LOCAL ECONOMIC DEVELOPMENT: A STUDY OF NELSON MANDELA BAY AND BUFFALO CITY METROPOLITAN MUNICIPALITIES

by

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Port Elizabeth
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DECLARATION

I declare that

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is my own work, that all the resources used or quoted have been duly acknowledged by means of complete references, and that I have not previously submitted the dissertation for a degree at another university.

Mativenga Ngatiane

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ABSTRACT

Albeit in its infancy, South Africa's LED practice is a benchmark of a large number of African countries in general and Sub-Saharan African countries in particular. The LED practice stands out, for widespread decentralisation of powers, massive and growing LED budgets, robust legal frameworks that govern its implementation and development of LED structures, amongst others.

This study seeks to answer three critical questions: What theoretical LED facets (particular aspects) are available in literature? Are these facets being implemented in Nelson Mandela Bay Municipality (NMBM) and Buffalo City Metropolitan Municipality (BCMM)? Besides the effort and monies invested in ingraining LED in South Africa, are the levels of LED practices of the two municipalities deeply embedded in literature? The study utilises a purpose-built tool to measure the level at which LED practice of respective municipalities is ingrained in LED literature.

The thesis employed both qualitative and quantitative research methods in order to provide scientifically adequate answers to this research. The former method was employed in identifying available LED facets while, the latter was useful in measuring the level at which LED practice in the two metros is embedded in LED theory. The research findings reveal presence of 6 LED facets, namely, enterprise development,

locality development, livelihoods development, workforce development, community development and LED Governance. However, this study discovered that the aforementioned facets fail to cover other general items like the availability or unavailability of LED strategy, functional location of LED within municipal directorates and availability of a budget to drive the LED functions.

In light of this, the researcher decided to group all the other key LED functions that he felt were not finding expression under the 6 facets identified in LED literature. This, then, led to the introduction of “General LED” facets. This facet, besides presenting a pre-cursor to the 6 other facets, manages to capture some key factors that are equally behind the success or failure of LED e.g. the LED strategy factor, a factor which a number of sources name “The heart” or “guiding compass” of successful LED implementation. The “General LED” facet contained other factors like: other plans that aided LED, experience of LED practitioners, budget allocation of the LED function, amongst others.

The research found that all the 7 facets are being implemented in both municipalities, albeit to varying degrees.

The two metropolitan municipalities’ LED practice, with respect to all the identified LED facets, provided some measure of their respective levels of embeddedness in LED theory using a purpose built tool. The embedded (ness) outcome proved that Nelson Mandela Bay Municipality’s LED practice was embedded in the LED theory across all the 7 facets, namely: general LED, enterprise development, locality development, community development, livelihood development, workforce development, and LED governance.

The same analysis proved that Buffalo City Metropolitan Municipality’s LED practice was embedded in LED theory in all the other facets bar community development. The survey results revealed that there are inadequate or limited initiatives in Buffalo.

Key Words: Local Economic Development, Embeddedness, Local Economic Development Facets

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TERMS AND ACRONYMS

Terms and acronyms related to the topic.

BCMM: Buffalo City Metropolitan Municipality

COGTA: Cooperative Governance and Traditional Affairs

DBSA: Development Bank of Southern Africa

DEDEAT: Department of Economic Development, Environment Affairs and Tourism.

DST: District Support Team

ECSECC: Eastern Cape Socio-Economic Consultative Council

Embeddedness**:** fix or become deeply grained in something

Facet**:** particular aspects of something

GTZ: German Technical Cooperation

ILO: International Labour Organisation

LED: Local Economic Development

NMMM: Nelson Mandela Metropolitan municipality

NMMU: Nelson Mandela Metropolitan University

OECD: Organisation for Economic Co-operation and Development

PWG: Provincial Working Group

SALGA: South Africa Local Government Association

UN-Habitat: United Nations Habitat

CHAPTER 1

THE PROBLEM AND ITS SETTING

1.1 Background of the study

There is still some debate as to the role and usefulness of the local economic development concept and initiatives as a driver of economic development, employment creation and poverty reduction. The disappointing results of generations of imported, development strategies and policies to deliver meaningful reductions in poverty, create employment opportunities, lead to economic growth amongst other development aims, has put a big cloud on these development panaceas (Binns and Nel, 1999:80). Sachs (1997) argues that the gap between developing nations and their developed counterparts has widened over the years albeit efforts made to bridge it. This widen gap between countries has brought with it increased suffering, poverty and inequality (Schuurman, 1993:5).

Although the local economic development (LED) concept is fairly new in the African continent, the South African LED practice stands out, for extensive devolution and decentralisation of powers, massive and growing LED budgets, building of legal frameworks that govern its implementation and development of LED structures, amongst others (Nel and Rogerson, 2005:90). Since the dawn of democracy, LED practice in South Africa has been aided by introduction of robust legislative framework that cuts across all the three spheres of government. It is for these reasons that, Nel (2007) described the South Africa LED practice as “the most advanced and longest established”

Although the role of local economic development is still debated in other developmental circles, emerging evidence reveal that LED provides realistic alternative for more situationally relevant, community driven and sustained development (Binns and Nel, 1999). The origins of modern Local Economic Development (LED) can be traced as far back as the 1960s. Rogerson and

Rogerson (2010:14) postulated that the birth of LED mainly originated from expression of unequal economic landscapes and community feeling of the gap widening beyond closure.

Binns and Nel (1999) concurs that local economic development initiatives came into being as a partial response to unequal economic development that was to a great extent exacerbated by globalisation and liberalisation of markets.

Although the origins of the LED concept could be traced with precision, the same could not be said about its definition and more so its effectiveness. A large body of literature unanimously agrees that the concept of local economic development is both elusive and contested, and its definition changes from region to region (Pike et al. (2007). Rodriguez-Pose (2001) stresses that in the absence of a clearly defined theoretical definition, LED tend to be about "situational relevance", than anything. Various organisations[1] have developed methodologies that guide the design and delivery of LED projects. Although the definitions vary with respect to details, the definitions share the same paradigm, as most of them are based on the assumption that there is need for careful and detailed planning (Cunningham and Meyer-Stamer, 2005). However, over the years, most LED practitioners are making use of the World Bank definition of LED as a point of reference and departure.

South Africa's LED practice albeit in its infancy, is a benchmark of a large number of African countries in general and Southern African countries in particular (Rogerson, 1999). Although most of the LED projects implemented in South Africa in general were pro-poor, the two metropolitan municipalities in Eastern Cape, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, initiated LED interventions similar to those implemented in bigger parts of Europe and America.

Contemporary literature points out similarities in lessons emerging out from the South African experience to the other cases from developing nations (Nel and Rogerson, 2005, Nel, 2005, Rogerson, 2005b, Rodríguez-Pose and Tijmstra, 2005). Although LED practice in developed nations and developing nations shares

[1] World Bank, German Technical Corporation, UN-Habitat, International Labour Organisation, Development Bank of South Africa, European Union amongst others

similarities, in aspects such as situational relevant, community driven and sustained, large parts of LED from developed nations tend to focus mostly on issues of large scale investments, corporate world support and utilisation of professional project management agencies, with both mighty financial powers and technical expertise (Judd and Parkinson, 1990).

LED in large parts of developing nations is “survivalist”, tends to have a preoccupation of micro projects and suffers greatly from lack of both financial power and technical expertise (Nel, 2001). The South African LED practice is a mix of both the developing and developed world LED, with large metropolitan municipalities resembling more of developed nations while the small rural municipalities resemble developing nations.

1.2 Statement of the problem

Besides the effort and monies invested in ingraining LED in South Africa, has the concept been embedded enough across South African Municipalities? If so, does that embeddedness reflect in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality?

The lack of information on the level at which LED practice in South African municipalities is embedded in LED theory has inspired this research to look at the concept (embeddedness) in the two selected municipalities. Although empirical findings have pointed to a steady understanding of the LED concept in municipalities, the findings have been mute on the level at which LED practice in municipalities is ingrained in LED literature. Can the debated impact of LED cited on the back of poor implementation and piece-meal application of the LED initiatives be behind the limited impact? If so, what does the wide-ranging and complete package of LED facets contain?

1.3 Objectives of the study

The main objectives of this study are:

- To establish the level at which LED in Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality is embedded[2] in LED theory.

  The research seeks to make use of a predetermined tool to measure the level at which LED practice in the two municipalities is embedded in LED theory. The rationale is to test whether LED practice in the two municipalities is being rolled out according to theoretical imperatives of LED or not. Are LED practitioners knowledgeable of the LED concept and is the same knowledge shared equally among practitioners?

- To establish the different facets (particular aspects) of local economic development (LED) in the two metropolitan municipalities under study.

  Investigate the different LED facets identified by literature and the initiatives being implemented by the two municipalities to ensure the realisation of the identified facets.

The secondary objectives included the following:

- Explore relevant theories of economic development with the motive to understand the definition of the term "Local Economic Development", its facets (particular aspects), dynamics and the continuous evolvement;
- To trace the elusive and contested definition of LED;
- To investigate various initiatives rolled out by the two municipalities per identified facets;
- Determine the role of certain role players in LED implementation across the two municipalities; and

[2] The level of LED embeddedness is measured using a hybrid of scale built around GTZ approach (2006) to measure embeddedness of LED across a host of Municipalities world-wide.

- Draw conclusions and make recommendations on the ways to ensure better implementation of LED in the two municipalities as well as suggesting areas of further research for academics, practitioners and policy makers at all level of governments.

1.4 Significance of the study

While a lot of studies have been conducted to test whether local economic development planning (LED) leads to economic development, employment creation and poverty reduction (with its mixed results) (see Cunningham and Meyer-Stamer, 2005), very little effort have been invested to measure the level at which LED practice in the South African municipalities is embedded in LED theory. Although vast resources and efforts have been invested in ingraining the LED concept and initiatives in South African municipalities, very little work has been made to track the embeddedness of the same concept in municipalities.

Even in countries where such studies have been undertaken, findings have been inconclusive, at best. This study contributes towards broadening the knowledge base of LED embeddedness and its facets in the study area.

Unlike previous studies on the LED subject, which concentrated on its usefulness or otherwise, this study concentrates mostly on the level at which LED practice in the two municipalities is embedded in LED theory. The study employs a comparison approach of the two metropolitan municipalities of the Eastern Cape Province. In South Africa in general, most of the earlier LED studies have been generalised at national scale, affording local spaces (most municipalities) less analysis and if anything, not dwelling on the level of respective LED practices embeddedness in LED theory. The lack or limited work on LED embeddedness in municipalities on one hand and the ever changing LED facets (particular aspects) on the other has prompted this study to take a fresh look at this subject using a comparison approach of the two metropolitan municipalities.

1.5 Data sources

Primary data collected through the use of survey questionnaires and interviews are used as the main source of data. Secondary data covering the period 2000 - 2014 collected from the Local Economic Development directorates of two metropolitan municipalities and relevant development journals are used to supplement this data.

Data analysis is made possible by the Exact Test module in the array of analytical procedures available in SPSS. Results of univariate analyses as well as simple frequency distribution and cross tabulation of variables are generated.

1.6 Structure of the research report

This study is divided into six chapters.

Chapter 1: The problem and its setting

This chapter covers the back ground of the study, setting the scene for other chapters to follow. It briefly tracks the Local Economic Development (LED) concepts cross its life-span to date. Chapter 1 also bring the reader to the attention of the problem statement at hand, objectives and hypotheses of the study and the significance of the study. The significance of the study has been included to ascertain whether the study would be useful in producing effective LED solutions to the challenges faced by municipalities when implementing LED. The chapter closes with a brief explanation of the data sources to be used in undertaking the study.

Chapter 2: Developmental Theories outlining the evolution of Economic Development

Chapter 2 dwells on the overview of a number of economic development theories. The chapter reviewed these theories under the three groupings, the classical theories, structural change models and contemporary theory with specific interest on their implication on local economic development. Where possible, implications of

these theories were applied on the two metropolitan municipalities. The chapter went further to review selected definitions from several sources on the “complex LED concept”. In closing the chapter roles and responsibility of various economic development role players were analysed.

Chapter 3: Research Methodology

This chapter deals with the research design and data collection methods utilised. The sampling method, selection criteria and sample size as well as the method of analysis are all specified.

Chapter 3 is divided into 5 sections. The first section deals with the nature of the study under investigation. Also included in this section are the data collection methods (survey questionnaire and in-depth semi-structured interviews), their designs and how the methods have been administered. Where necessary, justification of the selected data collection methods has been made.

Chapter 4: An overview of the LED practice and key socio-economic indicators in the study area

In this chapter, an overview of Local Economic Development practice in the Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality is presented. In order to obtain a clearer understanding of the socio-economic status of the study area, the study goes further to analyse the key socio-economic indicators at play. These indicators included demographics, household income and poverty, education and economic performance amongst others.

Chapter 5: Empirical analysis and findings of Local Economic Development in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

This chapter presents the findings that necessitated the initiation of this research study. The findings have been sub-divided into two sub-sections. The first section depicts the different facets (particular aspects) of local economic development (LED) available in in the two metros, Buffalo City Metropolitan Municipality and Nelson

Mandela Bay Municipality. The other section specifically focuses on the level at which LED practice in both Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality is embedded in LED theory.

Chapter 6: Conclusions and Recommendations

Chapter 6 concludes the study by providing a general summary of the research findings - categorised according to the identified LED facets, propose recommendations, and suggest areas for further research.

CHAPTER 2

THEORIES OUTLINING THE EVOLOUTION OF ECONOMIC DEVELOPMENT

2.1 Introduction

There is a serious debate in literature as to the impact of local economic development planning as a panacea to most development problems confronting societies. The debate on local economic development planning has a long pedigree and is marked with conflicting conclusions. Substantial literature on the role of local economic development has emerged over the decades. The argument can be traced far back to the work of (Scott and Storper, 1990), (Binns and Nel, 1999), (Helmsing, 1999), (Rogerson, 1999), (Bond, 2002), (Nel, 2003) (Cunningham and Meyer-Stamer, 2005), among others. Cunningham and Meyer-Stamer (2005) in the article titled “Planning and doing local economic development: Problems with the orthodox approach to LED” questioned the success of LED. The LED experience of industrialised countries is littered with mixed conclusions (Cunningham and Meyer-Stamer, 2005). While LED was credited for its catalytic role in development and poverty alleviation in other parts, it failed to unleash the entrepreneurial capacity of locals and stimulate any significant number of new jobs in other parts (Cunningham and Meyer-Stamer, 2005). Evidence from Latin America indicates more of the same challenges (Cunningham and Meyer-Stamer, 2005).

While a lot of research have been conducted to test whether local economic development (LED) planning leads to economic development, employment creation and poverty reduction (with its mixed results) (Cunningham and Meyer-Stamer, 2005) very little effort has been invested to test the level at which LED practice in South African municipalities is embedded in LED literature and its various facets (particular aspects).

This chapter explores theories outlining the evolution of economic development. Of particular significance is theoretical underpinning of different theories and how the different theories suit the context of economic development in the study area. This is mainly to identify the main features (facets) of LED how best the theories can inform

how economic development can be attained. This approach would be used to analyse all the different theories.

2.2 Economic development theories

The complex and dimensional problems of economic development have resulted in the development of a number of theories, explanations, arguments and assertions (World Bank, 2000). These theories describe tools and strategies for making development goals achievable (Dang and Pheng, 2015). The development economics discipline has been using the words economic development and economic growth interchangingly, while meaning different things (Robinson, 1972:1). Robinson (1972:1) in his article titled “Theories of economic growth and development: Methodology and Content”, differentiated the two terms by defining “economic growth as an increase in aggregate product either total or per capita without reference to changes in the structure of the economy or the social and cultural value systems” while economic development was defined as economic growth plus social and cultural, political changes which occur in the development process. Todaro and Smith (2009) defined development as a multi-dimensional process involving major changes in social structures, community views and both governmental and non-governmental institutions as well as the acceleration of economic growth, the reduction of inequality and the eradication of poverty.

For a long time, literature on economic development has been dominated by four theories, (classical theories): the linear-stages-of growth model; theories and patterns of structural changes; the international-dependence revolution, and the neoclassical, free-market counterrevolution (Todaro and Smith, 2009). These theories amongst the two contemporary theories (New growth theory and the theory of coordination failure) were reviewed to help shed light on the economic development process and by implication its definition. Limiting these theories to the few reviewed in this thesis has not been easy task as the development discourse has a large body of interesting theories ranging from Prebisch-Singer (1950) hypothesis on net barter terms of trade between primary product and final goods, Kramer (1993) O-Ring theory, John Friedman (1995) model of regional Development

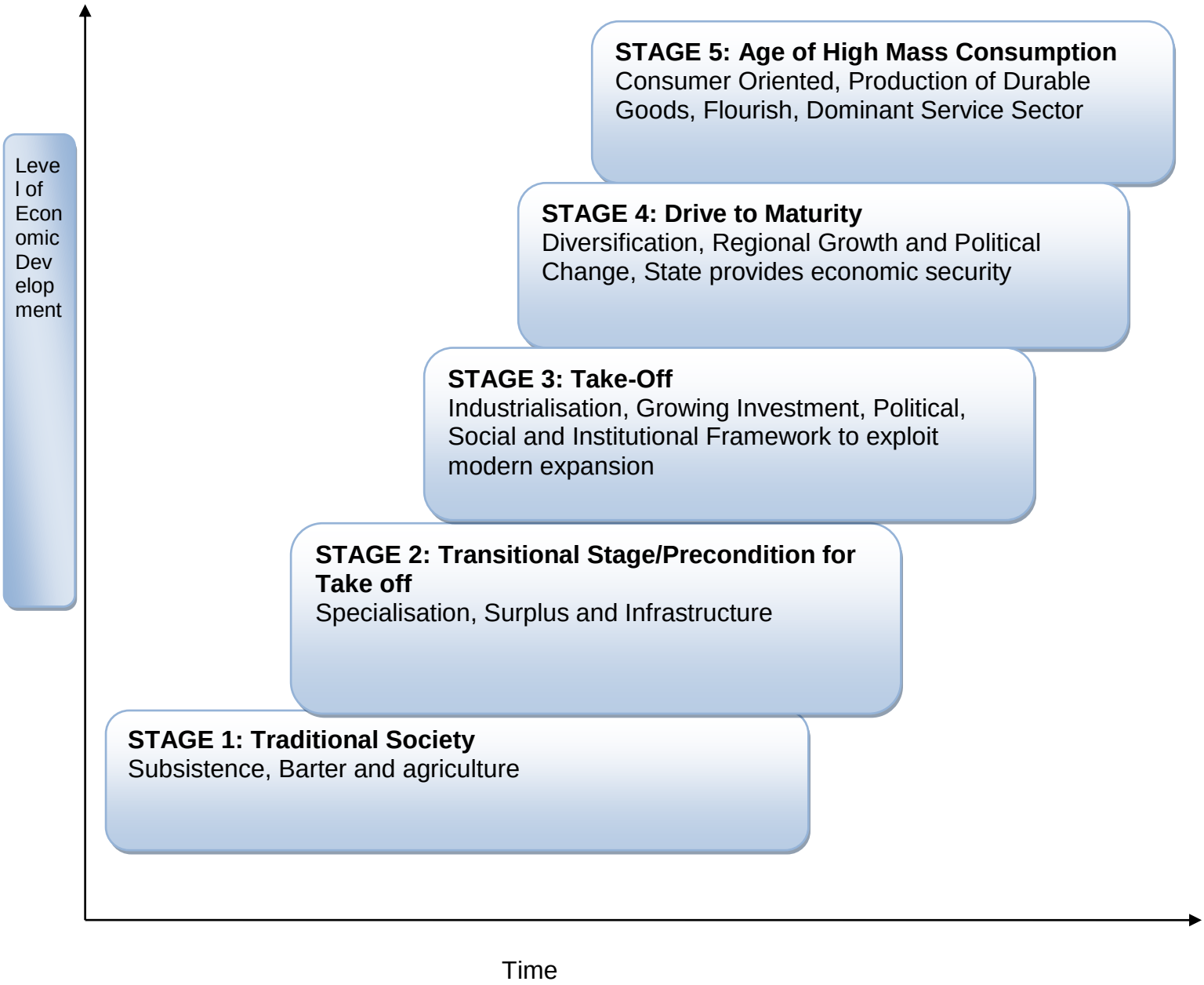
and Krugman regional development theory amongst others. Due to space and feasibility reason this thesis could not illustrate the review process of a few aforementioned theories. These theories were chosen for their abilities to be descriptive and analytical or explanatory and to a certain degree predictive as well, and inherently prescriptive.

2.2.1 Classical theories of economic development

2.2.1.1 Rostow's stages of economic development

Rostow (1960) described economic development as a process that happens in stages or steps, i.e. from underdevelopment to development. The essence of Rostow's theory is that it is logically and practically possible to identify stages of economic development and to classify societies according to five stages (Rostow, 1960); (Dyubhele, 2011). The five stages, as identified by Rostow, are traditional society, the transitional stage, take-off stage, drive to maturity and finally, the age of high mass consumption. Rostow (1960) stipulates that every society has to sequentially move through these steps by one way or another, as illustrated by Figure 2.1.

Figure 2: 1 Rostow's Stages of Economic Development



Source: Adapted from the Rostow's Model

Stage 1: Traditional society

Rostow (1960) described the traditional society as a large proportion of the population devoted to peasantry agriculture, which resort to basic use of limited and basic forms of technology. The theory suggested that this stage belongs to countries that are yet to begin developing. There is very little, if any investment in science and

technology. If there is any science and technology, basic or no critical innovation is taking place (Parr, 2001). This limited availability of technology and innovation limits growth in productivity while a huge amount of resources are spend on food supply, transport and communication and any surplus is spend on un-productive purposes (Robinson, 1972:11).

Stage 2: Transitional stage/precondition for take-off

The transitional stages come into existence when a country becomes politically stable, begins exploiting technology and has adopted the culture of saving (Rostow, 1960). According to Rostow's model, the process of development begins when the elite group initiates innovative economic activities under the influence of well-educated leaders who insists on investment in new technology, good infrastructure which then pushes production beyond subsistence. Although there is production of surplus, there are still challenges of limited production techniques (Robinson, 1972:11). Nafzinger (1990) as summarised in (Dyubhele, 2011:17) postulated that the length of the transitional phase depends on the modernisation of resources. A key condition for take-off is industrialisation, which takes primary production to secondary (Dyubhele, 2011:17).

Stage 3: Take-off

This stage is characterised by dynamic growth (Rostow, 1960). Agriculture becomes commercial and new industries appear (Robin, 1972:12). The economic base shifts from predominantly primary to secondary industries (Dyubhele, 2011:17). The growth is self-sustaining as investment leads to increasing incomes, in turn generating more savings to finance further investments (Todaro and Smith, 2009). Rostow describes this stage as the most important but yet difficult to attain. It is in this stage that economic growth becomes a normal condition. (Rostow, 1960). This stage requires an increase in the rate of investment between 10, 5 -12.5 percent of the Net National Product (NNP) for it to be successful (Rostow, 1960).

It is only during the take-off stage that economic progress is possible (Parr, 2001:4). The era also represents a pre-condition period where uncomfortable certainties of the past are confronted (Rostow, 1960). In order to spur further progression, there is a critical need for an emergence of a minimum one leading manufacturing sector,

representing an industry employing the latest technology and this or these manufacturing firms should have the capacity to stimulate “supplementary growth” sector (via forward and backward linkages). During this stage, it then becomes imperative that there be an institutional framework which adequately supports the leading sector(s) and ensures that the growth benefits of this sector(s) is spread throughout the economy (Parr, 2001:4).

Stage 4: Drive to maturity

The drive to maturity stage is characterised by continual investment of about 40 to 60 percent while both economic and technical progress dominates this stage (Malick, 2005:8). This stage is likely to happen on average after 20 years of the existence of the take-off stage and its leading sector(s) (Rostow, 1960). It is during this stage that other sectors grow, and in the process, sometimes threating the existence of the erstwhile leading sector(s) (Rostow, 1960). The economy during this stage becomes highly diversified, and uncompetitive sectors cease to exist (Parr, 2001:4). At this stage, all firms have adopted the use of modern form of technology (Todaro and Smith, 2009:111).

Stage 5: Age of high mass consumption

Accumulation of significant economic surplus is a distinctive feature of this stage of development (Rostow, 1960). Most parts of society live in prosperity and persons living in the society are offered both abundance and multiplicity of choice (Mallick, 2005:7). Leading sectors of the economy are producing durables and also shift from production of heavy industry such as steel and energy to consumer goods such as cars and computers (Parr, 2001:5). At this stage, society has a wide variety of goods and services to choose from, the state increases its social-welfare programs, the state strives for world power and prestige, ventures into international investments and forming strategic political and economic alliances and finally reconfiguring the economy around particular patterns of consumption and saving (Parr, 2001:5).

2.2.1.1.1 Rostow’s theory - implications for development

Rostow’s Stages of Economic Growth provoked a number of reactions in the academic industry, with some critical to the extent of denying any significance of the theory (Itagaki, 1963:1). However, the stages of economic development theory have

brought with it a fair amount of constructive contribution (Itagaki, 1963:2). The following are some key constructive contributions brought forward to the development discourse by the stages of economic development theory:

a. Economic development requires substantial investment in capital

"Preponderance of theoretical reasoning and empirical evidence suggests a positive first-order relationship between financial investment and economic growth" (Levine, 1997: 679). A well-functioning financial system can play a pivotal role in economic development by facilitating capital formation and reducing transaction costs which, in turn, promote economic growth (Levine 1997; Odhiambo, 2002:2; Takaendesa, 2005:31) and Contemporary literature agrees that investment is a driving force and a prerequisite for economic growth and development. Most of the fast growing economies have experienced high levels of capital accumulation or investment (World Bank, 2012). Marxist and Neo-Classical Economists have both placed emphasis on the investment as an engine to economic growth and by implication, economic development.

b. Savings and capital formation are central to economic growth

Growth requires the mobilisation of long term savings which are then redirected into productive investment (Levine, 1997:679). Financial institutions act as intermediaries for this process and therefore the development of a sound financial system will lead to economic growth (Levine, 1997:679).

The primary task of the financial sector is to move scarce funds from those who save to those who borrow for consumption and investment (Todaro and Smith, 2003:97). By making funds available for lending and borrowing, the financial system facilitates economic growth. It follows then that a more efficient and diversified financial system will play a big role in increasing the level of domestic savings and consequently investment.

Capital accumulation and savings are key ingredients to the process of growth hence development (Todaro and Smith, 2009). There is general consensus in

economics that the process of economic growth and saving/capital formation are positively related.

c) Adoption of technology and economic growth

While there are still mixed conclusions in development studies on the relationship between technological advancement (proxied by investment in Research and Development) and economic growth, there is also little evidence to dispute that there is positive relationship between the two.

The works of (Lucas, 1988), (Romer, 1990), (Jones, 1992), (Howitt, 1992), (Grossman and Helpman, 1991) amongst others have all pointed to a significant and positive relationship between technology adoption and economic development, albeit to varying degrees.

d) Infrastructure is a prerequisite for economic development

Infrastructure investment is an important driving force to achieve rapid and sustained economic growth and therefore, it is an important pre-condition for sustainable economic and social development (Srinvasu and Rao, 2013:9). Infrastructural investments in transport (roads, railways, ports and civil aviation), power, irrigation, watersheds, hydroelectric works, scientific research and training, markets and warehousing, communications and informatics, education, health and family welfare play a strategic but indirect role in the development process, but makes a significant contribution towards growth by increasing the factor productivity of land, labour and capital in the production process (Srinvasu and Rao, 2013:9). Infrastructure creates the necessary production facilities that stimulate economic growth, reduces transaction cost and trade cost by implication improving competitiveness while also providing employment opportunities (Sahoo, Dash and Natarij, 2012).

