offered by the municipality such as ‘Workshops and Information Sharing, Development Training, Development Agencies, Road Construction and Maintenance, Leaderships and Electricity Skill Training.

The Skills Development Act of 1998 provided for the institutional and financial framework for skills development, including the establishment of a local government (Sector Education Training Authority) (SETA). The mandate and obligations of Local Government Sector Education Training Authority (LGSETA) are stipulated on the Skills Development Act, but also the South African Qualifications Authority Act (SAQA) of 1995, the Skills Development Levies Act 9 of 1999 and in accordance with the National Skills Development Strategy (2005 to 2010) and the Sector Skills Plan for Local Government.

4.3.12 In what ways can skill training programs is conducted at the work place?

Representative 1 states that government organisations training programmes, the use of private facilitators and institutions of higher learning are encouraged for training purposes. Representative 2 stated the internship programmes from first world countries could be helpful. Representative 3 added that training could be provided by introducing short term courses like project management and LED learner ship.
Training is improving an employee’s skills to the point where he or she can do the current job more effectively (Hellriegel, et al. (2001:251). Training interventions and methods are thus aimed at changing the current level of skills and knowledge regarding a job.

4.3.13 What types of skills and level of education are required to be successful in the formal business sectors?

Representative 1 explains that formal business would need people who have the following skills: creativity, innovation, management, technical and technological transfer, marketing and communication skills. Representative 2 stated that businesses would need people who have knowledge of business, finance, marketing, globalisation, sales and marketing skills. Representative 3 viewed that the skills needed would be to enhance quality management systems, risk management systems marketing and business management.

For our country to achieve high levels of economic growth and address our social challenges of poverty and inequality, we must work together to invest in education and training and skills development to achieve our vision of a skilled and capable workforce to support an inclusive growth path Human Resource Development Council (HRD Report on the Production of Professionals (2013). The HRDC established a Technical Task Team (TTT) to identify challenges related to the supply of professionals in South Africa, and for the development of interventions that could address certain shortfalls. The TTT’s report focuses on a number of professions, taking into account national needs, as well as skills scarcities.

Access to information

4.3.14 From the point of view of micro and small businesses, what challenges do they experience in terms of access to capital or funding for their businesses?

The responses from the representative were similar. However, there were some challenges faced with regards to access to information and confidentiality agreements. These challenges led to low funding as most investors prefer a transparent system. Representative 1 motioned that many small business do not have bank accounts. Because a majority of this sector is unbanked, they seem to
experience problems regarding financial assistance and advice. On the contrary, Representative 2 emphasised that illiteracy among the local population making it difficult to lodge useful red tape like South Africa Revenue Services (SARS) and Business registrations causing challenges to access information which otherwise would be helpful to the prosperity of their affairs or business. These challenges include difficulty to obtain finance or funds from Financial Services Institutions. Representative 3 stated that there are chances to access some funding but vouches for more opportunities that offer funding.

Support from governments, private sector and development implementation agencies is tough to receive in South Africa. A well-advertised community-based organisation (CBO) seems to be the only ones obtaining support. There are no funds that could be accessed now from foreign donor.

4.3.15 What do you think needs to be done to assist poor people access information about business matters?

Representative 1: Information can be accessed through mobile phones and the introduction of business information centres, sector office and LED units. Representative 2 advocated the running of workshops for information sharing, provision of information booklets in their own language, awareness campaigns and Road shows. Representative 3 cautioned the challenge of accessing the information on as insiders as sensitive documents would be accessible to corrupt employees who would later exploit the system for their own personal benefit. It took another four years after the adoption of The Constitution for the South African government to pass enabling legislation in the form of the 'Promotion of Access to Information Act' - PAIA - (Act No.2 of 2000). While many 'civil society' activists and organisations, as well as the Truth and Reconciliation Commission (1998), that had played an integral role in pushing for, and shaping, access to information legislation, they were disappointed at the omission of several key recommendations (Duncan, 2003:106-107).
4.4 CONCLUSION

There were mixed responses about the promotion of BEE (Black Economic Empowerment). The participants believe that BEE can be promoted by educating people about the available incentives from government. There were recommendations on skills development programmes and capacity building units to be introduced and implemented in an efficient manner. There was a mention of the need to reduce red tape procurement so that people are able to reach those incentives.

Small businesses are empowered by the private sector and individual business sectors contribute in the empowerment of people in small business. Professional involvement in municipalities should help in the planning and implementation of local government policies and strategies. In some municipalities there are no qualified professionals who have knowledge of Local Government Developments.