2.2.1.1.2 Placing the two metros under study in the context of stages of economic development model

While it would be academically dishonest to directly superimpose Rostow's Stages of development theory on the two metros succinctly because of the difference in space of reference the two depict, with Rostow's work depicting national scale while the two metropolitan municipalities depict two local or regional scales far beneath the national scale, this thesis would try and generalise the applicability of Rostow's work on economic development at national scale. Where possible, reference is made at metropolitan municipality level. This assertion is given weight by Parr (2001: 8) who postulated that

> "If Rostow's framework is to be applied at the regional level, there is need for stages of development to be defined in more general terms, so as to accommodate the distinctive nature of regional economy and the diversity of forms which regional development may take".

The elementary nature of development as explained by Rostow failed to take into consideration other economic development impediments like economic sanctions and isolation. The economic development of South Africa did not take place in the linear manner as depicted by the stages development theory in part due to isolation, disinvestment, influx control and discriminatory laws (Ntshona, 2001 as cited in Dyubhele, 2011:19). Although the two metropolitan municipalities under study have some of the best economies in South Africa, their development was not different from the national one, having suffered the effects of isolation and other economic impediments that came with isolation.

Although to an extent South Africa's development went through the development stages as postulated by Rostow, there is no evidence that the stages were clearly distinct from each other and with also same timelines. The only stage that stood distinctively clear for South Africa was the Traditional society. As a result, the average time spans across other stages could not be tested in the South African context. However, the boom in the two economies has been growing steadily with the growth in the national Gross Domestic Product (GDP) and fuelled by the substantial investment.

Since 1975, the South African economy has been growing in leaps and bounce. The economy recorded negative growth in 1976 but since then the economy experienced a steady growth from 1977 up to 1980 (Ngatiane, 2006:81). In 1981, the economy recorded another negative growth of -0.38 as well as 1982 with a record of -1.84 (Government, 2012). The national slump of 2007/08 was also replicated in the two municipalities. According to the Economic reports of the two metros, the economic performance of the two metros during the same time matched to a great extent the national performance.

2.2.1.1.3 Criticism of the stages of development theory

Contemporary literature is filled with a fair share on criticism of the Rostow's stages of development theory. Itagaki (1963:1) summed up much of that criticism as rather severe and varied in nuance.

The most prominent criticism thrown at the stages of development theory is around what most scholars called oversimplification of reality. The basic illustration of development across the five distinct stages of growth hardly does justice to a complex and esoteric subject such as development (Itagaki, 1963, Parr, 2001, Dyubhele, 2011). Itagaki (1963:1) argued that Rostow failed to propose his work in a manner which would have better met his ambitious attempt at bridging economic history and economic theory. Rostow's theory failed to justify how best it reached the periodisation of historical analysis (Cairncross, 1961:54).

Although certain areas of Europe and older parts of the United States, which were established under conditions of economic isolation, e.g. New England, Central Scotland, West Phalia in Germany appear to follow the Rostovian sequence of development fairly close, the same could not be said about new countries and mostly the developing world (Parr, 2001:6).

For the sake of this thesis, Rostow's work made little reference to regions save of a cursory mention in the take-off stage. This assertion was confirmed in the work of (Parr, 2001:8), (Baran and Hobsbawn, 1961). On the leading sector as a driver of the take off stage, Parr (2001:7) argued that "A number of factors on the demand side and supply side cause any single leading sector to have a limited life and the overall rate of growth can only be sustained if the sector in question is replaced by the other

leading sectors rather than by one sector, mainly manufacturing as claimed by Rostow".

While the need for an existence of an investment level of around 11 percent of the Net Regional Product (NRP) was not debated by a lot of scholars, it was the notion of leading sector which the Rostovian model argued must involve manufacturing that invoked a lot of debate. The final consensus reached was that, all a region requires as a determinant of growth, was a successful establishment of an export base, irrespective of whether the region is a manufacturing hub or not, (Parr, 2001:7), (Itagaki, 1961:4), (Berrill, 1960:11).

Rostow's work treated economic development as an equivalent of the model of western capitalistic society (Mallick, 2005:12). The South African development did not take place according to the stages of economic development due to many obstacles met over the years (Dyubhele, 2011:19). Although there are countries or regions whose development trajectory fits into Rostow's Stages for economic development, for other regions the sequence is not stage-distinct and less well defined than that of Rostow and in no way linear (Chenery, 1960), (Chenery and Syrquin, 1975), (Parr, 2001:8).

Nevertheless, like any other economic theory Rostow's theory had its weaknesses but it brought forward some useful insights on how the development process evolves. Rostow's theory did a fair amount of work by providing a descriptive, analytical and to a large extent prescriptive theory to the economic development discourse.

2.2.1.2 Harrod –Domar Growth Model

The Harrod-Domar growth model is based on the work of two authors, Harrod (1939) and Domar (1946). Although they developed their respective models independently, the assumption and results are basically the same (Greiner, 2004:1). The Harrod-Domar model considers a closed economy in which one homogeneous good, ***Y*** is produced and the good could either be used as an investment good, ***I***, or as a

consumption good, ***C***. The use of the good was argued to depend on the economic agent intention.

The model postulated that:

- All households consume and what is not consumed is saved while firms produce and invest.
- All variables are real and many
- There are no money markets.

The simplified version of the Harrod-Domar model as depicted in Greiner (2004:4) begins by denoting Gross Domestic Product (GDP) which equals national income at a time ***t as***

$Y(t) = C(t) + I(t)$.....2.1

Since consumption and savings are supposed to be linear homogeneous functions of national income, C_m becomes marginal propensity to consume, and S_m becomes marginal propensity to save, with S_m calculated as $1- C_m$.

Consumption $C_t = C_m Y(t)$ satisfying the function $0< C_m<1$ and by implication $S(t) = S_m Y(t)$

The consistency of C_m and S_m implies that the marginal values equal average values. In addition an equilibrium condition is imposed assuring that investment equals savings in every period.

$S=I$.....2.2

S representing savings while ***I*** represent Investment

The model further asserts that firms intend to realise a certain capital-output ratio depicted by v^d with ***d*** denoting desired value and calculated as follows:

$v^d = K^d(t)/Y(t)$ 2.3

this capital output ratio v^d reflects the notion that capital is fully employed if the desired ratio is realised and again brings the equivalence of marginal and average variables.

The model postulated that if the capital-output ratio is constant, then capital will grow at the same rate as GDP. This was argued to be enabled only by investments of firms which take the expected change in national income.

$I(t)=\dot{K}(t) = v^d Y^e(t)$.....2.4

Where the dot over the variable K gives the derivative with respect to time. Integration of equation 3.4 will yield:

$K(t)= v^d Y^e(t)$ or $K^d(t)= v^d Y^e(t)$.....2.5

To derive the growth rate of this economy

$\dot{Y}(t) = \dot{K}(t)/v = S_m Y(t)/v$ holds because $I(t) = S_m Y(t)$ which gives $\dot{Y}(t)/ Y(t)= S_m/v$……2.6

The growth rate of the capital stock is obtained by

$\dot{K}(t)= S_m Y(t)$ and $K(t)=v_m Y(t)$ as $\dot{K}(t)/ K(t)=s_m/v$ because $I(t) = S_m Y(t)$ and $C(t)=c_m Y(t)$, it follows that:

$\dot{I}(t)/I(t) =\dot{C}(t)/C(t) = \dot{Y}(t)/Y(t)= S_m/v$.....2.7

The Harrod-Domar growth model point out that there exists a growth path which GDP, consumption, the capital stock and investment grow at the same rate which is called the warranted rate of growth (Greiner, 2004:5).

2.2.1.2.1 Harrod –Domar Model - Implication for development

The following key additions were brought forward by the Harrod-Domar model

a) **Economic growth requires policies that encourage saving for investments.**

"Empirical evidence using cross-country regressions based on the Penn World Table (and other international data) show a significant positive and robust relationship across countries between saving rates and growth, whether interpreted as the effects of investment on growth" (Saltz, 1999). According to endogenous growth models developed by Romer (1986) and Lucas (1988), permanent increase in growth can be determined by higher savings and capital accumulation (Odhiambo,

2007:3), (Solow, 1956), (Modgliani, 1970), (Nayaran and Nayaran, 2006) and (Singh, 2009).

b) Economic growth requires technological advancement that lowers capital-output ratio.

Inputs and efficiency have been credited as the two main sources of gross domestic product per capita (Riddell, 2014). Sustained long-term growth tends not to come from increased inputs but rather from introduction of efficiency maximising technology (Riddell, 2014). Riddell's seminal paper investigating the relationship between economic growth and technology utilising the United States data found out that technological progress had accounted for 80 percent of US per capita growth between 1909 and 1949. The same relationship axis was found to exist in the work of Lucas (1988); Romer (1990); Keller (2004); Fagerberg (2000).

c) For economies to grow they must save and invest a high percentage of Gross Domestic Product (GDP)

Riddell (2014) in his analysis of growth, saving and investment looked at how much the world's biggest economies invested as a percentage of their GDP, and compared this to the countries' GDP per capita growth rates. Riddell's study discovered that countries with higher savings and investment rates tend to have high economic output and vice versa. Data collected from a large number of emerging/developing countries revealed that, with higher investment as a percentage of GDP, there is usually and higher growth rates (Levine, 1997:8), (Odhiambo, 2007). Growth requires the mobilisation of long term savings which can be channeled into productive investment (Levine, 1997:679).

2.2.1.2.2 Placing the two metros under study in the context of Harrod –Domar Growth Model

The Harrod-Domar model postulates that savings are a critical condition for economic growth. The model further emphasise the critical role of investment in economic growth. Although the municipalities have very little authority on how to influence savings, as it is more of a macro-economic competence, the two metropolitan municipalities have made significant efforts to attract investments in the

local spaces evidenced by the two special economic zones that have been established in the respective metropolitan municipalities. The two special economic zones (SEZ) in the form of Industrial Development Zones (IDZ) are designed to be industrial enclaves providing a competitive leverage to investors. They achieve this by creating an environment which is cheaper and generally more efficient for investors when compared to other industrial parks (dti, 2014).

The Coega Industrial Zones (in Nelson Mandela Metropolitan municipality) is the largest industrial zone project in Africa in terms of capital investment and area and is by some measures the single largest infrastructure development in South Africa post 1994 (dti, 2014). Coega industrial zone covers an area of 11 000 hectares and by 2010 the government had used over R3bn on infrastructural development (dti, 2014) while Buffalo city Metropolitan Municipality, boast of East London industrial zone that has invested over R1,3 billion by 2013 to create infrastructure that attract business to the metro.

The Harrod-Domar growth model also emphasise the need of technological advancement that lowers the capital-output ratio of production. Although the South African economy is still facing backlogs in infrastructure, significant progress has been made to provide new modern infrastructure and replace waning infrastructure (Eastern Cape Government, 2014). The challenges that still persist and pose a challenge to growth in South Africa lie in energy shortages (with Buffalo City municipality complaining of old waning electricity stations), poor roads and rail infrastructure amongst others. The electricity shortage challenge sits at the fulcrum of economic developments as it has potential to grossly affect production.

The two municipalities have a stake in the special economic zones operational in the areas and in a way have the powers albeit minimal to influence the percentage of investment in the zones.

2.2.1.2.3 Criticism of the Harrod-Domar Growth Model

Harrod-Domar models assumes the prevalence of the same socio-economic conditions and institutional arrangements in developed world as in underdeveloped nations, yet in many cases developing nations are confronted by issues such as wide-spread poverty, civil unrest, under investment amongst others (Wagner, Endres

and Eichner, 2011:131). The Harrod-Domar model assumes that the sufficient conditions required for proper economic growth are a healthy and educated workforce, a good infrastructure (roads, water, electricity etc.), political stability, and the existence of working financial institutions such as banks to channel savings into investment amongst others. While these conditions are fulfilled in European countries most of them are limited in developing countries, of which South Africa belongs.

Harrod-Domar models rely greatly on a capital theory of value. While labour can be introduced into the system, the two factors, capital and labour, should always remain in fixed proportion, a highly unrealistic assumption (Greiner et al. 2005). Capital accumulation has a dual character that is on the one hand it generates income, and on the other it increases the capacity of the economy (Greiner et al. 2005). This duality in the character of capital accumulation puts at the centre of the problem of steady growth. The increased capacity may result in larger output and may thus contribute to prosperity. Alternatively it may result in unemployment and thus may become a cause of poverty and sufferings. What actually happen will depend on the behaviour of income (Greiner et al. 2005).

There is a problem with the assumptions with regard to the constancy of propensity to save and capital-output ratio. In the long run, both propensity to save and capital-output ratio proved not constant in reality (Van de Berg, 2013).

The general price level has been assumed to be constant in models of Harrod and Domar. In reality prices do change over time. Had the Harrod-Domar model models made some allowance for price flexibility, the system would have had greater stability than these models suggest (Todaro and Smith, 2009:114).

The assumption of the constancy of interest rates is both unrealistic and unnecessary (Greiner, 2004). The Harrod-Domar model considered fixed interest rate wherein most economies have fluctuating interest rates at any given period. Contemporary world to date is characterized with fluctuating interest rates and the South African economy is no exception.

2.2.2 Structural Change Model

Structural change theory focuses on the mechanism by which an economy can change its structure from underdeveloped to developed. The theory is based on the premise that economies need to transform from being mainly raw materials driven to industrial based. (Todaro and Smith, 2009:115). The models classified as structural change refers to change in the sector structure of an economy (Wagner, Endres and Eichner, 2010:5).

2.2.2.1 Lewis theory of development

Lewis (1954) presents a development model wherein an under-developed economy consists of two sectors. On one hand the, traditional, most rural, overly populated area practicing subsistence agriculture (extensive not intensive) and on the other, a highly productive, capital intensive, modern urban industrial sector. The model described the traditional sector as a sector characterised by zero marginal labour productivity, as a sector with surplus labour, that when required would be transferred to the modern sector without any loss of output in the former sector.

The Lewis model was premised the process of labour transfer between the two sectors of the economy and the consequent growth of output and employment between the sectors more so on the modern sector (Todaro and Smith, 2009:116). Due to the zero marginal labour productivity in traditional sector, the traditional sector acts as a supplier of labour to modern sector, which by implication would result in high and rising marginal labour productivity (Lewis, 1954).

As the modern economy grows, it creates job opportunities which attracts labour from the traditional economy leading to huge exodus of labour from traditional sector to the modern sector (Lewis. 1954) The speed at which growth happens in the modern sector is determined by the rate of investment in productive assets and capital accumulation occurs (Todaro and Smith, 2009:117). The profits made in firms are reinvested and growth means increase in outputs as well as increased job creation for rural labour.

The movement of labour from traditional sector to modern sector is presumed to continue until all job opportunities in the modern sector have been filled. Thereafter any workers being moved from agricultural sector will be done at a high cost of food production since marginal product of rural labour will no longer be zero (Todaro and Smith, 2009:117).

2.2.2.1.1 Lewis Model - Implications for economic growth

The following were some of the implications of the Lewis model on development:

a) Distribution and consumption are important in development

While some critics argued that Lewis model was not interested in the distribution or consumption but rather subjugate to economic growth, reality proves them wrong (Boyd, 2007:4). “The model looks at the relationships between output, consumption, saving and government activity, but we shall be doing this from the angle of growth of output, and not from the angle of growth of consumption” (Lewis, 1954). Although not in detail, the Lewis model explained the critical role consumption played in economic growth.

b) Technology augmenting labour is an important element of growth

While contemporary literature agrees that labour is useful factor of production and hence growth, Lewis (1954:8) argues that rather, growth is determined by people “working more productively, using more knowledge or more capital, and taking more favourable opportunities for specialisation, for trade, and for investment. The importance of human capital development is reiterated and emphasised in the work of (Ncube, 2007), (ILO, 2008 & 2013) amongst others.

c) Resource Endowment does not determine growth

Resource endowment does not determine the growth path but rather the pattern of development, if any growth takes place (Lewis, 1954). Natural resources determine the course of development, but the pattern and shape of development process is determined by human behaviour and institution (Lewis, 1954). By human behaviour, the Lewis model was referring to energy of mind, the attitude towards material things, willingness to save and invest productively while the role of institutions was

meant to refer to how institutions promote or restrict growth, protection institutions accord to effort amongst others.

d) Capital formation and capital institutions are compulsory for development to exist

Capital formation is one of the necessary conditions of economic growth (Odhiambo, 2002). This proposition found favour in the work of Rostow and Harrod-Domar. A well-functioning financial system can play a pivotal role in economic development by facilitating capital formation and reducing transaction costs which, in turn, promote economic growth (Levine 1997:679), (Takaendesa, 2005:31) and Odhiambo, 2002:2). Financial institutions act as intermediaries for this process and therefore the development of a sound financial system (financial deepening) will lead to economic growth. The primary task of financial institutions is to move scarce funds from those who save to those who borrow for consumption and investment (Todaro and Smith, 2003). By making funds available for lending and borrowing, the financial system facilitates economic growth.

e) There is need for balanced growth across sectors of an economy

The development programme of sectors should grow simultaneously, so as to keep a proper balance between sectors e.g. industry and agriculture or production for home consumption and production for exports (Lewis, 1954). Failure to keep a proper balance was pointed as having the ability push real wages in both sectors *pari passu*.

2.2.2.1.2 Placing the two metros under study in the Context of Lewis Growth Model

Lewis (1954) proposed a seminal theory of dualistic economic development for over-populated and under-developed economies with vast amounts of surplus agricultural labour. The theory argued that economic growth in such an economy can be achieved by rapid capital accumulation in the non-agricultural (industrial and service) sector, facilitated by drawing surplus labour in the agricultural sector (Ercolani and Wei, 2010). The two metros are in way, a true reflection of the geography and economic standing of areas as envisioned by the Lewis model, with both metros

having large agricultural areas as their hinterlands. Thus, the dualistic structure involves the agricultural sector in rural areas and the non-agricultural sector mainly concentrated in urban areas. Specifically, the agricultural sector includes crop farming, animal husbandry, forestry and fishery while the non-agricultural sector includes construction, industry (i.e. manufacturing, sand mining and quarrying, electricity, gas and water supply amongst others (Ercolani and Wei, 2010).

The Lewis model also emphasised the role of technology augmenting labour as an important ingredient in economic growth. A large body of labour literature in South Africa points to the scarcity of certain requisite labour skill required by the job market e.g. engineers, architects, coach builders and quantity surveyors (Ncube, 2007), (ECSECC, 2010), (ILO, 2013). The lack of requisite skills set amongst South Africa poses a great challenge in the growth prospects of the nation and the two metros in particular. Sharp (20063) pointed out that tertiary institutions continue to produce skills that are not sought after mostly in the arts and humanities while the market requires managers and high-level professional graduates (i.e. accountants, lawyers, doctors, planners and engineers). Although the two metros have very little influence on the academic offerings of the institutions of higher learning, the two metropolitan municipalities are offering funding to students mainly post matric to study qualification they deem are in demand. The funding is offered in form of bursaries for employees and deserving external grade 12 learners to pursue a post matric qualification in certain identified study areas.

Importantly, the Lewis model postulated that resource endowment does not determine growth but rather the pattern of development, if any growth takes place. “Natural resources determine the course of development but the pattern and shape of development process is determined by human behavior and institutions” (Boyd, 2007:9). More often municipalities in Eastern Cape boast of presence of certain natural resource but very little is done to convert these natural resources into meaningful economic development of respective economies. The absence of entrepreneurial skills in community members and the lack of institution to support the available entrepreneurs hinder economic development in most of these municipalities.

There is need for balanced sectors growth if real wages are to be kept low across sectors (Lewis, 1954). The Lewis model warned of the need for economic planners to keep a balanced growth between sectors. The development programme of sectors should grow simultaneously so as to keep a proper balance between sectors e.g. industry and agriculture or production of home consumption and production for export (Lewis, 1954).

2.2.2.1.3 Criticism of Lewis model of development

Like other growth models, The Lewis growth model had a fair share of critics as much as it had its proponents. However, the Lewis model has been criticised on the following grounds:

The models implicitly assumed that the rate of labour transfer from the traditional sector to the modern sector is equal to the requirements and the needs of the latter sector. (Todaro and Smith, 2009:117). The model postulates that, the rate of modern sector depends the rate of capital accumulation and the speed at which labour moves from the traditional to the modern sector (Todaro and Smith, 2009:117). Empirical reality does not support this arguing that the profits made in a capitalist are not usually reinvested in the same activity. In the same vein, the model failed to take into consideration the capital flight complications and the replacement of labour with capital intensive equipment (technology).

The Lewis model over-simplified reality by assuming that the traditional sector has surplus labour while modern economies are at a state of full unemployment. A big body of labour literature claims that there is more idle labour these days in urban areas than in the rural areas (Todaro and Smith, 2009:136). While Lewis model assumed high presence of surplus labour in rural areas, the South African economy demonstrates the opposite.

The Lewis model failed to take into consideration the impact of union on wages, a proposition that would have changed wages in the both sectors affecting the real wages and upsetting the easy movement of labour. During the years of labour bans

in South Africa, the model could hold water but current unionised labour market would nullify the labour movement aspect of the model.

The Lewis model underestimated a number of factors that could upset the smooth movement of labour across the two sectors, these factors include among many others information asymmetry, capitalist behaviour on profit share ad lack of requisite skills among the labour force (Wagner, Endres and Eichner, 2011:114). Lewis (1954) also assumed that the growth in modern sector would be equal to growth in the traditional sector. Whether the skills set required in the two sectors remains the same remains to be tested (Wagner, Endres and Eichner, 2011:114). Although the problem of mismatch of skills between labour from mainly agricultural sector and the manufacturing sector could be addressed through heavy investment in workforce development initiatives, the process requires enough time to smoothen things (Ranis, 2004).

It is apparent that the Achilles heels of the Lewis model are on its over-simplification of certain aspects e.g. presence of perfect information among the labour force, continuous investment of profit into the manufacturing sector, amongst others. However, the model brought to the development discourse a new angle on labour transitioning in developing economies.

2.2.2.2 International Dependence Model

International dependence theory states that underdevelopment of countries exist because of the dominance of developed countries and multinational corporations over developing countries. Essentially, international dependency theory views lack development in most countries on the poor political and legislative environment exacerbated by the *dependence* and *dominance* relationship between countries (Todaro and Smith, 2009:122). Hein (1992) postulated that the international dependence model is an extension of the Marxist theory. Holistically, the international dependence model hinges on three streams of argument: i) neo-colonial dependence model ii) False-paradigm model and iii) Dualistic development model.

2.2.2.2.1 The Neocolonial Dependence Model

The Neocolonial Dependence Model attributes under development of countries, either existence or continuance of a highly unequal international capitalist systems of *dependence* and *dominance* relationship between countries (Todaro and Smith, 2009:122). Poor countries dependent on developed countries for capital and markets (Cohen, 1993). However, by construction, developing countries receive a small portion of the benefits that the dependent relationship brought about (Dang and Pheng, 2015). Todaro and Smith (2009:122) attribute this unequal beneficiation pattern to the unequal power relationship which is either intentionally exploitative or unintentionally neglectful.

The unequal exchange, in terms of trade against poor countries, made free trade a convenient vehicle used by developed countries to exploit the poor countries (Dang and Pheng, 2015). The neocolonial dependence model view underdevelopment as an externally induced phenomenon. The international dependence model differs from the Rostow Stages of Development and Structural Change theory that attributes underdevelopment to internal issues within the control of host nations (Todaro and Smith, 2009).

International dependence model dictates that for developing countries to prosper, they need to end the heavy dependency on developed countries (Ferraro, 2008) while (Todaro and Smith, 2009) advocated for a major overhaul of the capitalist systems that bring about the unequal power relations. With the later, a view strongly held by the heads of state of African countries (African Union Report, 2014).

2.2.2.2.2The False-Paradigm Model

The false-paradigm model attributes underdevelopment to generic and mostly situational irrelevant advice provided by often uninformed development experts from developed countries (Todaro and Smith, 2009). While these experts offer “so called sophisticated concepts, elegant theoretical structures and complex econometric models of development”, the concepts are hardly grounded in the realities of local conditions and mostly fail to tap into indigenous knowledge (Todaro and Smith, 2009). More often than not, these concepts fail to spur any economic development (Ferraro, 2008).

The model warns developing nations form adopting models from developed countries which may not be fit for purpose for developing nations considering that the later have a plethora of differences with the former.

2.2.2.2.3The Dualistic Development Theory

The Dual development theory hinges on the difference between development amongst regions or countries. Intentional on unintentionally these difference spur development in one area at the expense of the others (Itagaki, 2007). Dualism epitomizes the existence and if not curbed, also represents the persistence of substantial and even increasing divergences between developed and under-developed nations. Dualism theory assumes a split of economic and social structures of different sectors so that they differ in structure and level of development (Boeke, 1954). The concept of economic dualism distinguishes between two different sectors of the economy:

- the traditional subsistence sector consist of small-scale agriculture, handicraft and petty trade and has a high degree of labour intensity and little division of labour; and
- the modern sector consists of capital-intensive industry which produces for the world market with a capital-intensive mode of production and high division of labour.

The two sectors have limited relationships and develop each according to different patterns; their co-existence is based on unequal roles, with one being a hub of development, more often, at the expense of the other (Itagaki, 2007). The interrelation between the superior (advanced and modern sector - mainly urban) and the inferior (mainly rural and agricultural) does very little to develop them. If anything, the relationship may actually serve to push down the inferior (mainly rural and agricultural) towards the downward spiral of more underdevelopment ones (Todaro and Smith, 2009).

South Africa has a distinct dual economy. The first economy is globally positioned, and requires very little support from the government. The second economy, on the other hand, has very few or no formal structures in place and is predominantly a cash-based economy, serving mainly the poorest of the poor. This is an economy of

townships, former homelands and poor rural areas (Mbeki, 2004); (CoGTA, 2015). The same dual status of the national economy is evident in the two metros, with inferior hinterlands, with Buffalo City Metropolitan Municipality incorporating the erstwhile industrial hubs of Berlin, Dimbaza and the majority of rural areas round King Williams.

2.2.2.2.1 International-Dependence Model – implications for development

The international dependence model brought to the fore a number of issues to be addressed in as far as economic development in developing nations is concerned.

i. There is need to place emphasis on the review of international power balances and a fundamental geo-political and economic reform at both domestic and international levels (Todaro and Smith, 2009, 126); and

ii. In extreme cases, the international-dependency model theory calls for the outright change in ownership i.e. nationalisation of privately owned assets. The argument being that nationalisation of certain classes of property is a more effective means to help alleviate poverty, lessen income inequalities and raise of living of the majority.

2.2.2.2.2 Criticism of the International Dependency theory

Although the theory offers appealing explanations of why many poor nations remain underdeveloped, it fails to explain how countries initiate and sustain development (Ferraro, 2008, Todaro and Smith, 2009). More so, the model failed to explain why all countries that followed the autarky policy (one of the international-dependency model key pronouncements) experienced stagnant economic growth and in some cases negative growth. The negative impact of the autarky policy rendered the international-dependency theory out of favour in the mid-1980s (Hein, 1992).

2.2.2.3 Neoclassical Counterrevolutionary Model

In the 1980s, the neoclassical counterrevolutionary economists developed the three approaches (free market approach, new political economy approach and market friendly approach) to counter the international-dependency model (Deng and Pheng, 2015). In contrast to the international dependency theory, the counterrevolution

model states that underdevelopment was not a result of the predatory activities of the developed countries but was rather caused by domestic issues arising from overly active governments of underdeveloped or developing nations which more often causes price distortions, poor resource allocation and corruption (Meier, 2000). Counterrevolution economists argued that poor resource allocation and too much state intervention was precluding markets from functioning optimally and restricted economic growth and consequently economic development.

The neo-liberals argued that by liberalizing markets, privatising state owned enterprises –mostly the inefficiently run state owned enterprises-, promoting free trade, eliminating a number of business crippling regulations and eliminating price distortions amongst others will guarantee that growth is stimulated (Todaro and Smith, 2009). The counterrevolution economist advocated for free market approach (citing the markets as an efficient stabiliser of the economy), new political economy approach (minimal government interventions) and market friendly approach (more like free market but differs in that the government has to intervene only to fix market failures and where possible facilitate the operation of market through "non-selective" intervention e.g. investing in physical and social infrastructure or providing a suitable environment for enterprise development). With the former (investing in physical and social infrastructure) being a role at the core of the operation of the provincial government economic development planning through introducing and funding special economic zones in the two metros.

2.2.2.3.1 Neoclassical Counterrevolution – Implications for Development

The neoclassical counterrevolution made the following key pronouncements on economic development:

i. The important role of the free market as a provider of signals for investments rather than excessive government intervention.

ii. The counterrevolution model brought to the fore the reasons for the existence of underdeveloped nations and relevant prescription to eliminate the impediments of underdevelopment (free markets with minimal government intervention).

iii. The theory also clarifies in no uncertain terms the role of governments in free market operation (resolving market failures and providing necessary physical and social infrastructure that attracts investments). With weak legal and regulatory framework chances of market failure are high in developing countries (World Bank, 2000). The other identified role of the state, more so in developing countries, is to enable establishment of robust legal and regulatory environment that encourages economic development.

2.2.2.3.2 Criticism of the Counterrevolution

The counterrevolution economists sold the free market as the be-it and end-it all of development, yet reality has shown that these free-market democratic policies may be necessary but not sufficient ingredients of growth (Skinner, 2007). History has shown that some countries which adopted the policies of counterrevolutions and have not experienced the envisaged growth (Dang and Pheng, 2015). Empirically, the counterrevolution models did not bring the expected high growth levels in most developing nations (Azariadis and Drazen, 1990). Economic growth is a complex process that cannot only be guaranteed by minimum government intervention (Todaro and Smith, 2009). With weak and inadequate legal and regulatory framework, not to mention institutional, cultural and historical context of the developing nations, free market in these countries fails to stimulate economic development (World Bank, 2000). There is more to economic development than the opening of markets.

The counterrevolution model did not state with certainty the right balance of government control and private freedom. The theory fails to provide solution on the questions of how much and what type of intervention creates the best balance for the economy to thrive (Skinner, 2007).

2.2.3 Contemporary theories of economic development

2.2.3.1 New Growth Theory

The new growth theory came into existence in the 1990s as a way to explaining the poor performance of many developing countries which had implemented the policies prescribed by the neoclassical theorists (Todaro and Smith, 2009), (Dang and Pheng, 2015). The new growth theory economist labeled the neoclassical theory as incomplete rather than wrong for mainly failing to incorporate knowledge into their models and clarify the role of technological progress (Cortright, 2001).

The new growth theory modified Harrod-Domar's model by introducing technology into their relationship (World Bank, 2000). The new growth model notes that technological change has not been equal nor has it been exogenously transmitted in most developing nations (World Bank, 2000). The new growth theorist linked technological change to the production of knowledge, whereby they argued that economic growth results from increasing returns to the use of knowledge rather than labour and capital (Dang and Pheng, 2015).

The new growth model assumes that the higher level of returns in the Solow model as well as in the Harod-Domar model are minimized in large parts by lack of the same complementary investments in workforce development, both point and network infrastructure and innovation through research and development.. The new growth model promotes the role of government and public policies in the complementary investments in workforce development and the encouragement of foreign private investments in high technical and development spurring industries such mechanisation, computer software and telecommunication (Meier, 2000). "No amount of savings and investmen, no policy of macroeconomic fine-tuning, no set of tax and spending incentives can generate sustained economic growth unless it is accompanied by the countless large and small discoveries that are required to create more value from a fixed set of natural resources"(Romer, 1993:345).

2.2.3.1.1 New Growth Theory – implication for development

The new growth theory has five broad practical implications for economic development. The theory brought to the fore the need to create new knowledge as a spur of economic growth (Cortright, 2001). The five practical implications for economic development are:

i. Economic Development strategies must focus on creating new knowledge that informs development of new product and effective means of production (Cortright, 2001). The focus of the new growth path is on the role knowledge plays in making growth possible (Romer, 1993). This goes beyond knowledge production but application in the development of products and services that makes the world a better place;

ii. Opportunities for growth in the new growth path are boundless. There is a potential to grow the economy by increasing knowledge rather than labour and or capital. (Romer, 1993);

iii. There is need for robust institutional framework to support technological advancement that comes from knowledge advancements. The lesson from economic growth is that the institutional orientation should be pro-production;

iv. Dynamic adjustments to changing circumstances are required for continuing progress. The Eastern Cape provincial government institutional framework driving economic development is years behind the real need of the economy, more often manned by incompetent personnel and guided by outdated support mechanism (Thina Sinako, 2011). This has led to complains by large corporations and other government entities, citing lack of proper and quality support from government structures. According to the new growth path, these institution need to play an active role in economic development; and

v. The opportunities of future growth of the economy lie on the local base of knowledge and expertise. Resilient economic development must seek to

build all development initiatives on the local knowledge (UN-Habitat, 2005).

2.2.3.1.2 Criticism of the New Growth Theory

The new growth path is criticized for overlooking the importance of social and institutional structure (Skott and Huerbach, 1995). The new growth path treats the whole economy as an individual firm that does not allow reallocation of labour and capital within the economy during the process of development (Dang and Pheng, 2015). Moreover, there are many other factors which provide the incentives for economic growth that developing countries face such as poor or non-existent point and network infrastructure, lack or untransformed institutional structures and state controlled financial markets and state induced price distortion amongst many other challenges (Cornwall and Cornwall, 1994). These factors have been taken as given, while the reality in most developing nation is different.

2.2.3.2 Coordination Failure theory

Rosenstein-Rodan (1943) postulated that at an early stage of development, the investment of industrialising firms in one sector leads to an increase in profitability of other sector throughout the economy. Simultaneously, industrialisation of a large number of firms may lead to profits for all these firms but no sector would be profitable industrialising alone (Hoff, 2000). “In modern terms there could be a coordination failure, where individuals’ failure to coordinate complimentary changes in their actions leads to a state of affairs that is worse for everyone than some alternative state of affairs that is also in equilibrium” (Hoff, 2000)

The theory of coordination failure is built on the assumption that more often than not, markets fail to achieve equilibrium coordination levels among complementary activities (Dang and Pheng, 2015). The obstacle to achieve equilibrium level is not a matter of technological opportunities or lack of knowledge of available opportunities but rather pure lack of coordination (Hoff, 2000). Most coordination failure economists such as Rosenstein-Rodan (1943), Nuske (1953), Myrdal (1957), Leibenstein (1957) and Hirschman (1957) emphasise the role of government in

solving the coordination failure problem with which the proponents believe economic development hinges on.

The coordination failure among many different economic agents lead the economy to multiple equilibria, but not all of them are favourable for other agents and some as some agents find the multiple equilibria very undesirable (Dang and Pheng, 2015). As a result the market more often fails to achieve the optimal equilibrium, which then, can only be ensured by selective government intervention (Hoff and Stiglitz, 2000). The coordination failure theory attributes underdevelopment in most poor countries as the inability of government to coordinate failure through the “big push” – a public led massive investment program-which would cause complementaries to take place in the rest of the regions. The theory of coordination failure is widely used at the present by development economist to inform the development of industrial policies across the globe (Rodrik, 2006).

2.2.3.2.1 Coordination Failure Theory – Implications for economic development

The coordination failure theory brought to the fore two key aspects to the economic development discourse. Firstly, the need for government to resolve coordination failure and secondly, the need for government to provide the “big push” for development to take place in under developed regions. Easterly (2005:3) celebrated the return to favour of the “big push as an alternative to development theories. This “big push” has been provided in the two metros through the introduction of special economic zones to up the ante in investments.

2.2.3.2.2 Criticism of the Coordination failure theory

The coordination failure was heavily criticised for its overemphasis on the roles of government, with critics arguing that the government is mostly ineffective and like other agents, could also choose a bad policy (Killick 1976) and (Hoff and Stiglitz, 2000). The disappointing outcomes of state led industrialisation and the collapse of coordinated, most central development initiatives has put the theory in doubt and in extreme cases, other development experts have repudiated the coordination failure theory altogether (Glavan, 2007:3).

The coordination failure theory assumes the existence of a number of equilibriums that can be attained in the market but fails to explain how government would pertinently ascertain the ideal level of equilibrium position amongst the myriad of the equilibria. Glavan (2007) argues considering an economy never reaches a state of full coordination and that the allocation of resources is fickle to many factors, there is a need to for government to re-coordinate the activities of the economy time and again. This becomes a laborious task and one less likely to be achieved by government considering that the policies recommended by coordination models lack enough details on how government can coordinate the economy (Glavan, 2007).

2.2.4 Summary of the findings on selected theories

This aim of this chapter was to explore theories outlining the evolution of economic development. Of particular significance was theoretical underpinning of different theories and how the different theories suit the context of economic development in the study area. This was mainly to identify the main features (facets) of LED and how best the theories can inform how economic development can be attained. This approach would be used to analyse all the different theories. Although the development discourse has seen a number of theories coming to the fore, there is remarkably little consensus on which theory or theories are most salient in explaining the development trajectory holistically (Durlaf, Kourtellous and Tan, 2007:1).

The literature revealed that the development discourse has not yet coalesced around a particular theory. Debates still rages on between traditional neo-classical views and a range of suggested alternatives. The work of Durlaf, Kourtellous and Tan (2007) discovered that, “instead, the variation in growth rates across countries are more robustly explained by differences in macroeconomic policies and unknown heterogeneity associated with regional groupings”. Although economic development literature has no universally accepted paradigm, something significant can be gleaned from the available theories. One is able to appreciate that, savings and capital investment, skilled labour and labour augmenting technology, robust institutions amongst other factors are important for economic growth.

The reviews demonstrate that there is a consensus that economic development is a multi-dimensional and therefore requires systematically designed policies and

strategies which are place relevenat. As a result, there is no ideal growth path that all nations can pursue. The literature reviews exercise reveal that the suitability of any theory is area and time determined. These theories are awash with developmental lessons. One that stands out, is that nations need to tailor unique and area specific solutions in response to local constraints.

The factors identified in the economic growth theories are used to precede the Local Economic Development (LED) concept definition, nature and character.

2.3 Conclusion

There is a large body of literature dealing with development in general and economic development in particular. The models varied from models that were termed simplistic and rudimentary to complicated models, from multi-dimensional to one dimension. Although the theories varied in the level of detail and angles of views, there were areas of agreement in all of them.

Amongst the number of matters that came to the fore were:

i. lengthy time-period required for economic development to take place
ii. the need for coordinated role of various stakeholders,
iii. the need for government to resolve coordination failure issues,
iv. government investment in both capital and human resources
v. adoption of labour-augmenting technology
vi. investment in in both point and network infrastructure
vii. the need for a balanced growth across sectors of the economy
viii. the need for government to ensure that economies are structurally aligned from traditional to industrial,
ix. need to grow entrepreneurial capabilities of local amongst others

Experience shows that economic development is “not one size fits all approach” but context specific. Different theories have different implications on the development. Subsequent chapter traces the definition of LED, nature and characteristics of LED and defines roles for various role players in LED implementation.

CHAPTER 3

NATURE, CHARACTERISTICS AND DYNAMICS OF LOCAL ECONOMIC DEVELOPMENT

3.1 Introduction

This chapter explores the nature and characteristics of Local Economic Development as a concept. Of particular significance is the definition of the term Local Economic Development (LED), its main aspects (facets) and the roles played by various role players in the two municipalities under study.

A large body of literature agrees that the concept of local economic development is both elusive and contested, and its definition changes from region to region (Trah, 2004); (Pike et al, 2007). Rodriguez-Pose (2001) stresses that in the absence of a clearly defined theoretical definition, LED tend to be about “place/situational relevance”, than anything. A clear consensus on a precise definition of the term “Local Economic Development” could only be reached by deriving the definition from the myriad of somewhat complementing definitions. In order to develop a nuanced understanding of the concept this thesis looks at the some of these definitions.

Local Economic Development (LED) is still a new discipline, which has not yet coalesced around an agreed definition (Bond, 2002). The conflict as traced from various theoretical and contemporary writing is located in its effectiveness and efficiency or lack thereof.

This chapter follows-off the relevant theories of economic development, tap into the vast body of literature that has been growing over the years with the motive to understand the definition of the term “Local Economic Development”, its facets (particular aspects), dynamics and the continuous evolvement.

3.2 Local Economic Development definitions and their main elements

3.2.1 UN-Habitat definition of LED

The UN-Habitat defines Local Economic development as:

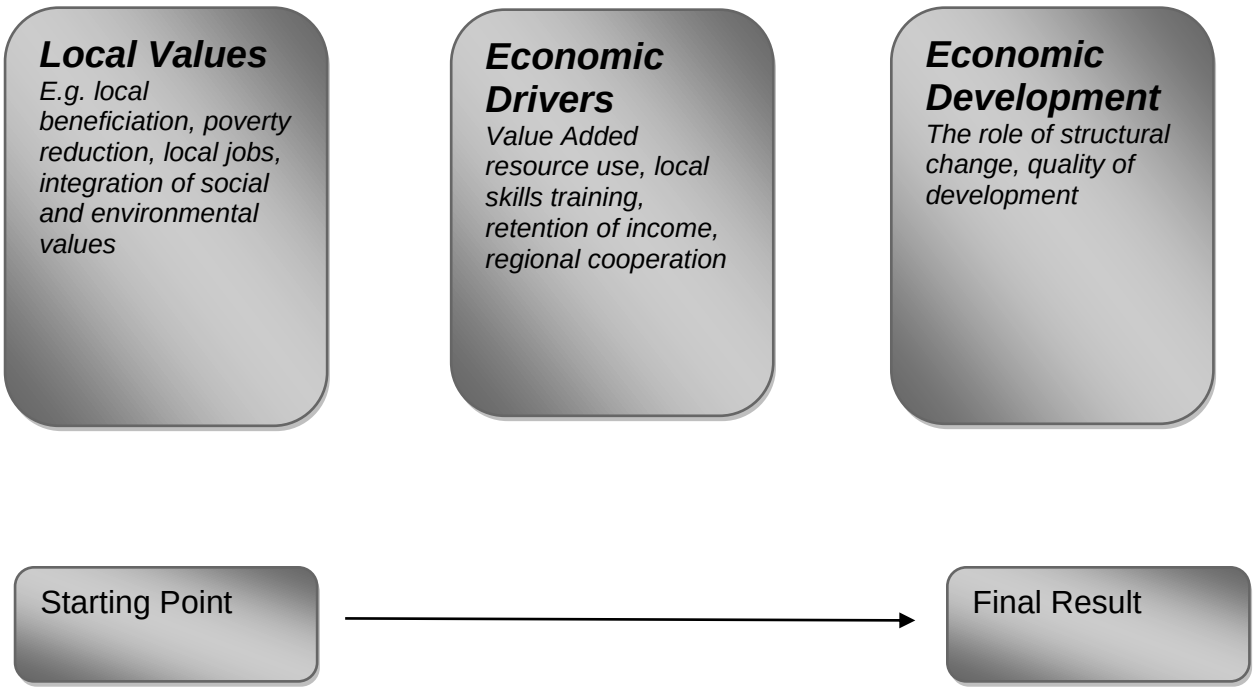
> [a] participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to create decent jobs and improve the quality of life for everyone, including the poor and the marginalised.

The definitions succinctly put it across that local economic development (LED) is not an event but a long process that has no immediate results. This is summed up in the declaration that

> ... LED is not about quick fixes but a process that takes time to reap rewards. It takes time to change local conditions, build capacity, organise participatory process, and empower stakeholder.

The process aims to empower local stakeholders to work together for the economic good of their local space utilising the available local resources as the starting point. LED seeks to empower community members to utilise local resources and build institutions, create business friendly environment, capacitate each other and utilise local resources to achieve local priorities (e.g. promote quality jobs, reduce poverty, stabilise the local economy) (UN-Habitat, 2005). In order to perform LED effectively, the UN-Habitat recommend the need to develop a robust and responsive LED strategy that embraces local values while utilising local economic drivers as reflected in Figure 3.1.

Figure 3: 1 LED as envisaged by UN-Habitat.



Source: Adapted from UN-Habitat 2005.

UN-Habitat traced LED in its infancy (introductory years) as a sole responsibility of the state. Originally, local economic development was exclusively an issue for national government policy that advocated direct intervention in the economy (UN-Habitat, 2005). This intervention was achieved through hard infrastructure investment (e.g. road and telecommunications) and economic incentives combined with concessions such as tax breaks. All approaches applied through the formative years of LED were "top-down". To a greater extent, the UN-Habit attributed the continuous development of LED on the change from top-down to bottom-up approach. Later in the 1980s and 1990s, although LED was still government led, the concept became more "localised" and began to embrace other ideas such as wide-stakeholder consultation and developing business development services (UN-Habitat, 2005).

In its maturity stage (current), LED places more emphasis in the creation of a conducive environment for business to grow within the parameters of redistributive spatial planning. Spatial planning that incorporate holistic socio-economic approaches that links profitable growth and redistributive development, link economic planning with housing, live-work –play opportunities and investment in

more impoverished local spaces, while being efficient in the use of government resources (UN-Habitat, 2005). Other issues coming to the fore in the new LED are:

(i) Recognising people as a core resource;
(ii) Investing in soft infrastructure; and
(iii) LED partnerships and networks.

3.2.2 World Bank Definition of LED

The (World Bank, 2003) defines local economic development (LED) as

> [a] process by which public, business and non-governmental sectors work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all.

The World Bank postulates that no LED process achieves desired results without detailed and careful planning reflected through a LED plan or strategy. An LED strategy/plan is a critical tool for all LED planning initiatives and ideally a local economic development strategy/plan should form a component of these development initiatives (World Bank, 2003).

While most literature on LED does not get into detail on how to develop the LED strategy/ plan, the World Bank Primer goes further into stating the key steps to be undergone in the development of LED strategy/plan. Local Economic Development strategic development process typically has five stages: organising effort, doing the local economy assessment and then creating, implementing and reviewing the LED strategy (World Bank, 2003). Step one involves raising awareness and mobilisation of stakeholders and the establishment of partnerships and networks, while step two is on the development of feasible situational analysis of the local space under consideration. What economic goals do the local actors desire to achieve as informed by the local values and resources? What are the available resources and quantities, strength, weakness, opportunities and threats? Step three, involves the elaboration of a comprehensive planning document that balances development with local, environmental and social needs. Step four is based on a planning and integrating all programs and projects into the final LED strategy and the development

of a robust monitoring and evaluation tool. Step five will involve regular reviews of the strategy through the use of the implementation plan at agreed time periods.

3.2.3 International Labour Organisation (ILO) definition on LED

The International Labour Organisation defines LED as

> [p]articipatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context with the final objective of creating decent jobs and stimulating economic activity (ILO, 2006).

Like the World Bank, the (ILO, 2006) articulates the steps required in the development of LED strategy. However, the ILO added another dimension, that of the need establish of Local Economic Development Agencies (LEDAs) as the lead implementing agencies of LED in municipalities. The ILO approach to developing LED strategy describes the 6 steps as follows:

Steps 1: Territorial diagnosis and institutional Mapping

The objective of this phase is to scan the local economy and begin to understand the available natural scientific and institutional resources. This stage comprises the development of situational analysis which profiles the economy across a number of variables ranging from demographic, education and skills levels, workforce statistics, economic growth and prospects, infrastructure and institutional profiling, amongst others. This step also involves casting of a vision for economic development, establishing priorities, framing choices and setting strategic goals and objectives while re-affirming situationally relevant development principles. In a nutshell institutional mapping exercise conducts an investigation and analysis of the developmental context challenges, possibilities and constraints.

The territorial diagnosis and institutional mapping informs the crafting of programmes, projects and other initiatives to be developed.

Step 2: Sensitising

In order to engender maximum participation, it is recommended that all relevant stakeholders be brought on board. Stakeholders are encouraged to participate, commit to the cause and own the process going forward. It is during this phase that stakeholders are able to know the role of various other stakeholders on the team, how the actions of each stakeholder impact on other stakeholders, the require adjustment need to make the LED strategy development process and beyond work. The sensitising process success hinges on stakeholder having a shared sense of responsibility and putting the project success above all other individual and conflicting need.

Step 3: Creation of Local Forum

This step is premised on the need for consensus-building process during the LED strategy development phase into its implementation and beyond. The forum will act as a discussion point for LED related matters as well as co-implementers of LED strategy implementation plan. In building the LED forum great care should be invested in ensuring that the forum is representative of all diverse groups of people and that the forum has a specific mandate known to all members. This forum should thrive to bring together a team that has a balance of technical skills that will drive the local economic development initiatives forward. These skills involve capacity building, facilitation, project management, development, spatial and economic etc.

Step 4: Design of LED strategy

Informed by an understanding of local socio-economic realities, opportunities and constraints, desired vision, priorities, strategic goals of locals, the team (LED forum) will craft the necessary LED strategy. The strategy should be built within the confines of the agreed to strategic framework and should be reflected through the developed programmes, projects and other initiatives. Like any other strategy, the strategy should be specific, measurable, and achievable, realistic and time-bound. This step also involves the development of the monitoring and evaluation system for the strategy.

Step 5: Coordination / Creation of Implementation structure

More often LED robust and credible Led strategies fail due to poor coordination efforts. Various stakeholders loose interest at the end of the LED strategy development phase. There is need for the same level of coordination and momentum displayed during the LED strategy stage to be transferred into the implementation phase. A clear implementation plan has to be developed allocating responsibilities to various responsibility centres.

Step 6: Implementation of the LED strategy

This is an ongoing process that involves keeping track of the implementation of the strategy and periodic strategy reviews where necessary.

Although the World Bank, UN-Habitat and the ILO are major international development organisation widely credited for LED, the German Technical Cooperation (GTZ) has over the years been making its mark (Rogerson and Rogerson, 2010).

3.2.4 German Technical Cooperation (GTZ)

The German Technical Cooperation (GTZ) define LED as

> [a]n 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 business and strengthen the competitiveness of local firms.

This definition resonates well with the World Bank definition in a number of aspects and also emphasises the role of detailed planning through LED strategy development as a key ingredient of successful local economic development.

3.3 Local Economic Development: Beyond the definition impasse

The continuous evolvement of the local economic development concept over the years has somewhat brought about with it the changes to the definition of the term "LED". There is a consensus in literature that the LED concept originated in Europe in the early 1960s and later on spread to other parts of the world in various forms (Harvey, 1989), (Valler and Wood, 2010). Although LED practice in developed nations and developing nations shares similarities, in terms of issues being situationally relevant and community driven and sustained, large parts of LED from developed nations tend to focus mostly on large scale investments, corporate world support and utilisation of professional project management agencies, with both mighty financial powers and technical expertise (Judd and Parkinson, 1990).

In developing world, focus is mainly on small-scale and community based initiatives, utilising indigenous knowledge and skills with the bias towards ensuring survival of participants rather than threatening a position in the global economy (Taylor and Mackenzie, 1992).

Rodriguez-Pose (2001) stresses that in the absence of a clearly defined theoretical definition, LED tend to be about "place/situational relevance", than anything. LED has moved from top-down approach to bottom-up approach. The popularity of local economic development (LED) approaches has risen over the last two decades, fundamentally as a result of what has been perceived as a failure of the top-down approach (Puga, 2002). While central government are increasingly viewed as too remote and too inefficient to effectively tackle the challenges and opportunities generated by globalisation, localities, cities and regions are perceived by some as the most adequate spaces to address global challenges (Scott and Storper, 2003).

There is still debate on the importance of LED strategies as the development compass of local spaces. However, despite the success cases documented by academics and practitioners, the impact of LED strategies remains insufficiently assessed (Gordon and Low, 1998), (Crescenzi and Rodriguez-Pose, 2011), (Markusen and Schrock, 2006 in Corona, 2012). Although the term LED had been evolving, it has been used to describe a number of initiatives e.g. SMME development, workforce development, spatial planning community development

regulations development and enforcement amongst others (Rodriguez-Pose and Tijmstra, 2005).

These LED definitions had, to a great extent, threads of similarity with the following orientation:

i. LED is informed by local values and needs;
ii. LED is an on-going process;
iii. LED is owned and driven by local initiatives (government, business, community, non-governmental organisation and labour);
iv. LED is about leveraging on local resources;
v. LED achieves better results if guided by a robust and credible LED strategy or plan; and
vi. There is need for collaboration, networking and co-responsibility.

As a point of reference, this thesis will build an all-encompassing definition of the above by electing to define LED as a

> [a] participatory process by which public, business and non-governmental sectors work collectively, leveraging mostly on local resources to create better conditions for economic growth and employment generation. This process seks to ensure development of local enterprises, capacitation of local workforce and provide sources of livelihoods to locals while ensuring that the locality and communities are having a better life. All this would be enabled by having good LED governance structures in place.

3.4 Nature and characteristics of Local Economic Development

3.4.1 Local values and needs driven

The UN-Habitat argues that there cannot be genuine local economic development undertaken in any space without “embracing local values and understanding the needs of locals”. LED practitioners have been advised “don’t try to impose one, narrow or technocratic vision – yours onto communities” (Nel, 1994). A Local Economic development initiative needs to be informed by local values and needs (Cunningham and Meyer-Stamer, 2005). While the traditional development approach is used to recommend a sectoral approach, LED recommends a locality and

situational relevance approach to development (Rodriguez-Pose and Tijmstra, 2005).

Successful LED is built upon culturally unique aspiration and objectives, rather than striving to impose situationally irrelevant, foreign set of ideologies and goals (Gooneratne and Mbilinyi, 1992). Local ownership and control informed by local initiatives and resources are key stand point of LED (Binns and Nel, 1999). The core developmental values of an area must be reflected in its economic vision and mission e.g. local beneficiation, local jobs, integration of social and environmental values.

3.4.2 Continuous process

Literature on local economic development is replete with tell-tales evidence that local economic development is not an event but an on-going process. One of the discernible strands appearing on all definitions of the term local economic development is the “process nature of the LED”. Since it takes time to change local conditions, empowers all stakeholders on the importance of dialogue in development and maintain the development process, LED should be about sustainable development in the long term (UN-Habitat, 2005). Local economic development is “a continuous process wherein the public, government, Non-governmental Organisation (NGO) and business work collectively to create a conducive environment for business to thrive (World Bank, 2003), (ILO, 2006) and (GTZ, 2008)

Meyer-Stamer (2008) argued that since LED required systematic change to prevailing conditions, it is bound to require a considerable amount of time to achieve.

3.4.3 Driven by local actors

Originally, local and regional economic development was to a great extend exclusively an issue of national governments that advocated direct intervention in the economy (UN-Habitat, 2005). However, recent times LED is now more about partnerships between various local actors. These various actors include the government, business, community, non-governmental organisations amongst others. LED relies far more on community-based initiatives utilising indigenous knowledge and skill and anchoring on local resources (Taylor and MacKenzie, 1992).