The municipality has programmes that involve participation of local people, some are organised by the Department of Trade and Industry. Initiatives such as Flea Markets, Ward Based Programmes and Road shows were suggested encouraging people to work together and achieve real economic growth and development. The benefits from the economy should improve the quality of life for locals.

The Municipal Development Programmes should be effectively initiated in Eastern Cape. Municipalities do show interest in focusing on education, promoting local innovation in South Africa and reducing the unemployment rate. Helping the government to use technology to enhance service delivery can improve tracking and monitoring. Hiring of top graduates in local municipalities, training municipal employees and providing specialised seminars for Municipal Managers is critical. Municipalities should partner with sub-government entities and private business to meet to a win-win solution to local development. The local government sector lacks skills that make the systems run smoothly and a need for the improvement of service delivery, leadership and technological skills in the municipalities still needs to be addressed. South Africa’s Finance Minister, Pravin Gordhan announced a budget of R55 million for the improvement of service delivery and financial management at municipal level. Requirements in terms of the legislation around reporting; collating reports and access to information should be timely and easy.
CHAPTER 5

RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

The study sought to explore the role of Local Economic Development (LED) strategies in King Sabata Dalindyebo Municipal area as a tool to alleviate poverty, create employment and close the gap of inequality between the rich and poor. This chapter gives a summary of how LED strategies in King Sabata Dalindyebo have impacted on poverty. Assessment is to be made in terms, of economic transformation, community participation, financial support, information and market assistance, skill development, promotion of business retention and expansion. It is because of the impact that LED has had an impact on poverty alleviation that recommendations are made. The last section of the chapter will dwell on the conclusion for the entire study.

5.2 Conclusion drawn from this research

The following conclusions can be drawn from the findings of this study. Most of the policies had failed to address the challenge of citizens of South Africa to benefit from economic growth. Local Economic Development has become the most recent strategy to overcome different barriers of low skills level, no knowledge of entrepreneurial culture amongst the black population, inappropriate or weak support mechanisms, lack of access to financial and business development services, spatial marginalisation and numerous other market failures that lead to high unemployment, low income and thus widespread poverty as indicated by Gabriele. In Metropolitan areas, Local Economic Development Agencies give capacity building to those municipalities in implementing local economic development processes. Most other areas, in particular marginalised rural areas. However, they have a risk to be just another ineffective and inefficient bureaucratic institution that drains scarce resources. A local or district level LED forum, organised with the participation of stakeholders from the public and private sector as well as civil society in mind, is another favoured vehicle to drive the LED process. Local economic development initiative is one of the five Key Performance Areas of Integrated Development Perspective programme in the local government.
Practitioners who are trained and have knowledge of local economic development should form part of municipal officials. They know different policies and most of them had conducted research in this area. It is important for the officials to develop the monitoring and evaluation tools to track the projects whether they are sustainable or not. Hiring top graduates in local municipalities, training municipal employees and providing specialised seminars for Municipal Managers is prime important. Partnership among the private sector, the government employees and local communities is of vital important for the implementation of local economic development strategy.

The introduction of skill development programmes by non-governmental organisations such as SETAs is needed to capacitate the locals and to acquire knowledge and business skills. The study indicates that the LED strategy has already been implemented in King Sabata Dalindyebo. There are short falls that need to be addressed. The documents are not simplified or translated into IsiXhosa as it is the indigenous language of the area. Most of the people of Sabata Dalindyebo Municipality live in rural areas and they need to be taught business and entrepreneurship skills in order to be active participants in the economy of this country.

The support of small medium micro enterprises (SMMEs) development that is driven by local municipalities has the ability to reduce unemployment, generate income, create assets, contribute to skills development, reduce the rate of crime and service delivery protests and attract investment in local municipalities in general.

5.3 Implications of this Research

While reviewing literature, the researcher discovered that there is lack of literature and research on the role of economic development in the local municipalities in developing countries, South Africa in particular. In most cases, reliance has been on literature from developed countries. This study will provide the required information that will enable municipalities to advance the role that should be played by LED. The findings will help in identifying the issues that need to be addressed in order to create an environment that will be more conducive for local economic development in local municipalities.
The following stakeholders will benefit from this study:

- Local municipalities and interested parties will gain a better understanding of the current situation and what they can do to improve the role of the local economic development.
- The government and policymakers will have better understanding of the situation on the ground hence they will be able to make informed policy decisions on local economic development.
- Potential entrepreneurs will be aware of the help they can get from local municipalities through local economic development.

The study has revealed the main factors that hinder growth of businesses and misunderstanding the role of local economic development as one of them. This will help development agencies to be able to identify needs of the entrepreneurs and identify the needs to be improved.