The sustainability of LED without the involvement of local stakeholders is impossible (ILO, 2006). The process would suffer from a number of challenges ranging from local conflicts, inability to foster social cohesion, tapping into indigenous knowledge to sustaining he process beyond planning phase (ILO, 2006). It is evident that the Local Economic Development approach should seek to feed-off locals rather than to teach them and impose situationally irrelevant concepts.

3.4.4 Leveraging development on local resources

Local economic development specifically aims to stimulate the local economy to grow the economy utilising local (Rodriguez –Pose and Tijmstra, 2005). Successful local economic development has to be built upon local knowledge, skills and resource (Binns and Nel, 1999). New evidence is now insisting on the need to explore value chain beneficiation to ensure maximum participation of locals.

3.4.5 Requires collaboration, partnerships and co-responsibility

While LED may be driven by government, it still requires the participation of the private sector and the civil society and should be based on a participatory process and comprehensive effort in stakeholder consultations (Cunningham and Meyer-Stamer, 2005). LED is mainly a process in which partnerships between local governments, nongovernmental organisation (NGO), local and the corporate world are established to managed to ensure that economy of a particular economy thrives (Helmsing and Egziabher, 2005).

3.4.6 LED should ideally be provided using bottom-up approach

The limited impact of top-down development approach led to the introduction of the bottom-up, which has so far proved to be a better alternative to deliver efficient development outcomes (Roberts, 1993). The popularity of local economic development (LED) approaches has been credited on the perceived failure of the top-down approach (Puga, 2002). The majority of studies agree that LED has moved on from the top-down approach to bottom-up development approach since the mid - 80s with better success.

3.4.7 LED achieves better result if guided by LED Strategy/plan

In order to perform LED to the maximum and achieve better results, its implementation should be guided by a robust and credible LED strategy. Good practice indicates that local economic development is better rolled out using an LED strategy or plan (World Bank, 2003). Local economic development tends to yield better results if done under the ambit of an LED strategy/plan that embraces local values while utilising local economic resources (UN-Habitat, 2005). An LED strategy/plan is a critical tool for all LED planning initiatives and ideally a local economic development strategy/plan should form a component of these development initiatives (World Bank, 2003).

Strategic planning for local economic development forms the cornerstone of sustainable development (UN-Habitat, 2005). Inclusive participation of communities in the development of their respective LED strategies ensures that they have a say in how development is configured. Locals can utilise the LED strategy development process as a relevant platform to create a development future that the desire (Helmsing, 2002).

The time horizon for an LED strategy is usually five to ten years with associated short, medium and long-term deliverables (Cunningham and Meyer-Stamer, 2005).

3.4.8 Systematic competitiveness and LED

Systematic competitiveness of a specific region or locality is a central concept for local economic development analysis and is defined as the capability of certain locality area to coordinate its relationship with other economic spaces (Meyer-Stamer, 2008). The systematic competitiveness concept has been popular in the development discourse for its unique ability to capture complex factors that are at play in specific local space (GTZ, 2008). The concept states that local economies are not inherently local as the word tends to depict. “Even local economies that are at first appearing to be uncomplicated, such as rural areas, turn out to be relatively complex systems as soon as one takes a close look” (Meyer–Stammer, 2008). Therefore, in order to understand the forces at play and harness efforts to stimulate growth in specific locality, one has to understand systematic forces at play intra and inter other localities (Meyer –Stammer, 2008).

With sustained LED process, the competitiveness of specific local spaces becomes different within the local space, and its relationship with other spaces will also change (Meyer –Stammer, 2008).

The systematic competitiveness introduces four analytical levels that it argues need to be managed holistically in order for the economy to survive the complexity of the LED process. The four levels as identified by Meyer-Stammer (2008) are namely Micro level (sphere of allocation through markets, hierarchies and networks); Meso level (the sphere of targeted interventions to address temporary and persistent market failure,); Macro level (the sphere of economic framework conditions, defining incentives through laws, institutions and generic policies) and Meta level (the sphere of societal framework conditions that guide decisions about fundamental economic alternatives).

Interaction of these four factors with each other shapes the ability of countries, and the locations to deliver certain level of local economic development (Meyer–Stamer, 2008).

Applying the systematic competitiveness framework in the LED situational analysis gives totally different understanding of the development status as compared to using the orthodox means. Applying the systematic competitiveness gives a more nuanced picture of the factors at play within a locality and beyond, the implication of these factors on local economic development of study area and the prospects of economic development (Meyer –Stammer, 2008).

“Orthodox LED seems to have a tendency to over emphasise hierarchy (allocating too many task and responsibility to government) and network (creating too many coordination bodies that have to meet too often for too long) while under –emphasising markets, which is the most important factor for successful LED” (Meyer –Stammer, 2008).

This section explores the spheres or facets of local economic Development available in literature, their meaning and particular aspects.

3.5 Spheres or Facets of Local Economic Development

3.5.1 Enterprise development

Enterprise development refers to all initiatives that help to nature entrepreneurial capacity within community members and all initiatives that make the operation of existing business of sizes to thrive and compete better with businesses from other local spaces (Hindson and Vicente, 2005). Enterprise development includes initiatives such as providing several integrated functions namely: starting a business, post-registration formalities with tax authorities, provision of useful business as well as issuance of documents, licenses and permits (minimizing moving from one organisation to another), facilitating easy access to business finance, business advice, entrepreneur capacitation and offering a whole host of business development services (BDS) (Hindson and Vicente, 2005).

Enterprise development is viewed as the core of LED by large body of literature (Meyer-Stamer, 2008). The need to grow the entrepreneurial capacity of locals has been mentioned in a large number of developmental literature, more so in Rostow's (1960) precondition for take-off stage, Harrod Domar's productivity of investment and Prebisch-Singer (1950) article advocating for the need for countries to stop exporting raw materials but rather finished products and Lewis (1954), through structurally aligning the economy from traditional to industrial, amongst other theories.

3.5.2 Locality development

Locality development refers to those initiatives that make certain local spaces attractive for business and other forms of development to take place. Locality development includes all efforts that make certain territories favourable; these include bylaws, incentives, infrastructure (point and network), among others (Meyer-Stamer, 2008). The need to develop conducive localities came to the fore in the work of Rostow (1960) in the pre-condition for take-off stage when articulating the need for good infrastructure. Prebisch-Singer (1950) challenges governments to create conducive environment for industrial production, rather than benefiting solely from natural endowments and Neoclassical counter-revolutionary models which advocate for governments to provide a conducive environment for business to thrive through "non-selective" interventions like providing physical and social infrastructure, security

and legal framework to avoid price distortions, poor resource allocation and corruption.

“Local economic development differs fundamentally from most traditional development approaches in that it approaches development as a local rather than sectoral problem” (Rodriguez-Pose and Tijmstra, 2005). Local economic development, without proper locality enhancing initiatives is a challenge as all LED efforts become useless (Salazar-Xirinachs, 2008). In the later years of LED, business retention, expansion and attraction also came into the spotlight (Rogerson and Rogerson, 2010). The same effort has been invested in developing supply chain management (SCM) practices that are pro-poor for their role in boosting SMME businesses and innovation (Arend, 2006; Lambert, 2008; Lambert and Schwieterman, 2012).

In locality development, LED concentrates on making the local space an attractive space for business to operate, grow and even locate to. Planning is the key instrument for locality development. Most development practitioners understand locality development as mainly two initiatives, namely, developing business friendly regulatory framework and providing quality and accessible infrastructure (Hindson and Vicente, 2005). One common form of improving local area is through the introduction of special economic zones.

3.5.2.1 Special Economic Zones (SEZ)

Special Economic Zones (SEZs) are defined as geographically designated areas of a country set-aside for specifically targeted economic activities, supported through special arrangements (which may include laws) and support systems that are often different from those that apply in the rest of the country (World Bank, 2003). A large body of literature traces the introduction of SEZ to the manifestation of LED as way of improving the locality aspect of a respective local space.

Special Economic Zones have been used as instruments for attracting foreign direct investment, coordinate large scale investments, create large scale unemployment, developing and diversifying exports and in some circumstances experimenting with new policies, among other ends (the DTI, 2013). A SEZ acts as a magnet for investment and industrial capability development, especially in designated areas, by

providing quality infrastructure complemented by attractive incentive packages, business support services, cluster development and minimal red tape (World Bank, 2013).

3.5.3 Community development

Community development refers to any initiative that seeks to ensure that communities benefit from economic development. These initiatives include mainly efforts to foster the participation of marginalised in economic activities of their local space and how to close the economic inequality gap (Rodrigues-Pose and Tijmstra, 2005). Helmsing (2003) refers community development as an inevitable part of economic development brought about by the negative externalities economic development brings to society. Helmsing (2003) defines community development as those actions that capacitate community members to take advantage of economic opportunities that appear in their locality.

Community development encourages social equality by targeting the marginalised and the poor and its target is to strengthen social solidarity, promote community empowerment and close equality gaps. Since communities supply labour and other factor of production to enterprises and are the final consumers of goods and services, so their state success is success of enterprises and the economy (Pregl and Tinkle, 1997). However, some South African scholars question whether community development falls within the scope of LED (Hindson and Vicente, 2005).

The role of community development in literature has been placed on the doors of the state - Rostow (1960) - take off stage, Baran (1975) thesis stipulating that economic development is a necessary but not sufficient condition for economic growth and development, Lewis (1954) articulating the role government need to play to see to it that industrialisation does not destroy agriculture in the development trajectory. Baran’s thesis further noted that there is a need for various role players to ensure that the ordinary masses are brought into mainstream. Indigenous middle class and capitalists are unwilling or unable to reduce poverty and provide economic development for masses and as such, the state needs to have systems and mechanism to address this (Baran, 1975).

3.5.4 Livelihoods development

A large number of communities suffer from inadequate basic infrastructure, poverty worsened by lack of sources of livelihoods, limited business support services etc. (COGTA, 2014). This is especially true in developing economies and parts of the two municipalities (COGTA, 2014). This makes it is difficult for meaningful economic activities to take place, thereby dwindling any opportunities of livelihoods to arise. This in turn makes it difficult for society to access business opportunities or work and consequently further limiting their options out of poverty. LED has the responsibility to ensure that sustainable livelihoods are maintained through tools like preferential procurement systems and value chain beneficiation systems, amongst others (Hindson and Vicente, 2005; Meyer-Stamer, 2008).

The importance of livelihoods development, as LED facets, resonates well with the work of Lewis (1954). The model advocated for the need for government to ensure that during the envisaged growth development process, from traditional to industrial, that the agricultural sector is not neglected, considering the huge numbers of people who drew a living from it. The Prebisch-Singer (1950) model also highlighted the need for economic development to ensure that the living conditions of countries exporting raw material are improved through locals participating in manufacturing product developed from their raw materials while the dualistic development model argued for the need to develop mechanism to address the dual economy problems for the benefit of those in the second economy.

3.5.5 Workforce development

Workforce development is also identified as a key focus area for local economic development. Workforce development refers to any efforts to capacitate labour force to take advantage of opportunities provided by economic development. These initiatives include graduate placement, internship, job shadowing, apprenticeship, and training amongst others. The argument is that low skills level, especially amongst the poor people is a key constraint limiting their ability to secure work opportunities (Bond, 2002). Local authorities need to initiate and support workforce skilling initiatives that target capacitating locals (Bond, 2002). The need to develop

workforce has been a key pronouncement in the Harrod Domar model, Lewis model, Balanced growth, Rostow model, Kramer model, amongst others.

Unemployment in the form of lack of available jobs opportunities as well as the mismatch between skills needed and skills available are some of the major concerns of most localities in South Africa. Workforce Development programmes should address the capacitation of individuals to ensure that they participate in the mainstream economy through either securing job opportunities or create such (entrepreneurial) (Rodriguez-Pose and Tijmstra, 2005).

The National Framework for Local Economic Development, 2007 recommends that LED play a critical role in ensuring that local workforces is well capacitated, appropriately skilled and fairly remunerated (DPLG, 2006). These skilling efforts can be attained through graduate placement, internship, job shadowing, apprenticeship or individuals' participation in other initiatives rolled out by sector departments e.g. Extended Public Works Programmed and Community Works Programmes.

3.5.6 Local Economic Development Governance

LED governance over the years has moved on from intervention to enablement, with the later defined, as the process in which government creates a favourable environment and provides support measures to help public and private actors contribute to the best of their ability to local economic development (Burgess et al. 1994). Burgess et al (1994) defines LED governance as "enablement" a concept spread across three spheres, political, market and community. While the role of government differed in detail across a number of theories, the Kramer model, Prebisch-Singer hypothesis, Lewis model, Harrod-Domar etc. all agreed that one of the important roles of government was to ensure coordination available structures and ensure that that a robust legal, institutional and political framework was in place and its relations with the market and the community.

3.5.6.1 Political enablement

Political enablement involves initiatives seeking to transform the operations of spheres of government in the way it relates with the economy and the community (Burgess et al. (1994). "This transformation is achieved through political and

administrative decentralisation, democratisation, and managerial and institutional reforms. Enablement, in this sense, means changing roles for the government and building governance capacities rather than merely shrinking the scope of the state" (Hindson and Vicente, 2005). The intention of political enablement ensures that the economy is growing in a stable and sustainable manner, and all conflict interest of various economic agents is harmonised (Burgess et al, 1994).

The political enablement role in LED in South Africa is seen by the formation of structures of interaction where all LED role players are involved. Amongst some of these structures formed is the LED network and national LED indaba (both hosted by South African Local Government Association (SALGA) at national level, LED Provincial working group at provincial level and District Support Teams at district level and LED fora at municipal level.

3.5.6.2 Market and business enablement

Market and business enablement refers to any efforts meant to ensure that the markets are function at equilibrium levels while business is thriving within the confines of the legal framework (Burgess et al, 1994). These efforts include setting the level of liberalisation of the markets and government roles in the markets (Hindson and Vicente, 2005).

Hindson and Vicente (2005) argued that while local economic development is about decentralisation, market and business enablement may require an increased government role rather than a decreased one considering that markets are increasingly determined by international and national forces. Most contemporary literature on LED concurs that government must generally have little say on market conditions save on public goods and service provision, relegating their role mainly to a facilitating role in market development (see Burgess et al. 1994; Nel, 2001; Bond, 2002; Rodriguez-Pose and Tijmstra, 2005; Hindson and Vicente, 2005; GTZ, 200). The key role for government in market enablement is to create a business friendly legal and economic environment while ensuring that mechanism and policies are in place to prevent market failures (Burgess et al. 1994).

3.5.6.3 Community enablement

Burgess et al. (1994) define community enablement as deliberate efforts by government to ensure that community members are able to initiate, plan and implement their own strategies, plans and projects in a sustainable manner. The aim of community enablement is to ensure that community members are capacitated to create their economic destiny whole taking advantage of any opportunities the economy presents.

The community enablement aspect works by deepening community members' participation in development attempts of their respective area (Hindson and Vicente, 2005).

3.6 Roles of different spheres of government in LED

Although modern LED theory is unanimous on the role of national government, precious little is known about the various roles other spheres of government should play (provincial and local). This section looks at the role of various spheres of government in driving local economic development in South Africa.

3.6.1 National government

The National government, operating through Department of Cooperative Governance and Traditional Affairs (CoGTA) has the mandate to drive LED at National level. CoGTA is responsible for setting national LED policy and development of other related interventional programmes. The department of cooperative government website state that its role

> [i]n a broad intergovernmental partnership, supported by an LED excellence network, is to play a key role in integrating state action, combining government and off-budget resources, and energising innovation and excellence in local economic development. The department established a National LED Forum, which aims to create a focal point for LED in South Africa (CoGTA, 2015).

The mandate of the National LED forum is to:

- Improving integrated economic planning in provinces

- Co-ordinating access to funding and finance for LED initiatives and the creation of multi-sourced funding streams;
- Improving the performance of local government with respect to all aspects of local economic development;
- Assisting local government in identifying and capitalising on local competitive advantage for territorial economic and social development;
- Improving sustainable access to investment finance necessary to capitalise on local competitive advantage for economic development;
- Ensuring the participation of previously disadvantaged communities and individuals in the realisation of the opportunities offered by local economic development.
- Disseminate information to provincial and local government about LED (CoGTA, 2015).

3.6.2 Provincial government

The role of provincial government is to coordinate national resources passed down from national department. The role of the provincial government in LED includes the following:

- Provide principal leadership for economic policy formulation and strategy development and implementation;
- Adopt provincial framework of guidelines and principles for LED strategy;
- Support optimal budget planning for integrated and efficient LED investment and programming;
- Monitor expenditure patterns, analyse local development impact and advise on strategic improvements;
- Facilitate sound institutional linkages to enhance the development of local economies;

- Provide ongoing developmental feedback to municipalities as they grow through LED evolution process;
- Optimise investment-absorptive and utilisation capacity of district and local municipality and co-lead advocacy for LED-focused investment;
- Support resourcing of LED strategy development and implementation, including financial provisioning, training and LED capacity building for districts and local municipalities;
- Monitor LED strategies implementation against key provincial policy and programme frameworks (Provincial Growth Development Plan (PGDP);and
- Lead broad monitoring and evaluation within strategic monitoring and evaluation framework of provincial development programs (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.6.2.1 LED Provincial Working Group

The provincial LED working group is a provincial structure composed of local economic development practitioners from government and state owned enterprises operating at the three levels, provincial government, district and local municipality. This structure excludes non-state entities. Its role is to:

- Resolve Local economic development matters arising from district municipalities and escalate matters that cannot be resolved to the national department of Cooperative Governance and Traditional Affairs (COGTA) for attention;
- Provide a platform for Networking, Learning and Sharing of information for LED practitioners from across three levels (province, districts and local municipalities) in the province; and
- Mobilise resources for capacity development of LED practitioners across the province (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.6.3 Local government

The local government sphere is broken into two: district and local municipalities.

3.6.3.1 District Municipality

The district municipality is expected to:

- Facilitate stakeholder mobilisation and involvement in participatory district LED strategy development and implementation process;
- Ensure formation and functionality of District Support Team (DST);
- Coordinate and manage the preparation, adoption and implementation of the District LED strategy;
- Support local municipalities in development of their respective strategies;
- Mobilise resources for implementation of the district LED strategy and local municipality strategies;
- Facilitate and support capacity building for local municipalities; and
- Facilitate intra and inter district, as well as other appropriate regional linkages beneficial to local economic development (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.6.3.2 Municipality/Metro

The local municipality or metro is expected to:

- Mobilise and involve stakeholders in participatory LED strategy development and implementation processes;
- Ensure formation of LED fora/ Local Action Team and its functionality;
- Prepare, adopt and implement local municipality LED strategy/plan and ensure alignment with the district strategy/plan;

- Mobilise and manage resources for effective development and implementation of LED strategy in all its facets, including monitoring and evaluation; and
- Periodically evaluate its own LED strategy (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.6.3.3 Local Economic Development Agencies (LEDA)

Local economic development Agencies have been increasing in South Africa ever since they were first introduced by Independent Development Corporation (IDC). Local economic Development Agencies have brought new energy, impetus, and expertise to development programme (Thina Sinako, 2007). While some local economic development agencies have not delivered much, an overwhelming majority, manned by experienced development staff have opened new networks to local economic development, investment and business (Thina Sinako, 2007).

LEDAs are a useful vehicle to assist municipality manage large technical project due to their high concentration of a variety of highly qualified individuals (Hindson and Vicente, 2005). The more effective agencies have been able to accelerate the transformation process by identifying underused assets with development potential, brokering opportunities, leveraging in substantial funds often from new, previously untapped sources while the fewer struggling ones are facing resource constraints – particularly in terms of operational and running cost – and are heavily depend upon donor funding (Hindson and Vicente, 2005).

The roles of local development agency are to:

- Create economic development within a designated area;
- Leverage existing assets to attract investment;
- Identify and develop projects with great multiplier effects for the economic development area;
- Source funding for the implementation of the identified projects;
- Conduct project management role for the identified project;

- Offer technical expertise to the municipality LED unit;
- Source funding to drive LED projects;and
- Assist municipality in LED strategy development and implementation. (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).)

3.6.3.4 District Support Teams (DST).

District support teams were established as a vehicle to help the state to institute the practical means for integrated public sector facilitation and support for local economic development at regional and local level (COGTA, 2011). By definition a District Support Team (DST) is a group of formally mandated individuals representing various sector departments and state owned enterprises, businesses, communities and non-governmental organisation, select number of members from respective LED fora to drive local economic development endeavours at district municipality level.

The district Support Teams' (DSTs) scope of work includes the following responsibilities, amongst others:

- Conduct Joint strategic planning and programme development as identified in the plan agreed on for this effort by partner institutions, as well as warranted by other pertinent strategic concerns that arise in the course of this shared task;
- Prepare reports on all LED aspects of the district for submission to the Provincial Working group;
- Participate in regional economic development and local level LED fora;
- Support District and Local Municipalities with the development of their respective LED Strategies and Plans;
- Convene periodical DST meetings that deal with keeping track of DST Work Plan issues as well as keeping track of programmes, projects and other activities underway; and

- Resolve matters raised from LED Fora/ LAT (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.6.3.5 Local Economic Development Forum/ Local Action Team (LAT).

LED fora also known in other development quarters as Local Action Teams are to local municipalities what District Support Teams (DST) are to the districts. The LED fora/ Local Action Teams are comprised of mainly technical people selected from various sector departments and state owned enterprise, non-governmental organisation, business and community members. A limited number of members from the LED fora/LAT participate in the district support team (DST). This is done to allow uplifting of certain local economic development issues that warrants the attention of district to the District Support Team (DST) (COGTA, 2015).

The greatest value of LAT/ LED fora lies in their ability to mobilise local stakeholders who have a deep understanding local context to validate claims made about local potential, and in providing continuing on-the-ground support to local initiatives (Thina Sinako, 2011). Respective technical people are invited to the LAT/ LED fora when their skills are required. The activities appearing in the LED fora/ LAT work plan are informed by the prioritisation of issues by members within a specific financial year. However, literature on LED fora/LAT point to the inconsistent seating of members on these structures due to lack of sufficient funding. According to the National Framework for Local Economic Development in South Africa, the funding of this structure is the municipality's responsibility. The National Framework for Local Economic Development in South Africa goes to state that:

> [a] key difficulty is that the municipalities or local development agency often lacks adequate, locally available funds to drive the LED process independently. Municipalities led local economic development can either employ funds generated locally, such as through the levying of rates and taxes, or it can be derived from higher tiers of government

- Community-based LED however often has less secure funding sources, relying on charitable donation and public grants, where available (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.7 Role of Other Actors outside Government

3.7.1 Community

The participation of the community in local economic development is very important. The role of the community includes, amongst others:

- Organise and represent own group interest;
- Actively participate in Local Economic development initiatives;
- Initiate new projects and secure resources and partners for realisation;
- Build institutional capacity for effective participation;
- Contribute knowledge, ideas and other resources;
- Co-manage strategy development, implementation and monitoring and evaluation; and
- Take up opportunities that arise in the process (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.7.2 Business

The participation of business in local economic development is as important as other stakeholders. The roles of business include, amongst others:

- Organise and represent business interest;
- Partner governance in building institutional capacity to drive LED;
- Provide “intelligence” (appropriate strategic information) in support of LED initiatives;
- Initiate new projects and secure resources and partners for realisation of LED initiatives; and
- Take up business opportunities that arise in the process (CoGTA, 2015, DEDEAT, 2014, SALGA, 2010).

3.7.3 Non-Governmental Organisation

The role of non-governmental organisations include, amongst others:

- Organise and represent own group interest;
- Build institutional capacity for effective participation;
- Provide “intelligence” (appropriate strategic information) in support of LED initiatives;
- Implement projects with specific focus on those projects that are of strategic nature;
- Initiate new projects and secure resources and partners for realisation;
- Contribute other relevant resources;
- Providing technical support to communities in implementing in local economic development projects and programmes;
- Co-manage strategy development, implementation and monitoring and evaluation (CoGTA, 2015; DEDEAT, 2014; SALGA, 2010).

3.7.4 Funding Agencies

The roles of funders include, amongst others:

- Making funding available for local economic development and related projects; and
- Monitor and evaluate the efficacy of LED initiatives (CoGTA, 2015; DEDEAT, 2014; SALGA, 2010).

3.8 Local Economic Development Monitoring and Evaluation (M&E)

There is very little work that has been done to ascertain the robustness of the monitoring and evaluation (M&E) of local economic development programmes and projects in South Africa (COGTA, 2013). However, basic forms of monitoring and evaluation have been implemented[3].

These types of monitoring and evaluation are devoid of a proper M&E structure, results chains, an indicator monitoring matrix, a robust M&E plan, as well as the interface with any electronic management information system which gives real time results. The state of M&E of LED programmes and projects in South Africa is basic and there exist a big gap between the M&E in developing countries and the ones from the developed world (GTZ, 2009). The monitoring and evaluation of LED programmes and projects in developing world in general and South Africa in particular has to catch up with modern technology in order to improve its monitoring and evaluation role (CoGTA, 2014).

3.9 Current South African Debates on Local Economic Development

There are still issues up for discussion in South Africa with regards to the application of local economic development. Contemporary literature point to the following:

The role of government in local economic development has not yet been fully resolved. The most appropriate role, if any, of government in local economic development is still debatable (Binns and Nel, 1999; Bond, 2002; Hindson and Vicente, 2005). It seems the government's role lies in developing policies foreseeing their implementation, facilitating the development process rather than leading it, offering technical advice and ensuring that necessary institutional vehicles are in motion (Binns and Nel, 1999).

The theoretical location of the LED is still being debated at large. Pike et al. (2006) argued that as a rule, LED theory is a component of the large discipline of regional economic development theory. The fact that most of LED programmes cut across an assortment of theoretical perspective usually result in confusion among practitioners

[3] LED programmes have been monitored mainly through collection of two types of periodic reports (progress report and expenditure report). These types of reports represent the basic form of M&E available to date and inhibit application of proper monitoring.

(Beer, 2009). Due to the large spectrum of disciplines having a DNA in LED, Rowe (2009) asserts that no definitive all-encompassing theory exists to define LED within the parameters of stand-alone disciplines. There are numerous theories that can relate to local economic development but no one theory unequivocally explains the elusive concept of local economic development (Rogerson and Rogerson, 2010).

A number of scholars question the policy and institutional arrangements played by international development agencies in South Africa (Rogerson and Rogerson, 2010). While orthodox LED relied heavily on the assumption that government LED practitioners are highly professional, competent and ethical individuals who could advise on economic development, empirical findings point the opposite. A number of studies argue that the majority of government LED practitioners have no experience or any relevant set skills to give expert advice to communities on the LED discipline (Cunningham and Meyer-Stamer, 2005).

There is need for LED structures to operate within their mandate and help avoid the creation of inconsistent and unrealistic expectation that would lead to frustration and cynicism among local stakeholders regarding LED (Cunningham and Stamer, 2005). While contemporary LED theory conclude its approach on the assumption that it is given that local stakeholders always agree on development priorities of certain local spaces, the same literature fails to consider what can possibly happen when stakeholders hold antagonistic views on the development trajectory, some than cannot be resolved thorough mere facilitation (Meyer-Stamer, 2008).

Although LED embodies a clear economic focus, it is increasingly being considered to be not about all economics but about a concoction of sociology, business studies, environment and ecology management, operations management, geo-spatial planning, infrastructure management and many others (Binns and Nel, 1999; Bond, 2002; Hindson and Vicente, 2005; Rogerson and Rogerson, 2010). Although some emerging literature questions the effectiveness of LED, it has provided an alternative where traditional development policies had nothing more to offer (Rodriguez-Pose, 2009).

According to German Technical Cooperation (2006) the lack of results from LED in developing nations is primarily due to poor implementation of LED by agents and

municipalities alike, poor embeddedness of the LED concept and lack of adequate funds.

3.10 Conclusions

There are a number of definitions of the term Local Economic Development. To an extent, consensus on precise definition of the term “Local Economic Development” could only be reached by deriving the definition from the myriad of somewhat complementing definitions.

The reviewed LED literature reflect that there is a great difference of LED pursued in developing nation and LED in developed nations, with developed nations embarking on big investments, corporate world support and professional project management support rendered by local agencies with both mighty financial powers and technical expertise while developing nation chase small projects termed survivalist by some scholars. While LED may be driven by government, literature advocates for great participation of the community members, business, non-governmental organisation while leveraging on local resources. Successful LED is built upon culturally unique aspiration and objectives rather than striving to impose situationally irrelevant and foreign ideologies and goals. Good practice indicates that local economic development should be implemented utilising a robust and credible LED strategy.

Although some emerging literature questions the effectiveness of LED, LED has provided an alternative where traditional development policies have nothing more to offer. The view of systematic competitiveness of a territory is coming to the fore as a central concept for local economic development analysis. Systematic competitiveness is earmarked as the next great concept to improve economic development going forward. In the South African context, the role of various role-players is defined by the National Department of Cooperative Governance and Traditional Affairs (COGTA[4]).

[4] COGTA is the lead department responsible for LED policy implementation and planning in South Africa.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

The previous chapter looked at the overview of local economic development “LED” literature, in particular the definitions of the term “LED”, its nature and characteristics as well as spheres or facets of LED. The chapter goes further to explore the roles of different actors in driving local economic development and the current debates on “LED” in South Africa. This chapter seeks to explore the methodology that is used in a quest to investigate the level at which LED practice in the two municipalities is embedded in LED theory and expose the different facets/spheres or particular features of LED. This chapter deals with the research design and data collection methods to be utilised. The sampling method, selection criteria and sample size as well as the method of analysis are all specified herein this chapter.

This chapter is divided into 5 sections. The first section deals with the nature of the study under investigation. Also included in this section are the data collection methods (survey questionnaire and in-depth semi-structured interviews), their designs and how the methods are administered. Where necessary, justification of the selected data collection methods is made.

4.2 Nature of the Research

While a lot of research have been conducted to test whether local economic development (LED) leads to economic development, employment creation and poverty reduction (with its mixed results), Cunningham and Meyer-Stamer (2005) very little effort have been invested to test on one hand, the level at which LED practice in municipalities is embedded in LED theory and on the other, the various facets of the LED concept in South African municipalities. Although vast resources and efforts have been invested in ingraining the LED concept and initiatives in South

African municipalities, very little work has been made to investigate the level at which LED practice in municipalities is embedded in LED theory.
Even in countries where such studies have been undertaken, findings have been inconclusive, at best. This study contributes towards broadening the knowledge base of LED embeddedness and its facets.

While erstwhile studies (Binns and Nel, 1999; Bond, 2002; Cunningham and Meyer-Stamer, 2005; Bogopane, 2012; Meyer, 2014) dedicated their attention more on ascertaining the usefulness[5] or otherwise of the LED concept, this study differs from them in that it only concentrates on the trying to measure the level of embeddedness of the LED concept in theory as practiced in the two metros. In general, most of the earlier work on LED in South Africa (see Nel, 2001; Bond, 2002; Rodriguez-Pose and Tijmstra, 2005; Hindson and Vicente, 2005; GTZ, 2008) has been generalised at national scale affording municipal spaces less analysis and if anything, not on particular LED practice embeddedness in theory. The lack of work on LED embeddedness in municipalities, on one hand, and the ever- changing LED facets (particular aspects), on the other, has prompted this study to take a look at this subject using a comparison approach of the two metropolitan municipalities.

Having considered that LED is a particularly "complex phenomenon" - due to difficult nature to analyse - this research decided to make use of both qualitative and quantitative research methods in order to provide scientifically adequate answers to this research. This chapter provides an analysis of the employed research techniques and justify the suitability of the selected research techniques.

4.3 Qualitative Research Methodology in LED

The complex nature of the Local Economic Development (LED) concept necessitates that both quantitative and qualitative research methods be utilised with the latter being employed in large parts. It is for this reason that the majority of work on LED made use of qualitative research methodology (Nel, 2001), (Meyer-Stamer, 2008), (Green, 2011:104) in (Corona 2012:123) (Bogopane, 2012), (Ramafamba and

[5] The ability of local economic development (LED) to contribute towards employment creation, poverty reduction and ensuring the creation of a conducive environment for business to thrive.

Mears, 2012), suggest that main advantage of qualitative research is the depth that can be reached not only by answering descriptive research questions (i.e. what, when, which, where) but also analytical questions (i.e. how and why). The qualitative aspect of the research would be key in attempting to define the particular aspects (facets) of LED.

Babbie and Mouton (2002:271) described qualitative research as best suited for studying attitudes and behaviours best understood within their natural setting, as opposed to somewhat artificial setting of experiments and survey. This definition suits specifically the method required to investigate the Local Economic Development (LED) subject. Particular aspects of LED as appearing in literature like, enterprise development, locality development and systematic competitiveness are best studied qualitatively due to their nature. Bagopane (2012:4) in support of his use of qualitative research in LED in the article aptly titled "Qualitative Analysis of Local Economic Development (LED) Strategy in Ngaka-Modiri Molemo...." argued that selection of research method should be true to the phenomenon, capturing world complexities rather than seeking to reduce them to some model or set of variables and measurement procedures.

Qualitative methods are also effective in identifying intangible factors, such as social norms, socio-economic status and other variables whose role in research issues may not be readily understood or perceived Creswell (1998:12). When used to complement quantitative research methods, qualitative research usually interprets a complex reality of a given situation better. This is all due to the fact that when the former quantifies variation, the later, describes that variation. This research makes use of the in-depth semi-structured interviews as a tool to collect qualitative data.

4.4 Quantitative Research Methodology in LED

In an attempt to quantify the variation described by the qualitative research, this research makes use of survey questionnaire to quantify (gauge) the level at which LED practice in the two metros is embedded in LED theory. The survey questionnaire built around the LED facets identified in literature was used to collect

data on LED practice in the two metros and used to gauge the level of embeddedness of these facets in LED theory. This argument resonates with academics who argued that the failure of LED practice in most developing countries was due to either lack of funds or lack of grounded implementation of LED as pronounced by theory.

In measuring the level at which LED practice in the two metros is embedded in LED theory, the study made use of the re-modelled German Technical Co-operation (GTZ) hybrid scale used to measure embeddedness of LED across a number of municipalities world-wide. The re-modelled scale assigned a score or weight per each question in the questionnaire from the value of zero to a possible maximum of three (see embedded score sheet in annexure E). This method was chosen for its unique ability to measure an attribute (embeddedness) that has proved elusive to measure in contemporary LED literature. The limited availability of methods to measure the level at which respective LED practice is embedded in LED has led to unanswered questions on the importance or need for LED practitioners to implement the “complete LED package” as informed by literature. This has also made it difficult for academics, researchers and practitioners alike to argue for or against the need to implement the “complete LED package”.

The scores or weight from all questions associated with a facet e.g. general LED, enterprise development or locality development were added up. The total recorded scores or weights where then divided by the maximum achievable score or weight and then multiplied by 100, to convert the scores into percentages. For example if the recorded mark is 20 and the maximum achievable is 30, then, converting the mark into a percentage would yield $20/30 * 100 = 66.67\%$

According to the GTZ (2006) and re-modelled scale of this research, the score of less than 75 percent was considered not embedded enough and vice-versa. Conclusion of embeddedness was summed up under each facet e.g. enterprise development or locality development. The data collected from the questionnaires was coded in excel and analysed using Statistical Package for Social Sciences (SPSS).

4.5 Research design and data collection method

Now that the research methodology has been developed, this part explores the research design of this thesis. The section looks at data collection tools used, how the tool was administered, the sampling method and finally the data analysis method applied.

4.5.1 Survey Questionnaire

The survey questionnaire was used as the main data gathering tool for this research. Justification on the choice of the approach was based on the idea that the survey questionnaire captured the complexity of the subject under investigation relatively better and more so, the embeddedness of LED in theory in selected municipalities. The survey questionnaire has been the most frequently utilised data collection tool for studies on Local Economic Development (LED) and other related subjects nationally and internationally (see (Myer-Stamer, 2008), (Nel, 2001) (Bogopane, 2012), (Ramafamba and Mears, 2012). Survey questionnaires have been used to enable the collection of information in a standardised manner which, when gathered from a representative sample of the defined population, allows the inference of results to the wider population (Rattray and Jones, 2005). The popularity of the survey questionnaire has been on its ability to generate large representative samples as well as capturing rigorous, large amounts of quantitative data (Brooks, 2002). The main benefits of survey questionnaire are that there are relatively quick to complete, relatively economical and are usually easy to analyse (Bowling, 1997).

However, like other data gathering instruments, survey questionnaires are not without criticism. They assume that the researcher and the respondents share underlying assumptions about language and interpret statement wording in a similar manner (Rattray and Jones, 2005). Closed questions, which are commonly used may restrict the depth of the participant's response (Bowling, 1997). Rattray and Jones (2005) argued that therefore survey questionnaire-based methods are not best suited for research where little is known on the subject or topic area. The criticisms of the survey questionnaire aside, the identified weakness did not have an effect to the subject under discussion as mitigating measures have been put in place. To avoid the bias of language and questionnaire wording differences, the

questionnaire was administered by the researcher. A fair amount of information is known on the subject under review to make the survey questionnaire suitable instrument for data collection.

The survey questionnaire designed for this research captured data on enterprise development, locality development, workforce development, community development, general LED amongst other important facets of the LED subject. The researcher believes that no other tool or instrument can contain such large amount of data without compromising its robustness. The development of the survey questionnaire was influenced to a large extent by research objectives and the pronouncements of literature on the LED subject. The questionnaire was divided into seven parts and mainly according to the LED facets identified in literature review process.

The survey questionnaire made use of closed ended questions with a mix of both dichotomous questions and multiple answer questions. The survey questionnaire was composed of seventy-seven questions with forty-four questions dichotomous and thirty-three multiple choice questions. The suitability of the questions type depended more on the available responses. Where possible the researcher preferred multiple choice questions because of their ability to generate high response rate and their easiness to analyse.

A questionnaire composed of seventy-seven questions was designed in order to ascertain the level at which LED practice in the two municipalities was embedded in LED theory. The full questionnaire as used in the interview process can be viewed in Annexure B while the survey questionnaire scores sheet is Annexure D. Due to feasibility reasons, some of the questions had to be considered as ‘proxies’. This implies that there was an indirect connection, based on a hypothesis, between the question / answer and the information required for the research. According to the survey questionnaire score sheet, every question was awarded a maximum score and respondents answers had to be evaluated according to this score sheet. For example, The maximum score for question number 3, wherein the availability of LED strategy was asked carried a maximum of two marks, if the respondent answers “YES” they score maximum points (2) but if the respondents answers no, the respondent scores zero (0) points. The weight of the scores are informed by the

importance of the question in literature and also informed by the Germany Technical Cooperation (GTZ) embeddedness scale. GTZ first introduced the embeddedness tool to the LED discourse in their baseline study for LED in 2006.

All question were assigned marks from a value of zero to a possible maximum of three (see Annexure B). At the next stage, the marks from all questions associated with an indicator element (facet) were added together. These values were then converted to a ratio score on a scale from zero to one – implying that the actual marks were divided by the maximum of achievable points. An indicator element (facet) was considered to be fulfilled if the ratio score reached at least 0.75 points. The figure of 75 percent was considered significant as it indicates that key variables making up that indicator are generally well embedded.

This method of scaling was opted for its robustness to measure the level at which LED practice in the two municipalities is embedded in LED theory. While no text may provide information on LED embeddedness, the GTZ scale provides the best possible measure for this "complex" topic on LED (Wegmann and Ende, 2006). It was for this reason that researcher chose to make use of the hybrid[6] GTZ tool, as according to the researcher knowledge, at the time of undergoing the research, the GTZ tool was the only tool capable of measuring the level at which LED practice of a respective region was embedded in LED theory.

4.5.2 Questionnaire design

The development process of the survey questionnaire utilised in this study was influenced by research objectives and the reviewed literature on Local Economic Development. Other considerations made during the process were:

i. The type of data to be collected

ii. The method used to ask questions e.g. verbally, telephonically or email

[6] The embeddedness tool was not utilised in the same form as the GTZ version but was re-modelled by the research to suit the task at hand

iii. The flow of the questions and their themes in order to guarantee that each respondent receive the same stimuli and ensure that respondents provide accurate, unbiased and complete information.

iv. The length of the questionnaire and the response spaces for answers.

While a well-designed questionnaire should meet the research objectives, many research survey questionnaires fail to probe particular issues adequately (Strauss and Corbin, 1990). To a certain degree, some of this is inevitable (Strauss and Corbin, 1990). In order to circumvent this obstacle, the survey questionnaire utilised was sent to the statistician and the research supervisor to ascertain if the survey questionnaire would draw the required information and ensure ease capturing and data analysis.

However, continuous consultations with the statistician were made to ensure that the survey questionnaire minimises the effects of the “inevitable” problem as noted by Strauss and Corbin (1990). One of the most crucial stages in this exercise was conducting mini “pilot study” using two officials from Buffalo City Metropolitan Municipality, LED directorate. This process helped the researcher to pre-test the questionnaire, while managing to simulate the main study.

4.5.3 Administering the Questionnaire

After considering a number of factors in the development of the survey question both from the research objectives and the literature perspectives, the researcher settled to make use of personal interview approach. This approach involved the completion of the survey questionnaire through face-to-face contact with respondents. This method of administering survey questionnaire has been used in a majority of LED studies (Bogopane, 2012), (GTZ, 2010), (GTZ, 2006), (Binns and Nel, 1999) amongst others. Although this approach comes with the disadvantage of high cost and being time consuming, this approach guarantees the highest response rate in comparison to all the other methods of administering a survey questionnaire (Neuman, 1997:6). If well administered it allows probing of long questions that are sometimes difficult to probe in other methods (Neuman, 1997:6).

Permission to conduct interviews from the respective institutions was secured through a written request made to the accounting heads of respective organisations. Upon securing approval from the respective head of institutions, appointments with respondents were secured and interviews conducted.

4.5.4 Target population and sampling design

The survey questionnaire was used to elicit information from the Local Economic Development (LED) practitioners from the two metropolitan municipalities. The survey questionnaire developed was targeting 16 LED practitioners from the two metros' respective LED directorates and or from other LED related sub-directorates like Small, Medium and Micro Enterprises (SMME) or Cooperatives. On average the two metropolitan municipalities had 40 employees in LED and related functions.

Purposive sampling technique utilised made use of both maximum variation sampling and typical case sampling. The maximum variation sampling was considered to ensure a fair balance of information between top managers in LED and those in the middle echelons level of respective LED functions. The study did not only consider senior (by rank) LED practitioner but also middle management level employees who are involved in the day to day implementation of LED programmes and projects. This was done to enable the extraction of all relevant information that was likely to be withheld or tailored by senior LED practitioners for various reasons.

Typical case sampling was used to ensure that the same sample or type of personnel or practitioners interviewed in both the municipalities was identical in terms of positions or degree of knowledge on LED. While typical case sampling cannot be used to make generalisations about a population, it can be used to compare samples (Patton, 1990:286). This then allowed some form of comparison of the data collected between the two metropolitan municipalities.

4.5.5 Quantitative data analysis

Data collected from the coded survey questionnaires was first captured on Microsoft Excel and then analysed using the Exact Test module in Statistical Package for Social Sciences (SPSS). Inferences and conclusion were drawn from such data, more so on the level of embeddedness and where possible comparison made to literature.

4.5.6 In-depth semi structure interviews

In order to complement the information collected by the survey questionnaire, this study also employed the use of the in-depth semi-structured interviews to elicit information from LED official from sector departments mandated to drive LED in the province. These departments included Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) and Department of Cooperative Governance and Traditional Affairs (COGTA) which are two departments that have units responsible to support two metropolitan municipalities.

South African Local government Association (SALGA), one of the key role players in driving LED across the province and has dedicated staff members assigned to the two metropolitan municipalities was also considered for the in-depth interviews. Due to the small numbers of the personnel dedicated to support these metropolitan municipalities from the 3 entities, total population sampling was used to select the respondents. At the time of conducting the research, DLGTA had 5 people dedicated to each of the metropolitan municipalities while DEDEAT had 6 people per metro. On the other hand SALGA had 1 person per metro.

In order to gain better insight and understanding, open ended question, grouped into themes (embeddedness and facets) were used and interviews conducted through face-to-face method. A detailed interview schedule (see Annexure C) was developed to help ensure a clear flow of the interview process while also being mindful of the survey fatigue civil servants always complain about. Respondents were allowed ample time to talk about their understanding of issues and experience. Where necessary, probing was made on areas that necessitated clarity and more information. The in-depth semi structured interviews also provided explanation to

some responses in the in the survey questionnaire and helped shed more light on some intricate matters that arose during the survey interviews.

4.6 Conclusions

This chapter managed to clearly explain the research methodology that was used to provide rounded answers to the research objectives. In so doing, the chapter also illustrated the framework that was to ensure that logical, systematic and structured approach to research methodology was ensured. The rationale behind the choice of methods used was also outlined and where possible supported with relevant literature. This chapter is a precursor to the overview of the LED practice and key socio-economic indicators presented in chapter 5 and data analysis chapter to follow later in chapter 6.

CHAPTER 5

AN OVERVIEW OF THE LED PRACTICE AND KEY SOCIO-ECONOMIC INDICATORS IN THE STUDY AREA

5. 1 Introduction

Over the centuries, the eastern part of the province saw the build-up of a substantial population that collected wealth in livestock and practiced agriculture and later on turned into the city of East London, while the western-end, which was dryer and more thinly populated played host to white settlers who accessed South Africa through the now city of Port Elizabeth (Freund, 2014). The settlement of white settlers in the western part (Port Elizabeth) led to the development of the port, which helped spur the development of the city into what has become Port Elizabeth today.

Port Elizabeth grew in the early 1900s through wool and ostrich feather trades that emerged from the same-arid hinterland while East London profited from its favourable location, on the mouth of the Buffalo River, to act as a collection point of commerce for the border region (most Ciskei and Transkei) (Freund, 2014). These two cities have come to shape the bigger part of the economies of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality respectively and the Eastern Cape as a province. The economic growth patterns of the Eastern Cape Province resonate well with the national patterns, with pockets of developed areas within largely underdeveloped areas. The two urban industrial manufacturing centres (Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality) have first world components, while the rural hinterland, particularly in the former homeland areas of the Transkei and the Ciskei, are characterised by poverty and are generally underdeveloped (ECSECC, 2014). Even in agriculture, the developed commercial farming sector is juxtaposed with a floundering subsistence agricultural sector (ECSECC, 2014).

The major structural differences between the Eastern Cape economy and national economy are the virtual absence of a strong mining sector and the presence of a

significantly larger tertiary sector than the rest of South Africa. The greater part of this tertiary sector is accounted for mainly by the public sector.

While the preceding chapter outlines the methodology used to pursue this research, this chapter presents an overview of Local Economic Development practice in the Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. In order to obtain a clearer understanding of the socio-economic status of the study area, the study goes further to analyse the key socio-economic indicators at play. These indicators included demographics, household income and poverty, education and economic performance amongst others.

The researcher believes that these indicators provide evidences to matters of holistic significance or highlight trends or phenomenon which may not be easily detectable. These profiles provide information in a layout which is simple and which may be easier to understand than these complex statistics or other kinds of economic or other data. For the purpose of this study, socio-economic indicators were sought which could assist in understanding the status of local economic development and the development changes taking place therein these municipalities.

In providing an overview of local economic development of both, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, the study made use primary information collected through the use of survey questionnaire and in-depth semi structured interviews. Secondary data was utilised for developing an analysis of key socio-economic indicators. However, in order to provide a well-rounded picture of the secondary data collected from various sources, the researcher had to draw inferences based on this data.

5.2 Historical background of study area

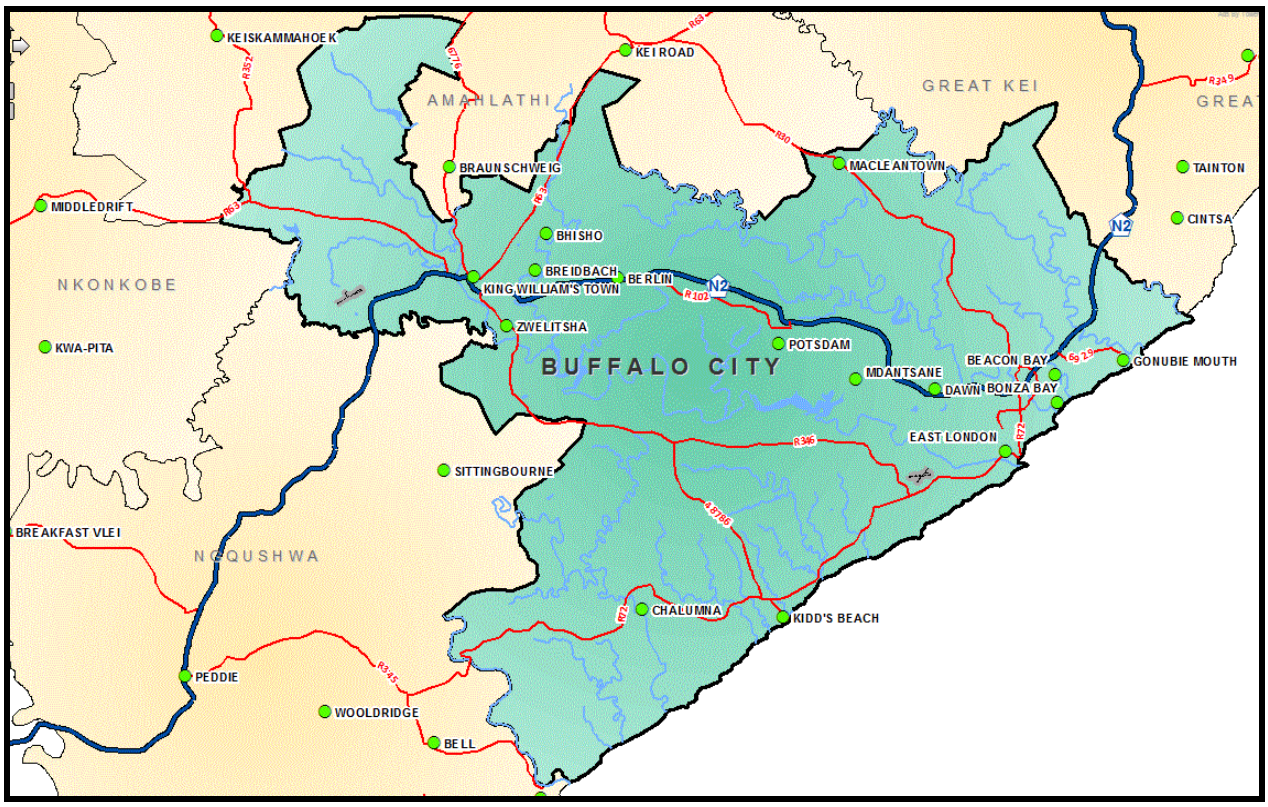
In order to provide a thorough profile for the study area, this analysis was broken into two parts, i.e. Buffalo City Metropolitan Municipality (BCMM) and Nelson Mandela Bay Municipality (NMBM). Where possible, illustrations where made using graphs and or tables in juxtaposition or separately to profile the study area adequately.

5.2.1 Buffalo City Metropolitan Municipality (BCMM)

Buffalo City Metropolitan Municipality is situated on the east coast of Eastern Cape Province. The metropolitan municipality includes the towns of East London, Bhisho and King William's Town, as well as the two large townships of Zwelitsha and Mdantsane. East London acts as the primary economic centre whilst King Williams Town acts as the regional service centre (BCMM IDP, 2015). The metro has a land area of 2515kms^2 with 68km of coastline while also consisting of a corridor of urban areas, stretching from East London to the east through Mdantsane and King Williams Town to reach Dimbaza on the west and Bisho on the North. Bisho is the administrative capital of the Eastern Cape Province (BCMM IDP, 2015).

Figure 5.1 shows Buffalo City Metropolitan Municipality boundaries and key settlements.

Figure 5: 1 Buffalo City Metropolitan Municipality (in blue)



Source: Buffalo City Metropolitan Municipality –GIS Unit, 2015

Buffalo City Metropolitan Municipality is named after the Buffalo River, at whose mouth lies the only river port in South Africa. It earned its metro status in May 2011, thus separating from Amathole District Municipality. Buffalo City Metropolitan Municipality has a rich history steeped in the struggle against apartheid. This history is captured in the heritage and memorial sites scattered across the municipality. These sites also help as tourist attraction sites, include Nonthetha Nkwenke statue, Steve Tshwete's grave, Bisho massacre memorial, Xhosa cattle killing and the Lock Street jail among others.

The existing urban areas and settlements in Buffalo City Metropolitan Municipality are spatially fragmented, which is a feature of the entire municipality. The spatial fragmentation creates a negative urban dimension that is difficult to serve (BCMM IDP, 2015). According to the Buffalo City Metropolitan Municipality's integrated development plan (IDP), the following three main identifiable land use and land need patterns are identified:

- Firstly, the urban settlement pattern is dominated by the East London – Mdantsane – King Williams Town – Dimbaza urban development axis. This development axis dominates the industrial and service sector centres and attracts people mostly from throughout the greater Amathole District Municipality region in search of work and better access to urban services and facilities. East London serves as the primary node and is the dominant economic hub in the region. On the urban fringes there are smaller urban components like Gonubie, Berlin and Potsdam. While the eastern boundary is restricted by the Indian Ocean.