5.4 RECOMMENDATIONS

Based on the findings of the study, the following recommendations are made:

5.4.1 Economic Transformation

The BEE basically encourages sustainable and equitably transfer and confer the management and control of South Africa’s financial and economic resources to the majority of citizens of South Africa. Black people should participate in the economy of this country to sustain development and stability.

The local people can be economically empowered by the involvement of the Department of Trade and Industry by introducing incentives in order to help them in start-up businesses. Funding is the challenge among the small medium micro enterprises. The communities need to be empowered on how to access funding. This can be initiated by the government through skill development and capacity building. The private sector has a great role in promoting small medium micro enterprises by imparting business skills and knowledge. The involvement of non-governmental bodies such as Sector Education and Training Authority (SETA) and Sector Education Development Agency (SEDA) are required to be strengthening the assistance given to the small businesses.
5.4.2 Community Participation

Municipality officials should conduct the skill audits of the communities so as to understand the level of their understanding and other deficiencies. Information transfer from the municipal official to communities is necessary to enable the communities to participate in local government initiatives. As councillors are always in contact with the communities, they need empowerment in the implementation of different policies that include the involvement of communities. Policy documents which are written in jargon language should be simplified so that they are understood by the ordinary people. In other words, they should be written in Plain English.

Service delivery should become a priority as municipalities optimise access to all communities, as the emphasis should be the improvement of the quality of life for all. The involvement of communities during budget speech is important as they will participate in financial planning of their own projects at a later stage. The municipal officials should work hand in hand with ward committees and community-based organisations to ensure that the communities are fully involved in the development programmes in the villages. Also, it must be ensured that the Local Economic Development documents and Local Economic Development processes are understandable by the elected Councillors first and then that knowledge should be cascaded down to the communities.

5.4.3 Financial Support

Below market rate loans and revolving credits for small entrepreneurs need to be established; Tax incentives need to be offered for small businesses and entrepreneurs; Investment packages for prospective investors are essential considering the rural nature of King Sabata Dalindyebo Municipality; Community banking and group loan schemes need to be established by the municipality.

Financial support is important for the development of and support for local economic initiatives. As indicated by the Department of economic Development and Environmental Affairs under local economic development funding criteria, grant fund encourages local actors and communities working in partnership with local government. It is advisable that the King Sabata Dalindyebo Municipality to adhere with these guidelines to support its communities to participate in local economic
activities and also to be included to create a culture of enterprise. The types of action to be supported are described as follows:

- Promoting micro-enterprises and cooperatives including start-up, access to funding, business support services, product incubation, low cost serviced premises, coaching, clustering, networking and exchange of experience.
- Actions to develop “pathways to business” for those in the informal economy or subsistence economies;
- Promoting community enterprise and employment - social economy/community enterprise in small towns, townships, in rural villages, peri-urban areas, local community based projects for improving the environment, quality of life, alternative local provision of basic services;
- Promoting the sustainable renovation of villages and conservation of rural heritage, creating a better environment for enterprise and quality of life for local residents; and
- Promoting better local links between education and enterprise (better skills match to meet needs of the market) e.g. transition from school-to-work programmes, firm-to-college lifelong learning programmes.

5.4.4 Information and Marketing Assistance

The establishment and development of business nerve centres can be achieved through the following interventions:

- The development of municipal nerve centres in the heart of communities will ensure the provision of single, web-based information system that will allow for multiple stakeholder involvement in municipal service delivery;
- Nerve centres will also assist in the supply of information and advice for community members;
- The promotion of commercial exporting of locally produced materials will ensure great economic promotion;
- To encourage business association that will be able to voice out the need of owners of small business; and
- Training of locals in business skills and involvement into skill development programmes.
5.4.5 Skills development

There is a great potential of expansive room for human skills development in King Sabata Dalindyebo Municipality. This is so as there is considerable potential that is evident, and significantly improves the Human Resource capacity in the city and its overall contribution to economic development more broadly. This can be achieved by enhancing interaction between the educational institutions: between them and city / business / industrial sectors / SETAs. It can also be done by encouraging the sector to focus on skills development / research in key niche areas, namely:

- Improving the range of relevant career related skills training offered; Improving student placement;
- Identifying and responding to the training and development needs presented by new economic opportunities; and
- Enhancing support for small businesses.

This can be done by strengthening partnerships with the Further Education and Training and Higher Education institutions in terms of skills training linked to regional growth sector needs is vital.

The skills development programmes capacitate the local population, and enable them to be equipped in order to participate in economic activities. This can involve skills development through the skills development programme through tourism as dealt with in the Mandela Museum and visit of Mandela’s homestead and Mvezo areas where there is development of the school of science. Assistance from the Department of Economic Development and Environmental Affairs (DEDEA) is practical evidence of capacitating the locals by marketing emerging entrepreneurs and disseminating skills to market their products.