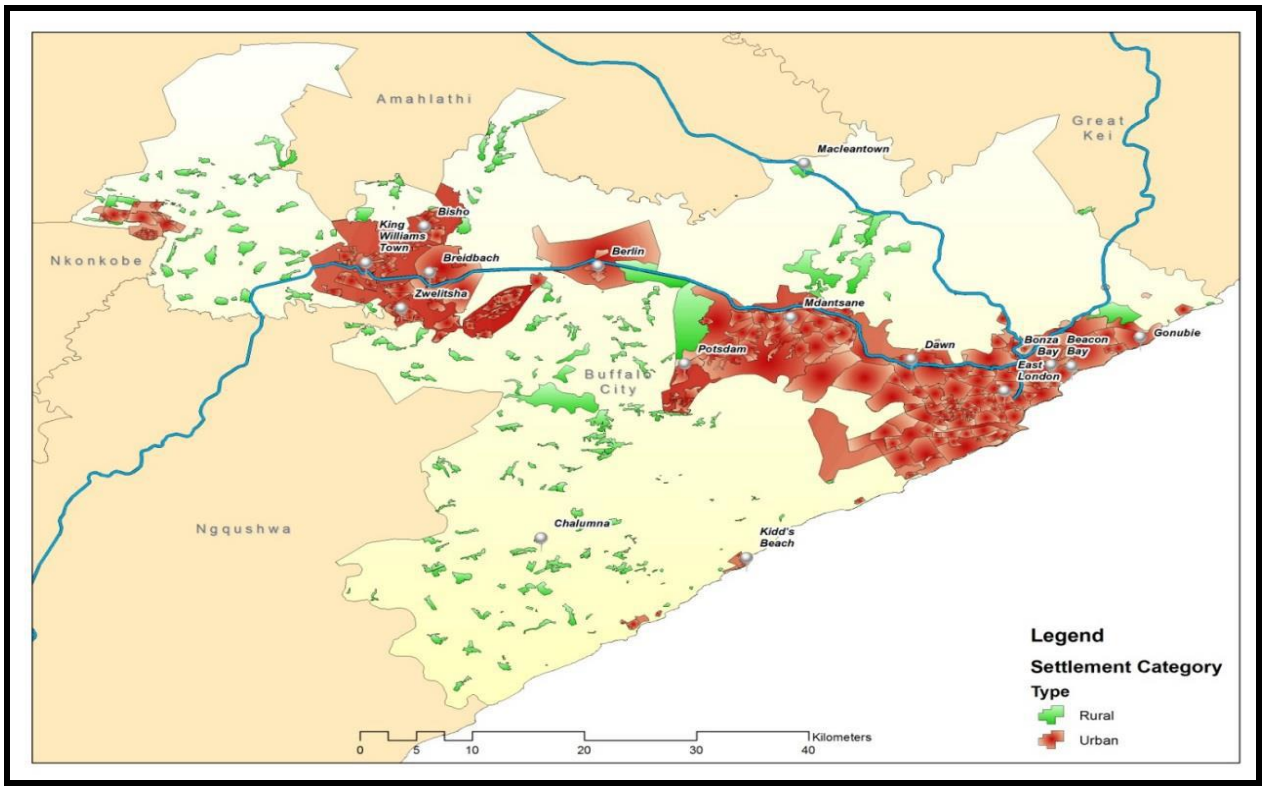
  The King William's Town (KWT) area and surrounds is a spatially fragmented area with King William's Town being the main urban area. The other urban areas are situated on the outlying areas and included Bhisho, Ginsberg, Zwelitsha, Phakamisa, Breidbach, Ilitha and Dimbaza. King William's Town serves as a secondary node in the Buffalo City Metropolitan Municipality region. King William's Town functions as a Regional Service Centre while Bisho is the headquarters of the provincial government of the Eastern Cape Province.

- Secondly, is the area comprising of non-urban land within the Municipal area and is characterised by distinctive enclaves (mainly within the areas of the former Ciskei but also notable on the outskirts of East London in the form of Newlands) where rural and peri-urban settlements accommodate some 20 percent of the Municipal population. These rural settlements are mainly situated to the western and southern parts of municipality.

- Thirdly, the commercial farming areas form a distinctive type of area. These areas are dominant in the north-eastern and south-western (coastal) sectors of the Municipality and are characterised by extensive land uses, with certain areas making use of intensive crop and animal farming.

However, within the generalised spatial landscape of the above areas one finds diverse and complex urban and rural situations. Figure 5:2 shows the rural and urban settlements and dispersion in Buffalo City Metropolitan Municipality.

Figure 5: 2 Buffalo City Metropolitan Municipality – Urban and Rural Settlements



Source: Buffalo City Metropolitan Municipality – GIS Unit, 2015

Much economic activity of the Buffalo City Metropolitan Municipality area is concentrated along the East London – Mdantsane – King Williams Town – Bisho urban development axis. Bisho replaces Dimbaza (in the old development axis), a town that has become a “ghost town” due to the withdrawal of industrial decentralisation incentives for industries to relocate to the homeland towns by the pre 1994 South African government. This led to a huge number of firms locating to Dimbaza and Butterworth and as a result creating massive numbers of jobs. In 1974, the then industrial hubs of Dimbaza, Mdantsane and Fort Jackson were employing in excess of 600 people. However, with the introduction of industrial decentralisation incentives for industries, this figure rose to 1 542 jobs by 1978 and 12 421 in 1984. The withdrawal of the industrial incentives led to an equal reversal of their gains resulting in massive job losses in the beneficiary homeland towns. Dimbaza is noted today as a virtual industrial ghost town with 98 percent of its 158 factories closed and increasingly in ruins (Freund, 2014).

Although Buffalo City Metropolitan Municipality’s economy is relatively small, it is the second largest economy in the Eastern Cape (after Nelson Mandela Bay Municipality) contributing about 23.1 percent to the Eastern Cape economy in 2013 with the main economic drivers being:

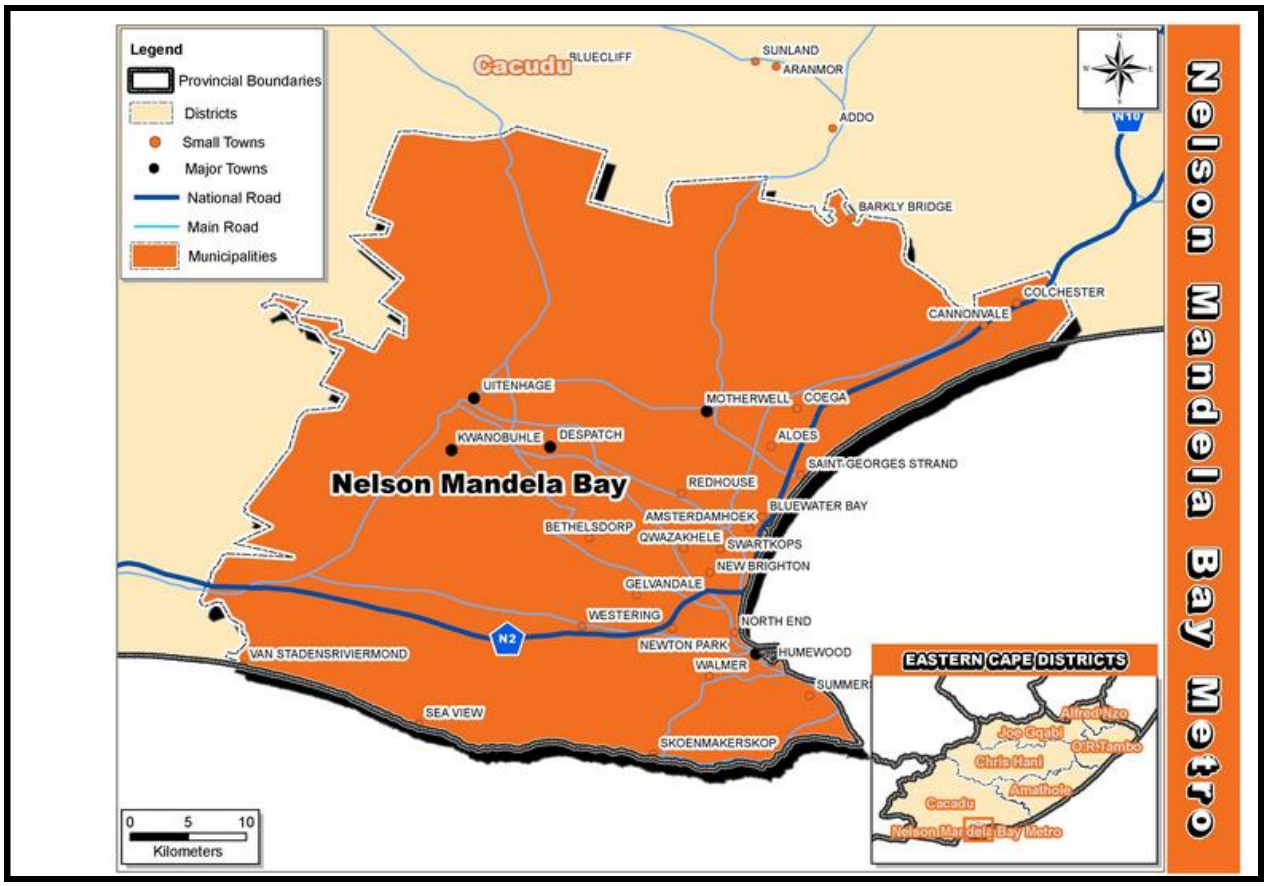
- general government
- business services
- finance and insurance,
- community, social and personal services
- Manufacturing (Mercedes-Benz SA, Nestle, Johnson & Johnson, Marley Flooring).

A large number of Buffalo City Metropolitan Municipality’s major investments are domiciled in the East London Industrial Development Zone (EL IDZ), with the majority of them geared towards automotive industry.

5.2.2 Nelson Mandela Bay Municipality (NMBM)

In 2001, the Nelson Mandela Bay Municipality was formed as an administrative area covering Port Elizabeth, the neighbouring towns of Uitenhage and Despatch and the surrounding agricultural areas (See Figure 4:3 for the Nelson Mandela Bay Municipality boundaries and key settlements). Located on the shores of Algoa Bay, the Nelson Mandela Bay Municipality (NMBM) is the economic powerhouse of the Eastern Cape Province, contributing 34.3 percent) to the provincial gross domestic product (GDP) in 2013. Due to its sheer size Port Elizabeth (5th largest City in South Africa) is the economic hub of the Nelson Mandela Bay Municipality and Eastern Cape Province at large (Statistics South Africa, 2014).

Figure 5: 3 Nelson Mandela Bay Municipality (in Orange)



Source: Nelson Mandela Bay Municipality, GIS, 2015

Nelson Mandela Bay Municipality is the location of the largest single infrastructure development project in South Africa since 1994, the Coega Industrial Development Zone (IDZ) and the construction of the deepwater port of Ngqura (ECSECC, 2014).

The completion of these two projects is earmarked give a major boost to the economic viability of the Eastern Cape region and beyond.

Nelson Mandela Bay Municipality has a land area of 1950kms^2 and is the home of South Africa's motor vehicle industry, including vehicle assembly plants General Motors, Volkswagen, Ford and Continental Tyres. Most other industries in the Nelson Mandela Bay Municipality are geared to the motor vehicle industry, supplying parts such as wiring harnesses, catalytic converters, batteries and tyres to the vehicle manufacturers (NMBM IDP, 2015). The Municipality is also the preferred region for the manufacture of pharmaceuticals, flour, meat, frozen veggies, soft drinks, chocolates, cheese, yoghurt, ice-cream, paper products and leather products (NMBM LED Strategy, 2007). Due to its world class ports, Nelson Mandela Bay Municipality is also a major exporter of everything from manganese ore, wood, fresh produce, fruit juices, wool and skins and automotive components (NMBM LED Strategy, 2007). NMBM's main economic assets are the Coega Industrial Development Zone (IDZ), Port of Port Elizabeth, Port of Ngqura, and coastal areas suitable for tourism, such as the Port Elizabeth Waterfront and the NMB South coast.

Port Elizabeth is also a major seaport, with the most significant ore-loading facilities in the southern hemisphere. The development of the NMBM depends on the full implementation of the Vision 2020 projects, namely Njoli Square Development – revitalisation of Uitenhage CBD, North End Coastal Development, International Convention Centre, Chatty and Swartkops river development, Urban Agriculture Projects, the development of cultural center (NMBM IDP, 2015/16).

5.3 Local Economic Development as a practice in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

The transformation of LED in South Africa over the years is credited on the introduction of mainly the following four policies or guidelines:

- LED Guidelines to Institutional Arrangements (2000)
- Draft LED Policy (2002)
- Policy Guidelines for implementing LED in South Africa (2005)

- National Framework for Local Economic Development (LED) in South Africa (2006-2011).

These policies and guidelines were developed by respective national governments mandated to drive Local Economic Development (LED) in South Africa in cooperation with provinces and municipalities, several other government departments as well as a number of other stakeholders. The aim (of multi-stakeholder co-operation) was to create uniform understanding on how LED should be rolled out across municipalities. Table 5:1 illustrates how LED is being rolled out in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality in relation to the identified LED facets. The profile illustrates the efforts made and gaps where such exists with regards to the set targets across the two municipalities.

Table 5: 1 Profiling LED Facets in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality – Enterprise Development

Target per Facet	Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
Enterprise Development Facet		
• To create an SMME desk or fully fledged SMME sub-directorate.	• There is a dedicated Enterprise Development section in the LED Chief Directorate	• Enterprise Development Matters are assigned to the Small, Medium and Micro Enterprise Unit
• To create an SMME enabling environment through relevant policies and procedures	• There is a Small, Medium and Micro Enterprise Strategy being implemented.	• There is a Small, Medium and Micro Enterprise Strategy being implemented.
• To facilitate and promote information dissemination to SMMEs	• There is very little communication to SMMEs, save for the Annual SMMEs indaba	• The Municipality holds a quarterly SMME meeting with representatives of the various SMME organisations. • The SMME database is utilized to disseminate (mostly via emails) relevant SMME information the municipality lays its hands on. • The municipal noticeboard complemented by noticeboard in the SMME unit are also utilized to circulate information targeting SMME e.g. training, funding and tenders.

Target per Facet	Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
Enterprise Development Facet		
• To facilitate skills transfer and capacity building services to SMMEs;	• Municipality does not budget for training of SMMEs. • The municipality solicits funding form external sources to train identified group of SMMEs members (No SMMEs training has been conducted since 2011). • Criteria for choosing deserving SMME to undergo training are not clear.	• The municipality budgets for training of SMME members. • Needy SMMEs apply for the chance to be trained on particular aspect of Business. • Preference for training is often given to newly set up Cooperatives and new members in “old” cooperatives.
• To facilitate access to finance and financial services.	• The municipality solicits for financial resources for SMMEs from mostly corporate world and NGOs. • To ensure continued funding, the Municipality encourages SMMEs to adhere to terms and conditions of funders. e.g. reporting standards and frequency	• The municipality solicits for financial resources for SMMEs from mostly corporate world and NGOs. • To ensure continued funding, the Municipality encourages SMMEs to adhere to terms and conditions of funders. e.g. reporting standards and frequency

Target per Facet	Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
Enterprise Development Facet		
• To promote access to markets for SMMEs	• In collaboration with other government departments, the municipality researches for markets for certain local products and where possible negotiates deals for producers/ SMMEs (mostly with Department of Trade and Industry)	• In collaboration with other government departments, the municipality researches for markets for certain local products and where possible negotiates deal for producers/ SMMEs (mostly with Department of Trade and Industry)

In order to succinctly capture the Enterprise Development Facets targets, the research made use of the targets set out for municipalities by the national department of Small Business Development as a profiling measure. The targets from the Department of Small Business Development[7] were chosen for their relevancy to the enterprise development facet.

[7] The Department of Small Business Management is mandated to create a conducive environment for the development and growth of enterprises through the provision of financial and non-financial support services and leveraging on public and private partnerships.

Target per Facet	Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
Locality Development Facet		
• To develop Business Retention and Attraction Strategy.	• There is no Business Retention and Attraction Strategy. • The only way to attract Business to the municipality is through either hosting a business expo or exhibit at expos locally and globally. • There is plan to develop BCMM Business Retention and Attraction Strategy. • The envisaged lure of business to BCMM is the SEZ at EL- IDZ	• There is a Business Retention and Attraction Strategy that informs how businesses are lured to the Nelson Mandela Bay Municipality. • The types of Business (mostly manufacturing) that are targeted are identified in the Business Retention, Attraction and Retention Strategy. • The NMBM Business Retention and Attraction Strategy targets to address Infrastructure, Skills Pool, Tax Structure, Incentives and crime as the key variables towards attracting and retaining businesses.
• To Streamline Municipal Regulations to ensure fair and practical regulations.	• The municipality in consultation with both organised and informal business have introduced a number of business friendly regulations. • The relations between BCMM and the Border Kei Chamber of Commerce has been strengthened in order for the Municipality to foster a good working relationship with business and understand their frustration real time	• The municipality in consultation with both organised and informal business have introduced a number of business friendly regulations. • Most business unfriendly bylaws and regulations have been revised.

Community Development Facet		
Target per Facet	**Buffalo City Metropolitan Municipality**	**Nelson Mandela Bay Municipality**
• To foster the participation of Marginalised groups in economic activities.	• The LED directorate works hand and glove with the Municipal Special Programmes Unit, a unit that is responsible for marginalized groups, to ensure that the marginalized are brought into main stream economy. • The marginalised are assisted to access business opportunities, access funding sources and where possible co-develop bankable and credible business plans with them. • Preference where possible is given to members of marginalised groups through Joint ventures and Private Public Partnerships	• Municipality works hand and glove with the Municipal Special Programmes Unit, a unit that is responsible for marginalized groups to bring these people into main stream economy. • The marginalised are assisted to access business opportunities, access funding sources and where possible co-develop bankable and credible business plans with them. • Preference where possible is given to members of marginalised groups through Joint ventures and Private Public Partnerships
Work Force Development		
• To enforce the employment of locals in projects, mostly those funded by government.	• Where feasible, clauses are inserted in contracts between government/municipality and the private service provider to enforce the employment of certain percentage of locals.	• Where feasible, clauses are inserted in contracts between government/municipality and the private service provider to enforce the employment of certain percentage of locals.

Work Force Development		
Target per Facet	**Buffalo City Metropolitan Municipality**	**Nelson Mandela Bay Municipality**
• To provide skilling initiatives for the unemployed.	• BCMM ensures skilling of local through participating in programmes such as Community Works Programmed (CWP), Extended Public Works Programme among others.	• NMBM ensures skilling of local through participating in Municipality drive the skilling initiatives through programmes such as Community Works Programmed (CWP), Extended Public Works Programmed among others.
LED Governance		
• To ensure establishment of LED Learning and Networking platforms.	• There are a number of LED learning and networking platforms attended by different members; however, the District Support Team (DST) has been dysfunctional since February 2013).	• There are a number of LED learning and networking platforms that are fully functional with a proper work plans e.g. District Support Team (DST), LED Forum, SMME indaba.
• To participate inter-governmental Learning, Partnership and Networking platforms	• The Municipality does not attend the LED Amathole District Support Team meetings. • The Municipality does not participate on the LED Provincial Working Group (Highest Provincial LED Body) • Individual municipal staff members subscribe to other networks as SA LED Network, LEDNA amongst others.	• The Municipality is an Active Member of the LED Saraah Baartman District Support Team. • The Municipality is still an active member of the LED Provincial Working group

Livelihood Development		
Target per Facet	**Buffalo City Metropolitan Municipality**	**Nelson Mandela Bay Municipality**
• To promote schemes (including joint ventures (JV) and Public-Private Partnership (PPP) to fund development and maintenance.	• There are a number of PPPs and JV that have been formed in a number of projects and the municipality continuously promote such initiatives where necessary.	• There are a number of PPPs and JV that have been formed in a number of projects and the municipality continuously promote such initiatives where necessary.
• To facilitate cluster and value chain development for the benefit of local	• The municipality plays a facilitation role in the formation of clusters and value chain development. • A number of clusters have been facilitated in the tomato and poultry clusters.	• The municipality plays a facilitation role in the formation of clusters and value chain development. • A number of clusters have been facilitated in the wool and automobile clusters

General LED		
Target per Facet	**Buffalo City Metropolitan Municipality**	**Nelson Mandela Bay Municipality**
• Ensure the availability of LED Strategy/Plan	• BCMM has a LED Strategy in place	• NMBM has a LED Strategy in place
• To ensure the development of other LED strategy aiding plans	• There are a number of LED strategy aiding plans, namely SMME Strategy, Procurement Policy, Business Attraction and Retention Strategy amongst others.	• There are a number of LED strategy aiding plans, namely SMME Strategy, Procurement Policy, Business Attraction and Retention, Industrial Development Plan, Urban Agriculture Plan amongst others
• Ensure availability of separate LED Budgets	• The municipality has a separate Budget responsible for LED related functions.	• The municipality has a separate Budget responsible for LED related functions.
• To fully utilize the available LED budgets	• The municipality has been spending between 75-100 percent of the allocated budget over a 5 year period (2009/10-2013/14).	• The municipality has been spending between 75-100 percent of allocated budget over a 5 year period (2009/10-2013/14).

5.4 Demographic Profiles

The relationship between demography and economic performance has been greatly debated in economics for centuries and recent year's opinion has swung between the Malthusian views of Coale and Hoover, and the cornucopian views of Julian Simon (Birdsall et al, 2007 and Nugent and Seligman, 2008).

Bloom, Canning and Sevilla (2001) aptly summed up the argument

> Three alternative positions define this debate: that population growth restricts, promotes, or is independent of economic growth. Proponents of each explanation have found evidence to support their cases and all of these explanations, however, focus on population size and growth. In recent years, however, the debate has under-emphasized a critical issue, the age structure of the population (that is, the way in which the population is distributed across different age groups), which can change dramatically as the population grows.

It is, in these age groups, that Bloom, Canning and Sevilla (2001) feels the answer to the argument lies rather than the population totals. Bloom, Canning and Sevilla, (2001) argued further that:

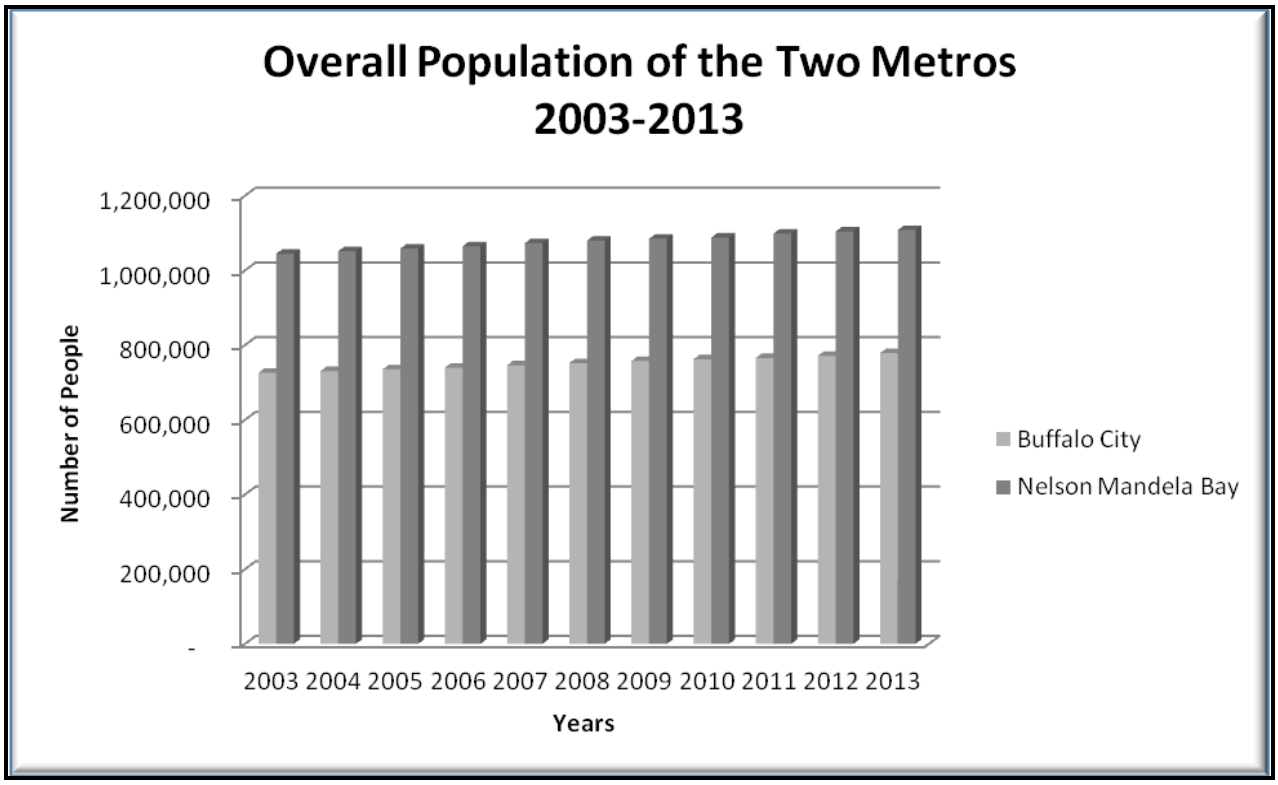
> because people's economic behaviour varies at different stages of life, changes in a country's age structure can have significant effects on its economic performance. Nations with a high proportion of children are likely to devote a high proportion of resources to their care, which tends to depress the pace of economic growth. By contrast, if most of a nation's population falls within the working ages, the added productivity of this group can produce a "demographic dividend" of economic growth, assuming that policies to take advantage of this are in place. In fact, the combined effect of this large working-age population and health, family, labor, financial and human capital policies can create virtuous cycles of wealth creation.

Unfortunately, until recently, there have been challenges restricting the finalisation of the verdict on the demography-economic growth relationship, and the challenges have ranged from unavailability of credible data to limited analytical models (Birdsall

et al. 2007). Most demographic and population experts believe demographics can play an important role in understanding past trends and predicting the future.

Figure 5:4 illustrate an increase in population figures of people in Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality. The figure shows that Nelson Mandela Bay Municipality has more people than Buffalo City Metropolitan Municipality, with a 10 year (2003-2013) average growth of 0.47 percent and 0.81 percent growth respectively. While the population numbers of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality have been growing over the 2003-2013 period, the populations of hinterland municipalities of Amathole, Cacadu, Chris Hani and O.R Tambo have been shrinking (StatsSA, 2015).

Figure 5: 4 Overall Populations of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality



Source: ECSECC, 2015

Like the rest of the country, both municiplities are dominated by black people but with diffrerent racial composition. According to StatsSA (2013) estimates, Buffalo City Metropolitan Municipality had 92.9 percent black population while Nelson Mandela Bay Municipality had 61.8 percent of its population, black. While Buffalo City Metropolitan Municipality had 2.4 percent coloured and 4.5 percent white

population, Nelson Mandela Bay Municipality had 23 percent coloured and 13.7 percent whites during the same period. The two municipalities are densely populated with 311.26 and 569.32 people per km^2 for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality respectively, compared to the provincial population density of 41.3 people per km^2. Table 4: 2 depicts a summary of the population year on year growth, population figures and population densities for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality.

Table 5: 2 Population Statistics 2009-2013

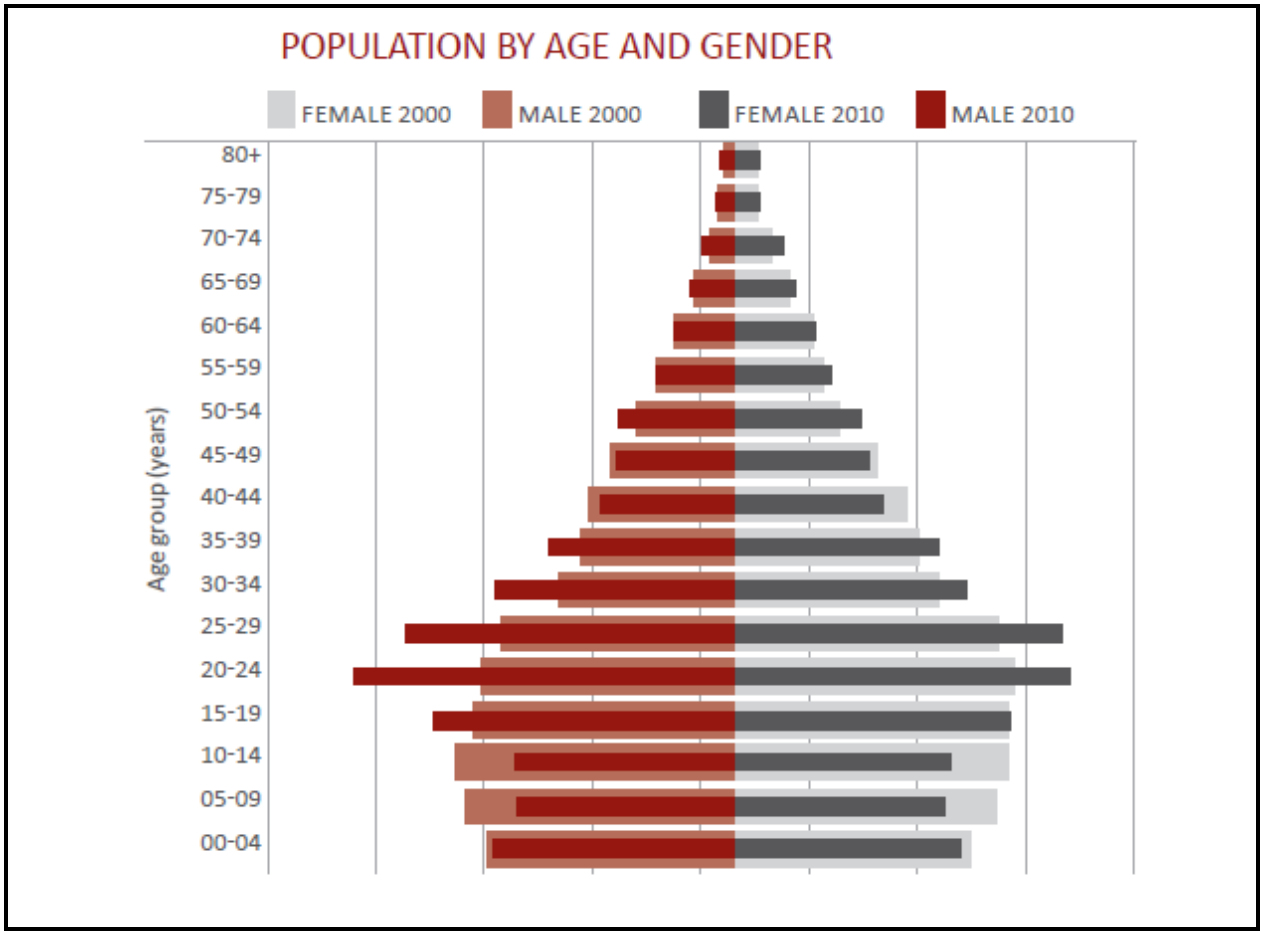
Buffalo City Metropolitan Municipality					Nelson Mandela Bay Municipality				
	Population	% Change (y/y)	Population as % of Eastern Cape (%)	Population density		Population	% Change (y/y)	Population as % of Eastern Cape (%)	Population density
2009	759 667	0.74	11.22	300.15	2009	1 092 203	0.59	16.13	555.46
2010	765 396	0.75	11.25	302.01	2010	1 098 377	0.57	16.15	557.04
2011	771 285	0.77	11.34	305.69	2011	1 104 140	0.52	16.23	565.41
2012	778 391	0.92	11.44	308.51	2012	1 108 089	0.36	16.29	567.44
2013	785 330	0.89	11.55	311.26	2013	1 111 767	0.33	16.35	569.32

Source: ECSECC, 2015

Demography literature places more importance on population structure than on population growth of a region (Bloom, Canning and Sevilla, 2001). Bloom, Canning and Sevilla (2001) argues that the population structure is very important because of its ability to depict age distribution throughout the population, an element which is symptomatic of the relative size of the potentially economically active population. The population pyramids for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality reveals metropolitan municipalities that are relatively youthful, (see Figures 5:5 and 5:6) with a pyramid that is reminiscent of that of nation but with certain notable exceptions:

- There are a relatively more people between the 20-24 age group for both males and females than the national average.
- There are more females than males from the age of 30 going upwards as compared to the national statistics.
- There was a decrease in the number of births between 2000 and 2010 as compared to national statistics.

Figure 5: 5 Populations by Age and Gender – Buffalo City Metropolitan Municipality

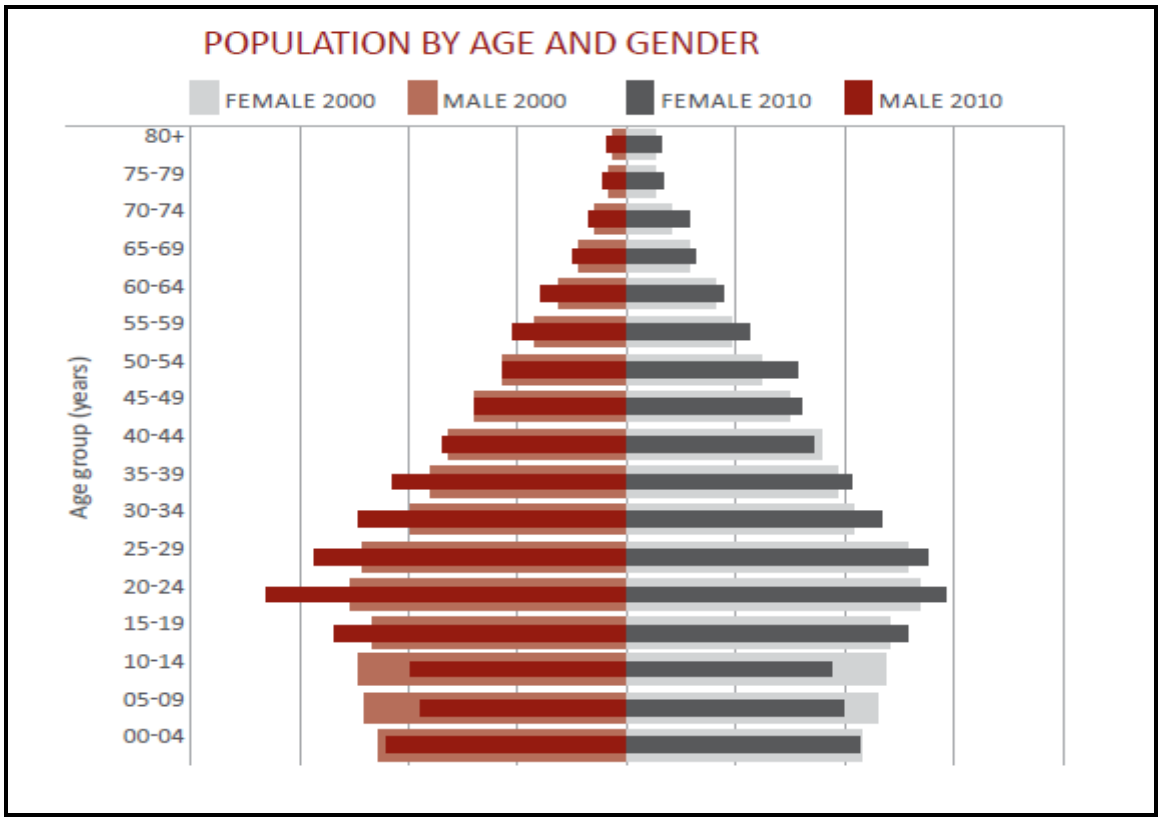


Source: ECSECC, 2015

Due to the largely urban and huge concetration of industry, mainly manufacturing in the two metros, there has been a growing number of people between the ages 15-19, 20-24 and 25-29. The huge numbers of people between these age groups (working class age) augurs well for business as these people represents potential workforce (Radović-Marković, 2013). All things being equal, there is a low dependency ratio in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. This augurs well for development, bering in mind the reduced burden

on the economically active group due to the relatively small elderly (65+) and small youth population (less than 19).

Figure 5: 6 Populations by Age and Gender – Nelson Mandela Bay Municipality



Source: ECSECC, 2015

5.5 Poverty and Income Profile

Economic development literature is in agreement on the role that economic development plays in poverty alleviation and improving the quality of citizens of a particular region or country (Aaron, 1967), (Perl and Solnick, 1971), (Plotnick and Skidmore, 1975), (Adams, 2002), (Stevans and Sessions, 2008). The same literature points out the existence of negative relationship between economic development and poverty levels. Economic Development generates virtuous circles of prosperity and opportunity (Department of International Development, 2012). Rodrick, (2007) a highly quoted source in Poverty studies notes that:

> historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom.

Lessons emerging over the past years reveal that economic growth is one of the effective ways of pushing households out of poverty (Department of International Development, 2012). This scenario applies in both developing and developed nations. A time series study on demography and economic growth comparing the experiences of a wide range of developing countries found that there is a strong and positive relationship between the two variables (Rodrick, 2007). Department of International Development (2012) studies found that a 10 per cent increase in a country's average income will reduce the poverty rate by between 20 and 30 percent.

Although the averages from the Department of International Development study differ from reality in South Africa, the relationship axis remains the same. According to Statistics South Africa (2014) data, the number of people living in poverty[8] in South Africa in (2013), Eastern Cape and Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality under study is declining. Out of the 20 986 593 people living in poverty in South Africa in 2013, 3 780 924 people were in the Eastern Cape, while, 365 410 were in Buffalo City Metropolitan Municipality and 491 426 in Nelson Mandela Bay Municipality. With 2013 population numbers of 785 330 and 1 111 767 and number of people living in poverty of 365 410 and 491 426 for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality respectively, it meant poor people constituted 47 percent and 44 percent in the two metros respectively (ECSECC, 2015).

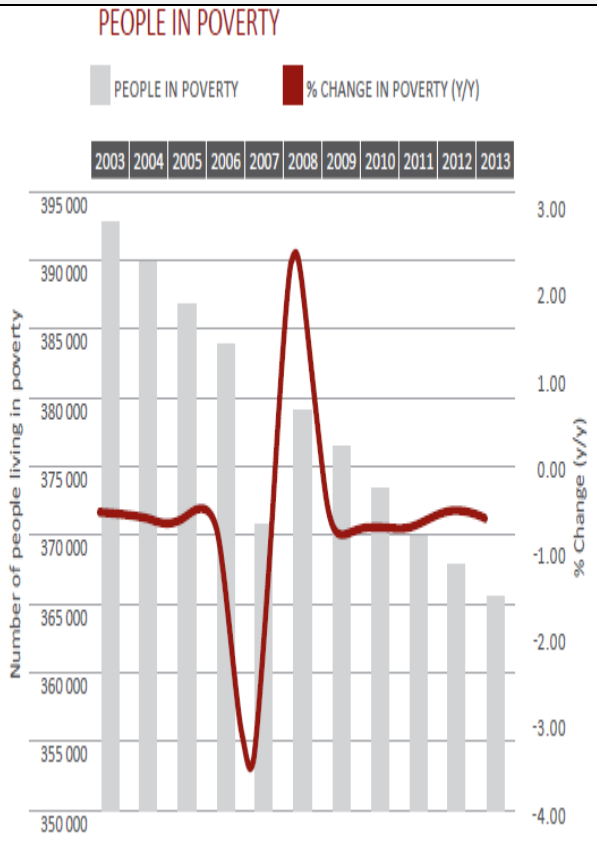
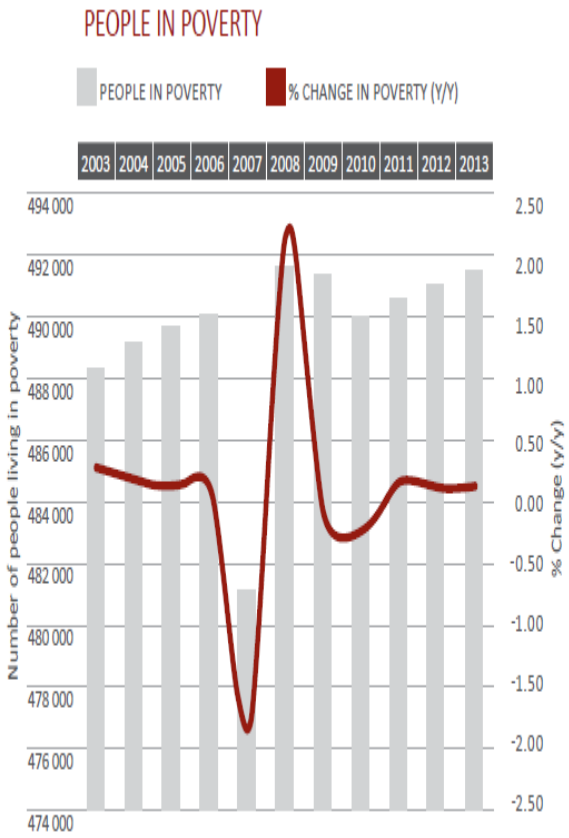
Figure 5:7 depicts the number of people living in poverty in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. The figure shows that the number of people living in poverty has been declining moderately since 2005 in both metros. The poverty figures decreased from 394 400 in 2003 to 365 410 people in Buffalo City Metropolitan Municipality while in Nelson Mandela Bay Municipality the figures increased from to 489 362 to 491 426. The poverty rates in both metros have been fluctuating with Buffalo City Metropolitan Municipality demonstrating a reduction in poverty while Nelson Mandela Bay Municipality data demonstrate a

[8] *Poverty Lines*: Based on the Living Conditions Survey of Statistics SA and the annual household income of Census 2011, three poverty (*Food poverty line* = R305; *Lower-bound poverty line* = R416 and *Upper-bound poverty line* = R577).

small rise in poverty. Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality recorded massive reduction in poverty in the year 2007 coinciding with the introduction of “war on poverty” campaign, introduced in 2006. The campaign focused on integrating and coordinating existing poverty eradication initiatives on the short term basis while in the medium-long term, targeted introducing a family-based social service model which had the three goals of i. Eradicating extreme poverty and hunger; ii) Promoting sustainable community livelihoods and self-reliant households and iii) ensuring a well targeted, joined-up implementation and service delivery by government and its social partners (Department of Social Development, 2014). Coinciding with the global financial crises of 2008, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality both recorded the worst increase in number of people living in poverty due to the job losses that were recorded during that that year (2008). Buffalo City Metropolitan Municipality saw the figure of people living in poverty jump from 354 100 (2007) to 391 113 (2008), an increase of more than 37000 people while NMBM saw a jump from 476 939 to 492417, pushing 15478 people into poverty over the same time period.

This meant that Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality had to increase the number of people on their indigent register and by implication means a huge burden on the municipalities to provide free basic service for these residents.

Figure 5: 7 Numbers of People in Poverty

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
	

Source: ECSECC, 2015

The two metropolitan municipalities acknowledge the severely high poverty numbers within their residents. Buffalo City Metropolitan Municipality in its 2015/16 Integrated Development Strategy (IDP) notes that:

> The City acknowledges that low economic growth and a high rate of unemployment are still prevalent and present a major challenge. This further translates to relatively high levels of poverty which is widespread within the City. (BCMM, IDP, 2015/16)

While Nelson Mandela Bay Municipality (NMBM) in the IDP 2015/16 point out the following:

……. various wards were identified as having higher percentages of their residents living in poverty. The wards with the high percentage of population living below the poverty line are Portion of Ward 3 (Walmer Township), Portion of Ward 4 (Walmer Township), Ward 13, Wards 16, 17, 19,37, portion of Ward 40 (Kuyga), 41 and 57. These wards must receive priority during budget allocation. However, it is important to note that every ward within the NMB area has a percentage of households living below the poverty line.

Although Figure 5:7 portrays high numbers of people living in poverty in both, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, there are also islands of affluent areas. Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality have high levels of inequality of wealth distribution between residents. Table 5:3 depicts the levels of inequality of the residents of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. In terms of the Gini coefficient[9], inequality in South Africa slightly improved from 0.666 in 2007 to 0.65 in 2013. The Eastern Cape has however become more unequal with a Gini coefficient of 0.64 in 2007 to 0.66 in 2013. Using the Gini coefficient as a measure of inequality, table 5:3 reveals an increase in the level of inequality in Nelson Mandela Bay Municipality between 2003-2013. Buffalo City Metropolitan Municipality data for the same period shows an insignificant decrease in inequality during the same period.

[9] The Gini Coefficient is the measure of inequality of distribution of either income or wealth, a value of zero expressing total equality and a value of one maximal inequality.

Table 5: 3 The Gini Coefficient (as a measure of inequality)

Year	Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
2003	0.590	0.648
2004	0.586	0.652
2005	0.583	0.655
2006	0.577	0.658
2007	0.573	0.662
2008	0.569	0.665
2009	0.567	0.670
2010	0.566	0.674
2011	0.566	0.678
2012	0.566	0.683
2013	0.566	0.687

Source: Statistics South Africa

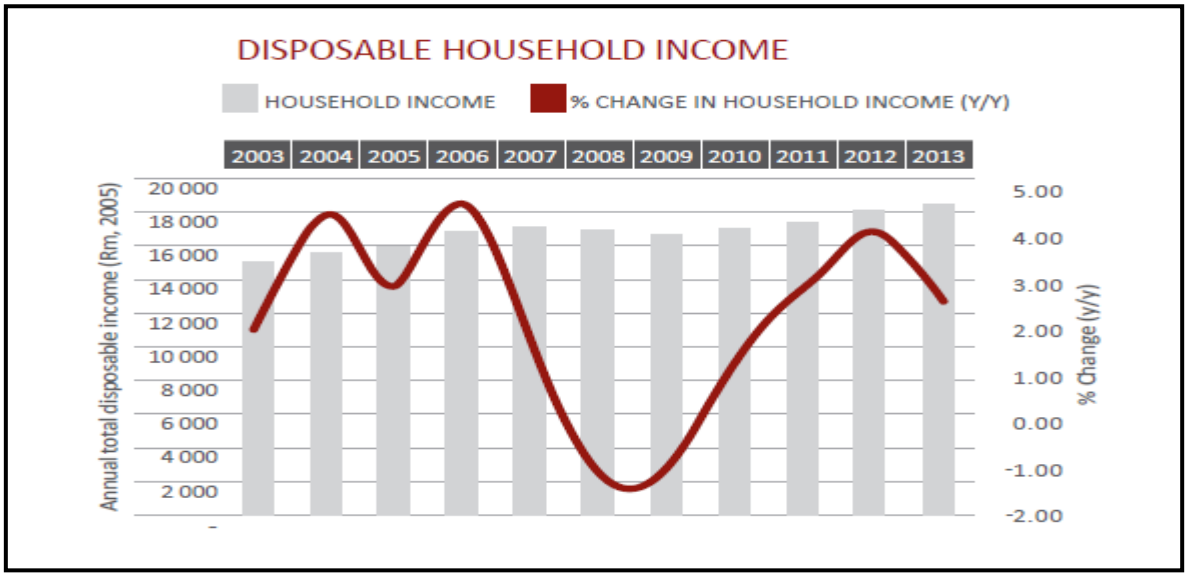
5.5.1 Disposable household income and expenditure

Disposable household income is an indication of how well individual households within the economy are performing. Households in thriving economies are more likely to have high levels of disposable income and vice-versa for struggling economies (Jacobs and Šlaus, 2010). This indicator shows the amount of income households can spend on goods, services and savings. A higher expenditure on consumption signals a cut on savings and vice-versa. While consumption is good for businesses in the economy (holding all other factors constant), savings are equally important for economic development. The household disposable income of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality has been growing between 2002-2007. The two municipalities recorded a slump in the household income between 2008-2009, a feat more likely to have been caused by the 2007/08 global financial crisis. However, Nelson Mandela Bay Municipality recovered slightly faster to this slump as compared to the Buffalo City Metropolitan Municipality households. Figure 5:8 and Figure 5:9 depict these scenarios

graphically. Using the 2005 real prices, households in Buffalo City Metropolitan Municipality households have less disposable income as compared to Nelson Mandela Bay Municipality households. Households' income grew from R14, 48 billion in 2003 to R18, 42 billion in 2013 and from R17, 31 billion in 2003 to R24, 68 billion in Buffalo City Metropolitan Municipality and

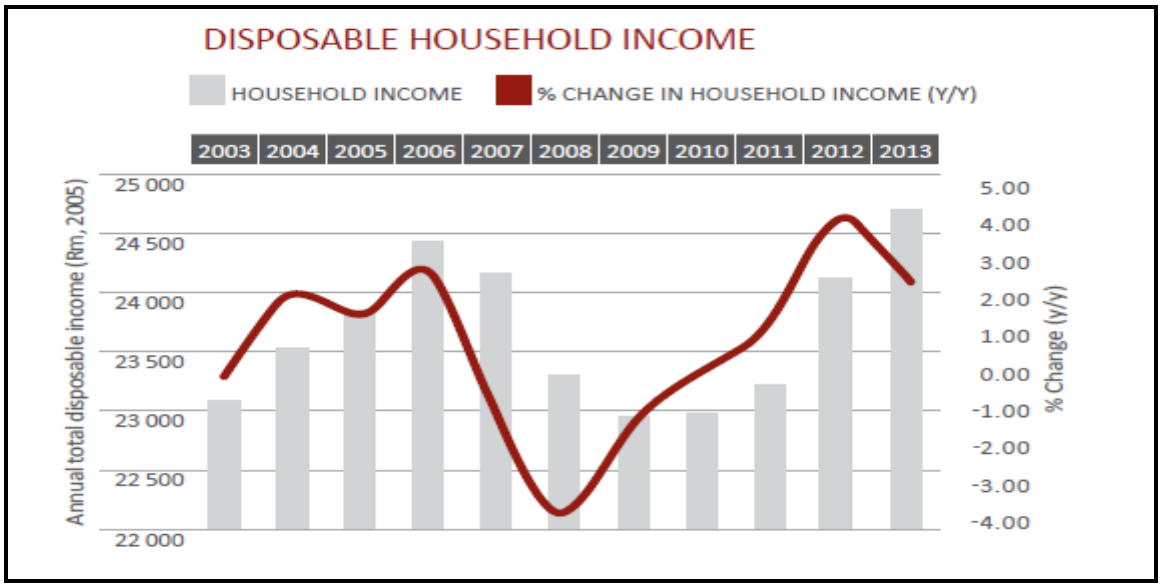
Nelson Mandela Bay Municipality, respectively.

Figure 5: 8 Disposable Household Income Buffalo City Metropolitan Municipality



Source: ECSECC, 2015

Figure 5: 9 Disposable Household Income Nelson Mandela Bay Municipality

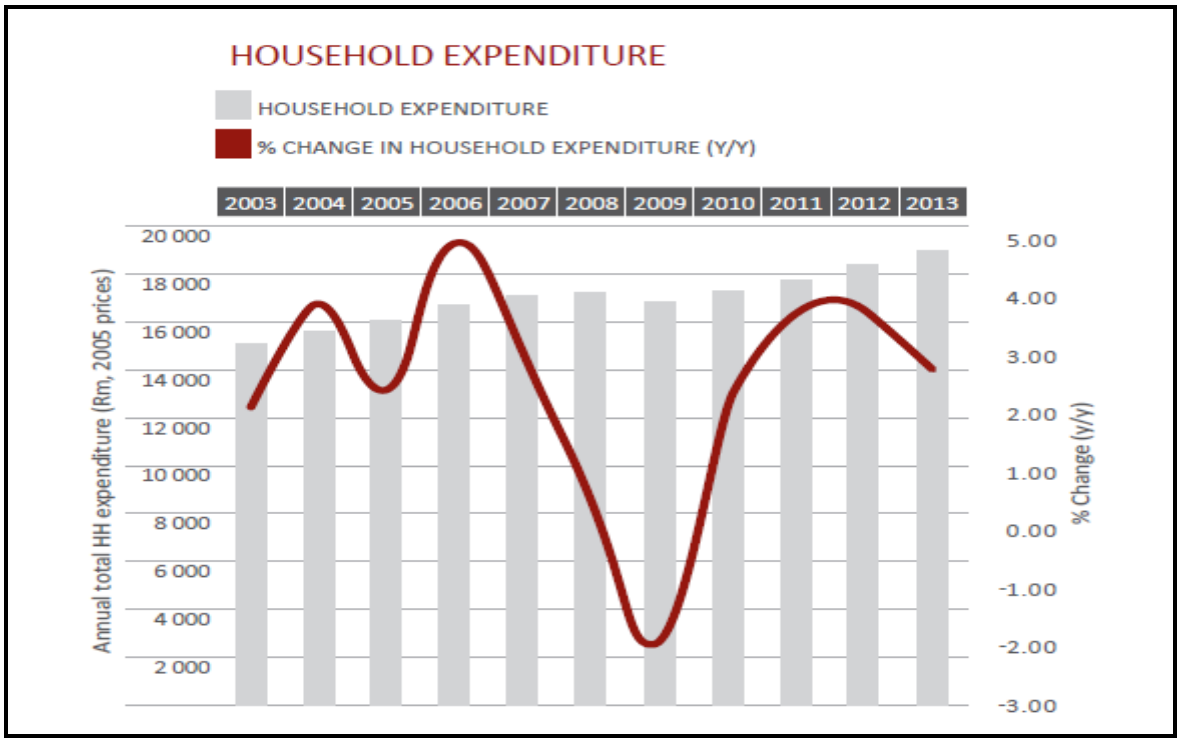


Source: ECSECC, 2015

Interesting to note was that in 2013, Buffalo City Metropolitan Municipality households income was R18, 42billion while the households expenditure as shown in Figure 5:10 was R18, 84billion representing a 0.2 percent disinvestment. On the other hand, Nelson Mandela Bay Municipality households had a total income of R24, 68billion and with a household expenditure of 25.63 billion representing a negative household savings

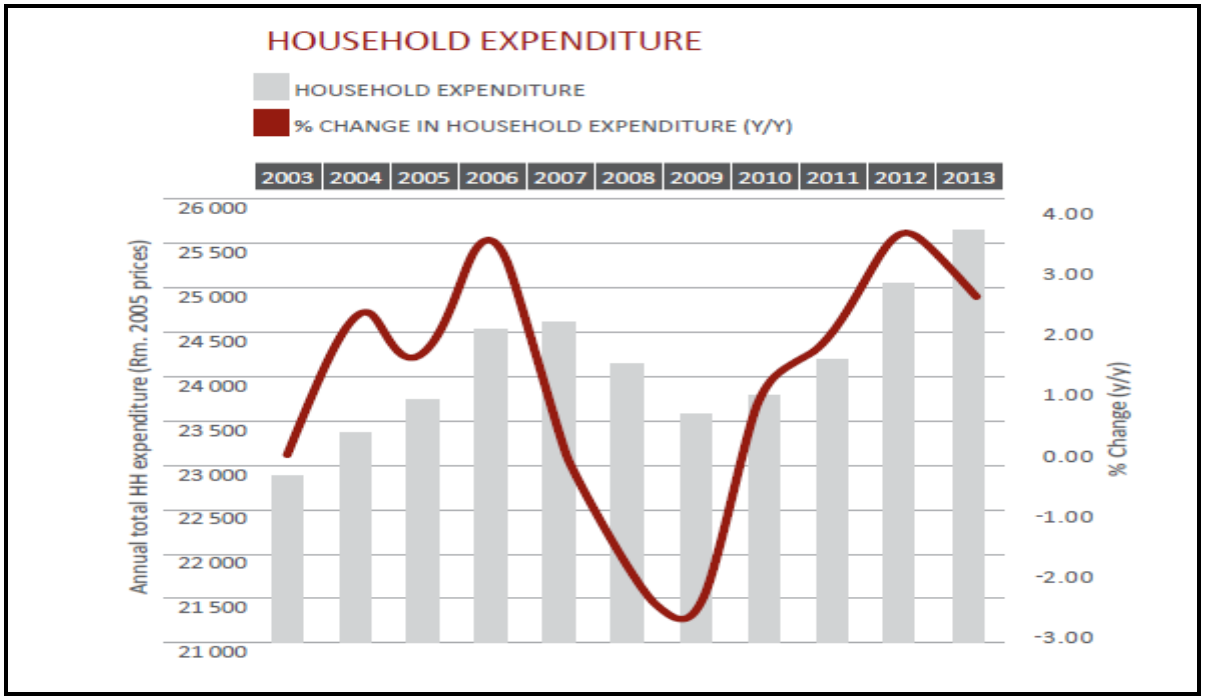
In a nutshell, both Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality have been recording negative savings between 2003-2013, a situation that does not augur well for economic development. A comparison between the household income and expenditures as shown in Figure 5:8 (Buffalo City Metropolitan Municipality - Household Income) and Figure 5:10 (Buffalo City Metropolitan Municipality - Household Expenditure) and on the other hand, Figure 5:9 (Nelson Mandela Bay Municipality - Disposable Household Income) and Figure 5:11 (Nelson Mandela Bay Municipality - Household Expenditure) shows a dissaving trend across the years.