This along other skills development programmes, such as the Expanded Public Works Programme, through its learnership initiative, have had significant effect in plugging the gaps in the local economy, small medium micro enterprise (SMME) development, and by attracting investment through offering a more skilled workforce (place marketing skills). Promotion of Business retention and expansion is necessary for small businesses.
5.4.6 Small Medium Micro Enterprise Development

London received basic business training with emphasis on basic bookkeeping, stock control, health and hygiene, marketing and customer care. Support of all forms is all but crucial for the success in the development of small medium micro enterprise. Small Medium Micro enterprises (SMMEs) need better access to finance, skills and business training of which in this case reference would be on what the authorities have done and more flexible regulations are identified as key strategic elements in There should be regulations that support the three pillars of promoting entrepreneurship; strengthening the enabling environment; and enhanced competitiveness and capacity at the enterprise level.

The main challenge for SMMEs of King Sabata Dalindyebo Municipality is their lack of being exposed to relevant business information and advice. To prevent this uninformed SMMEs, there is the need for systematic Local Economic Development planning which takes into consideration of SMME’s needs, as well ensuring that the current support centres can be easily accessible, so as the local SMME owners can easily approach them for assistance. In addition, thorough regulatory planning should be implemented to promote development. Rules and regulations should apply to enable the enterprises to operate properly. The presence of Small-Business-Support-Forum and the secretariat comprising all stakeholders will have to play a great role in SMME development in supporting them once they are established and fully operational.

5.5 Conclusion

The recommendations that are proposed in this part are derived from the findings that were presented in Chapter 4. The results of the study also indicate the limitations in capacity of officials regarding policy development and implementation. Increasing of LED programmes should be improved to ensure that strategies reach the poorest of the poor. Self-employment and capacity building is the best option. More employment opportunities need to be created and work skills training need to be encouraged in working places. Enterprises must be developed to provide internships.
Partnership between government, private sector and civil society to create an environment that is conducive for job creation. Business associations should be introduced in order to empower members of the associations with business skills.
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Dear Respondent

My name is Nokwanda Gcaba, a MA (in Development Studies) student at Nelson Mandela Metropolitan University of Port Elizabeth. I am currently conducting a study entitled: “The role of Local Economic Development in King Sabata Dalindyebo Municipality.” The study aims to examine the role and impact of local economic development programmes on rural communities residing in King Sabata Dalindyebo Municipality.

Through your participation in the study I hope to identify those factors that affect small businesses and gain a clearer understanding of what impact it has on the economic activity of King Sabata Dalindyebo Municipality. Your participation in this study is voluntary and confidential. Neither your name nor your current business will be identified in this study. It is on this premise that I request you to respond to these questions honestly. I thank in advance for taking your time to participate in the interview as your input will be appreciated. The interview will take you approximately about few minutes. 

Should you have any queries relating to this study or your participation therein you can contact either myself or my supervisor on the contact details below:

Nokwanda Gcaba on 0728534200 or gfikilecameron@yahoo.com

Yours sincerely

Nokwanda Gcaba
APPENDIX: B

INTERVIEW SCHEDULE

A: Background

1.1 Are you male or female?
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....................................................................................................................................................
1.2 How old are you?
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1.3 What is your highest level of education?
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SECTION B: Economic Transformation

2.1 How would the government promote the Black Economic Empowerment?
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2.2 Which ways can businesses contribute to empowerment and small business development?
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2.3 What type of assistance can be given to informal businesses in order to move to formal businesses?
SECTION C: Community Participation

3.1 How do professionals who have experience in local economic development policies help the local government?

3.2 How is local economic development (LED) planning involved in the participation of local people in the community?

3.3 How can local government include private sector and communities in decision making on (LED) strategies in the municipalities and the use of funds?

3.4 How can local government involve community based or business based organizations so that they can represent the interest of their informal business members?
SECTION D: Promotion of Business Environment

4.1 What assistance can be given to small businesses so that they could provide goods and services to local exporter businesses or local supplier businesses in the formal economy?

4.2 How rigid is the national labour policy concerning the choice of businesses in choosing their own hiring and firing policies?

4.3 How democratic can businesses make investment decisions and allocation of resources?

SECTION E: Skill Development

5.1 What type of skill development programmes that are introduced in your area?

5.2 In what ways can skill training programs be conducted at work place?

5.3 What types of skills and level of education do high growth business require?
SECTION F: Access to information

6.1 From the point of view of micro and small businesses, what challenges do they experience to access capital or funding for their businesses?

6.2 How can poor people access information about business matters?