Figure 5: 10 Household Expenditure Buffalo City Metropolitan Municipality



Source: ECSECC, 2015

Figure 5: 11 Household Expenditure Nelson Mandela Bay Municipality



Source: ECSECC, 2015

5.6 Education profiles

There is no another single attribute that influences the potential employability of individuals than their educational qualification (Kabeer, 2012). The level of education and skills within a region impacts on many factors, including: the productive efficiency of investments (e.g. health and capital) and the ability of individuals accessing job opportunities or creating job opportunities for themselves and others (Mincer, 1974). “Education is therefore acknowledged as being inextricably linked to the economic development of an area and to a growing middle class” (Acemoglu, Aghion and Zilibotti, 2002).

A number of economic models have been utilised in literature to explore the links between education and training and economic performance and overwhelming majority of the studies came to the conclusion that there are strong links between education, productivity and output levels (economic growth) (Becker, 1964), (Mincer, 1974) (Acemoglu, Aghion, and Zilibotti, 2002). Although some researchers have questioned the direction of causality, there is a consensus that a strong and positive relationship exist between education and economic growth (Kabeer, 2012).

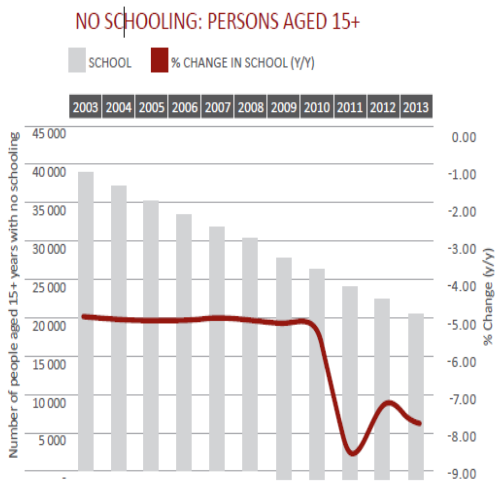
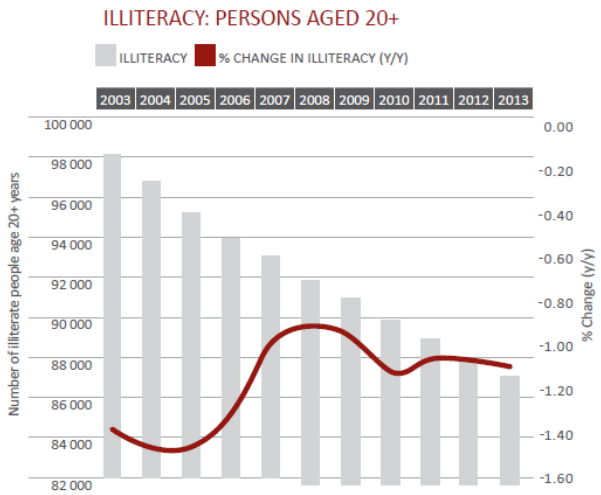
Even though a good education does not guarantee one to secure job opportunities, it increases one’s likelihood to secure a decent job as compared to an individual with no schooling at all (Kabeer, 2012). The number of people aged 15 years and older without any schooling is still high in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, albeit decreasing over the years. (ECSECC, 2015) Buffalo City Metropolitan Municipality had 54 023 without any schooling in 1995 and the number fell to 39 842 in 2003, finally settling at 21 621 in 2013. Nelson Mandela Bay Municipality on the other had the same trend with 42 123 not having any schooling in 1995. The number decreased to 38 719 and 27 522 in 2003 and 2013 respectively (ECSECC, 2015).

The number of people with no schooling in 2013 represents 2.4 percent and 2.8 percent of the total population of Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality, respectively. Although the number of people without schooling to population statistics are below the provincial average of 6.1 percent and the national average of 5.5 percent, both metropolitan municipalities

acknowledge that the numbers are still a cause of concern in their 2015/16 IDPs (Statistics South Africa, 2014)

Figure 5:12 (Buffalo City Metropolitan Municipality- Education Levels) and Figure 5:13 (Nelson Mandela Bay Municipality-Education Levels) depict these figures graphically.

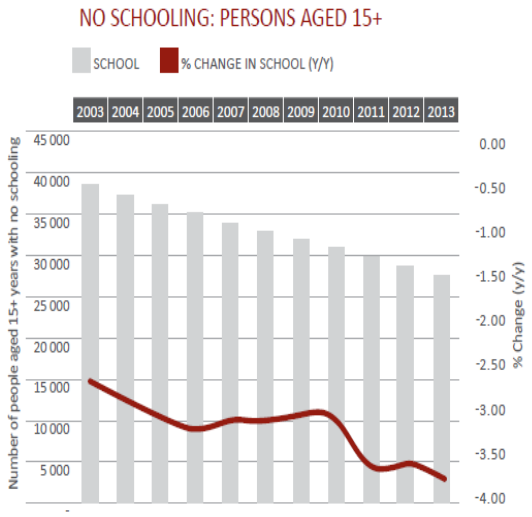
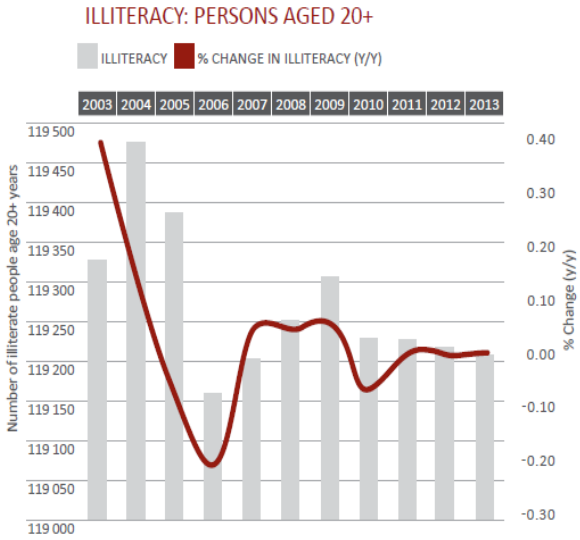
Figure 5: 12 Education Levels - Buffalo City Metropolitan Municipality

Buffalo City Metropolitan Municipality	
a)	**b)**
	

Source: ECSECC, 2015

However, statistics are presented in Figure 5:12b and 5:13b shows a high number of illiterate people. The rate of decline for the 10 year period, 2003-2013 was 1.1 percent and 0.7 percent for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality respectively. The numbers of illiterate person has been declining in both metros over the years, but the figures remain too high enough to restrict economic development. According to the 2015/16 IDP of both metros, the number of illiterate people in 2013 stood at 119 211 in Nelson Mandela Bay Municipality and 87 425 in Buffalo City Metropolitan Municipality (ECSECC, 2015).

Figure 5: 13 Education Levels –Nelson Mandela Bay Municipality

Nelson Mandela Bay Municipality	
a)	**b)**
	

Source: ECSECC, 2015

The high number of people who cannot read or write in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality does not augur well for development, as it poses a huge challenge on the state to bring these illiterate people in the main stream economy. Consequently these illiterate people impose a social grant burden on the state.

5.7 Labour Profiles

Unemployment is arguably the most vexing problem facing the South African economy (Kingdon and Knight, 2003). The South African government acknowledges the high rate of unemployment in its communities and locates much of unemployment on mismatch of skills (huge number of individuals possessing unsought-after skills) (New Growth Path, 2011)

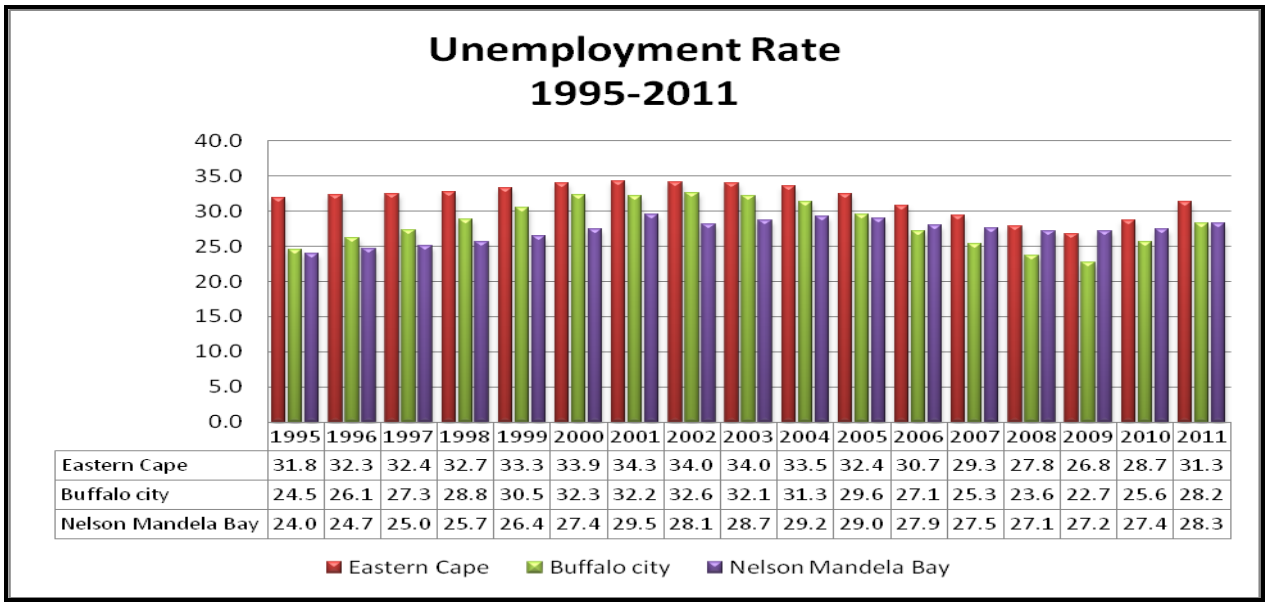
Labour markets play a central role in determining economic and social progress since employment status is one of the key determinants of exiting poverty and promoting inclusion (International Labour Organisation, 2013). Despite the importance of labour to development, the data required to provide evidence-based

decision making are scanty or non-existent (African Development Bank, 2012). The reality in most developing countries is that the labour market fails to create enough jobs in the formal economy. In recognition of these challenges, governments and other stakeholders in developing countries have increasingly prioritised policies and programme to promote decent work (International Labour Organisation, 2013).

Using the narrow definition of unemployment, Figure 5:14 shows that the number of unemployed people as a percentage of the total population is very high. Due to the unavailability of statistics for the period 2012 and 2013, Figure 5:14 could only diplay statistics up to 2011. These number grew in leaps and bounce from 24.0 percent and 24.5 percent in 1995 for Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality reepectively. In 2011, Nelson Mandela Bay Municipality had 28.3 percent of its population unemployed, while Buffalo City Metropolitan Municipality had 28,2 percent unemployed. Although the unmployment figures for both municipalities have been growing, the figures are well below the provincial averages across the years.

The growth in the output for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality has not beeen matched by the decerease in unemployment, if anything the figures have been on the rise. This could possibly be attributed to the “jobless growth” phenomenon (Development Bank of Southern Africa, 2010). In the midst of high levels of unemployment, other sectors have been creating jobs albeit at a less pace as compared to the population growth figures. Table 5:4 depict percentages of people employed in various sectors in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality.

Figure 5: 14 Unemployment Rate of the Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Cape	31.8	32.3	32.4	32.7	33.3	33.9	34.3	34.0	34.0	33.5	32.4	30.7	29.3	27.8	26.8	28.7	31.3
Buffalo city	24.5	26.1	27.3	28.8	30.5	32.3	32.2	32.6	32.1	31.3	29.6	27.1	25.3	23.6	22.7	25.6	28.2
Nelson Mandela Bay	24.0	24.7	25.0	25.7	26.4	27.4	29.5	28.1	28.7	29.2	29.0	27.9	27.5	27.1	27.2	27.4	28.3

Source: ECSECC, 2014

The unemployment statistics of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality reveal that there have been gains in skilled employment from 1995 to 2011. This meant that a relatively a huge number of employed personnel were absorbed by the main stream economy. Across population groups, the proportion of black African, coloured, and Indian/Asian workers within the skilled workforce increased, helping close the inequality gap between these groups and the whites. However, there was uneven distribution of progress within population groups. Within black African employment the growth in skills, as a proportion, was much lower than in the other population groups (Department of Labour, 2014).

In a nutshell the unemployment stastistics of both Buffalo City Metropolitan Municipality (BCMM) and Nelson Mandela Bay Municipality (NMBM) reveal that the decline in unemployment has not been significant enough across the years, marked by cycles of dips and rises, with avarage of 28.21 percent and 27.25 percent for BCMM and NMBM repectively. This lack of significant drop in the level of unemployment has negative impact of on the economic development prospects of the two municipalities.

Table 5: 4 Employments by Sectors

Percentage of formal employment by sectors

Sector	Nelson Mandela Bay Municipality	Buffalo City Metropolitan Municipality
Manufacturing	22.55%	13.12%
Transport Equipment	9.92%	4.18%
Metals, Machinery and Equipment	3.15%	1.78%
Trade, Wholesale, Retail, Catering and Accommodation	15.18%	15.11%
Finance, Insurance, Real Estate and Business Services	17.44%	16.44%
Community, Social and Personal Services	30.15%	39.29%
General Government	16.38%	22.97%

Source: ECSECC, 2014

The biggest employers in both metros are community, social and personal services with 30.15 percent and 39.29 percent in Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality respectively. These statistics reveal a high level of dependency on the community, social and personal services sector. All things being equal, a collapse of these sectors will have far reaching consequences for the economies of the two municipalities.

The second largest employer is the manufacturing sector. Nelson Mandela Bay Municipality has large percentage of people employed in the manufacturing sectors (22.55 percent) as compared to Buffalo City Metropolitan Municipality with 13.12 percent. The majority of manufacturing in both metros lies in the automotive and transport equipment manufacturing (ECSECC, 2014).

“The global financial and economic crises exposed one of the major weaknesses of a number of African economies: their dependence on too few export commodities

and one or two sectors" (OECD, 2010). This dependence has been reported to put these countries at a precarious position when fluctuations in commodity prices, demand and extreme weather events such as droughts and floods occur (International Monetary Fund, 2010). Over- dependency of the two metros on the two sectors (Community services and manufacturing) makes them vulnerable to negative external changes.

5.8 Crime Profiles

There is a general consensus in development literature that high levels of crime are counter-development (World Bank, 2003). However, very little has been known about:

- How likely small and emerging business are to be victims of crime;
- The types of crime small and emerging business experience the most; and
- How much crime actually costs small businesses (Business Against Crime, 2010).

Crime rate in South Africa, particularly rates of violent crime is high by international standards (Business against crime, 2010). World Bank (2003), Investment Climate Report: rated crime as one of the top four major constraints of enterprise operation and growth in South Africa. About 30 percent of enterprises of all sizes surveyed for the World Bank study identified crime as a major factor affecting their businesses. The crime statistics of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality reflects the following:

- There has been a reduction in murder and robberies with 6 percent and 8 percent decrease respectively in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality.
- Nelson Mandela Bay Municipality has recorded an increase in murder, between 2012-2013
- Nelson Mandela Bay Municipality has high rates of sexual crimes as compared to Buffalo City Metropolitan Municipality with an average ratio of 3:1 respectively.

- Violent crime in both metros is high in the townships than in the up-market areas.

- There is a huge increase in drug related crimes in Nelson Mandela Bay Municipality, with the number increasing from 3445 in 2009 to 5379 in 2013.

There has been an increase in overall crimes in both municipalities since 2001 (Global Insight Crime Index, 2014). The recorded, high crime rates do not augur well for the attraction and retention of business in the two metros as crime has potential to repel business. However, the 8 percent reduction in robberies in the Buffalo City Metropolitan Municipality may play a big role in attracting business from crime infested areas to the BCMM shores. Table 5:5 (Crime Statistics of BCMM and NMBM) shows a cursory picture of select crimes as portrayed by the Statistics, 2014 data.

Table 5: 5 Crime Statistics of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

Crime	2009		2010		2011		2012		2013	
	BCMM	NMB	BCMM	NMB	BCMM	NMB	BCMM	NMB	BCMM	NMB
Murder	608	793	651	722	493	687	478	753	445	1681
Robbery	2030	2056	1713	1724	1651	1839	1434	1749	1331	1891
Sexual Crime	728	3009	716	4441	827	3496	681	4485	766	2991
Drug Related	1511	3445	1760	3517	1643	3493	2117	4378	1831	5379

Source: Statistics South Africa, 2014

The Eastern Cape Department of Safety and Liaison reports that crimes of particular concern to Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality are:

- Crimes involving fire-arms which are significantly increasing

- Organized crimes including the organised smuggling of narcotics and human trafficking.
- Gender Based Violence and crimes against women and children.
- Violence associated with inter-group conflict, such as political conflicts, taxi violence, drug gangs and land disputes
- Vehicle theft and hijacking.
- Corruption within the criminal justice system (Eastern Cape Department of Safety and Liaison, 2015).

5.9 Infrastructure Profiles

Contemporary economic development literature has found out that good infrastructure is a spur for economic growth (Perkins et al. 2005), (Fedderke et al. 2006), (Kularatne, 2006), (Fedderke and Garlick, 2008), (Srinvasu and Rao, 2013). Infrastructure creates the necessary production facilities that stimulate economic growth, reduces transaction cost and trade cost, by implication improving competitiveness while also providing employment opportunities (Sahoo and Dash 2010). Infrastructure investment is an important driving force to achieve rapid and sustained economic growth and therefore, it is an important pre-condition for sustainable economic and social development (Srinvasu and Rao, 2013:9). Development Bank of Southern Africa (2014) warns that the economy of sub-Saharan Africa (SSA) which was reportedly growing at a steady rate during the 80s and 90s failed to achieve the same economic transformation during those years, a condition that is likely to restrict growth in the near future due to waning and inadequate infrastructure. The infrastructure has been reportedly found wanting on three ends namely quality, quantity and access (Development Bank of Southern Africa, 2014)

Municipalities are duty bound to ensure that people in their areas have at least basic services required to live a dignified life. These services include, but are not limited to:

a) Access to water supply
b) Access to electricity supply

c) Access to sanitation
d) Road Networks

These services, amongst others, have a direct and immediate effect on the quality of lives of local residents and a bearing on the development prospects of the respective area, in particular. For example, if the water that is provided is of a poor quality or inconsistent availability or refuse is not collected regularly, it will contribute to the creation of unhealthy and unsafe living environments, drive away existing business and repel instead of attracting new business to the metros. Poor service delivery can make it difficult to attract business to an area and therefore limits job opportunities for locals (World Bank, 2012).

5.9.1 Water Access

According to Statistics South Africa (2014)

> Piped water is accessed by 40 percent of South Africa's households and 26 percent has piped water inside their yard. A further 25 percent has piped water on community stands – half of these are more than 200m from their dwellings. A tenth relies on a natural water supply (boreholes, rainwater tanks, dams, rivers, streams or springs) (Statistics South Africa, 2014).
>
> The Eastern Cape lags behind the South African average with 24 percent enjoying piped water and 17 percent having piped water inside their yard. Almost a quarter relies on dams, rivers, stream, or springs, while 8 000 rely on a water carrier, tanker or water vendor for their water requirements.

The growth of world population and increase in economic output are exerting pressure on availability and quality of water globally and consequently sanitation (HSBC, 2013). The limited amount of piped water in the province has potential to restrict economic development as improved access has a direct and positive impact on people and localities leading to major socio-economic and environmental benefits (HSBC, 2013). The salty waters of Ikwezi Local Municipality in the Saraah Baartman District Municipality have been reported to have restrained economic development through repelling investors in mohair processing (DEDEAT, 2014). The identified

areas without piped water in the two metros may have the same impact on economic development through the same “repel influence” of Ikwezi Local Municipality.

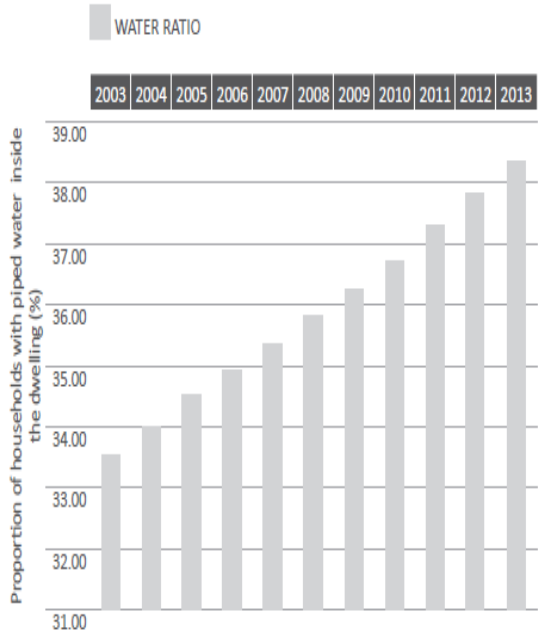
In 1995, Buffalo City Metropolitan Municipality had 29 253 households with piped water into their yards, with the number increasing to 91 594 households in 2013. The number of households has been growing at an annual growth rate of households of 3.4 percent. Nelson Mandela Bay Municipality in 1995 had 41 323 households with piped water into their yards, the number grew by 2013 to 194 949 with an annual growth of 4.39 percent. Although the number of households having water piped into their dwelling or yard has increased in both metros since 1995, 39 percent (Buffalo City Metropolitan Municipality) and 19 percent of households (Nelson Mandela Bay Municipality) still has to get their water from a community stand (irrespective of distance from the community stand), while less than 1 percent relies on a natural supply (boreholes, rainwater tanks, dams, rivers, streams or springs) in the two municipalities (ECSECC, 2014).

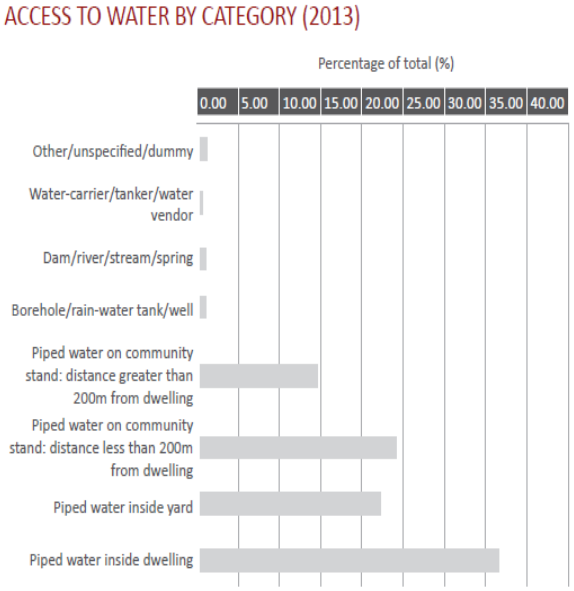
Although the number of households with access to water has increased in both metros, the numbers still lag below the national averages and compares unfavourably to other metros (Department of Water Affairs, 2014). This lack of basic services in some areas of the metros has potential to hinder local economic development.

Table 5.15 and 5.16 disaggregate the access of water by categories across Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality as explained in the text above.

Figure 5: 15 Access to Water - Buffalo City Metropolitan Municipality

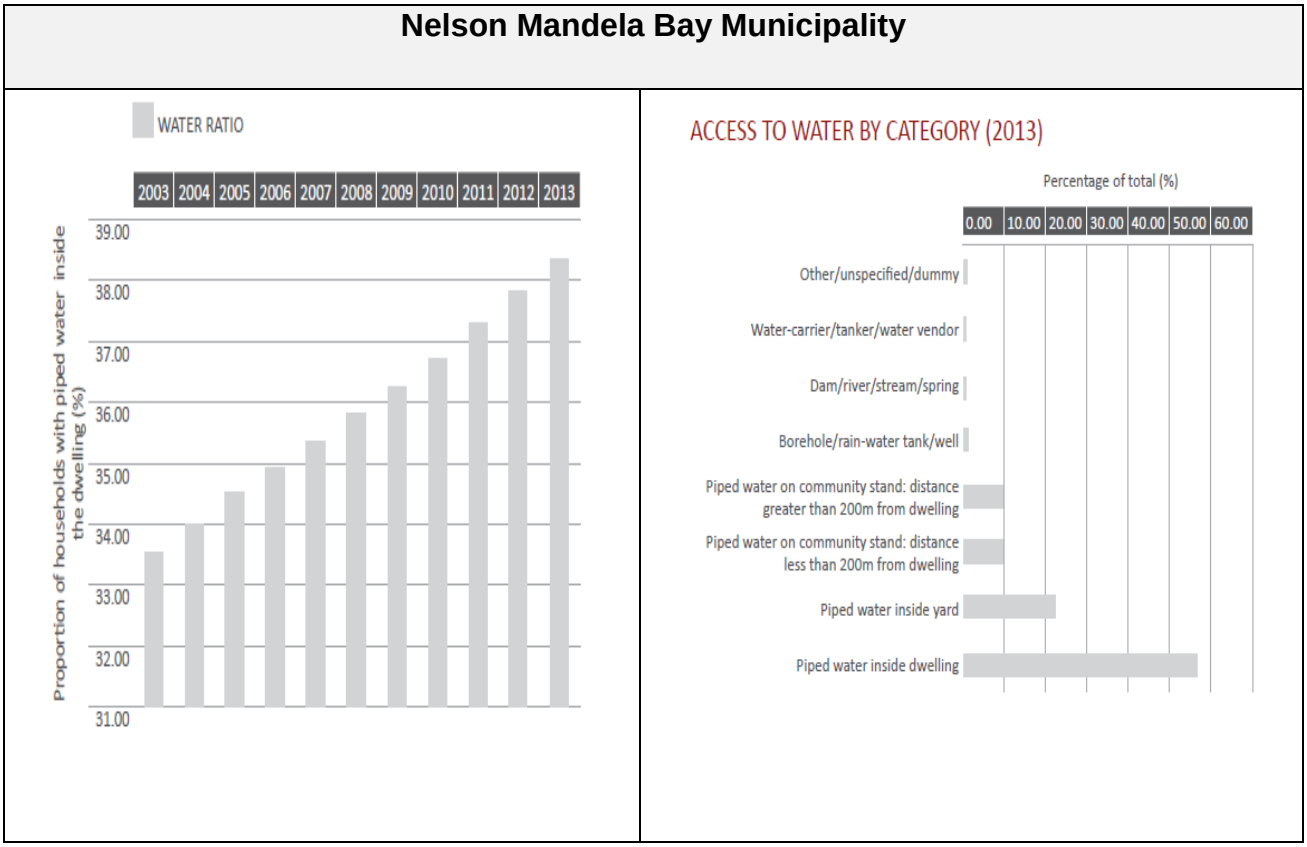
Buffalo City Metropolitan Municipality





Source: ECSECC, 2015

Figure 5: 16 Access to Water - Nelson Mandela Bay Municipality



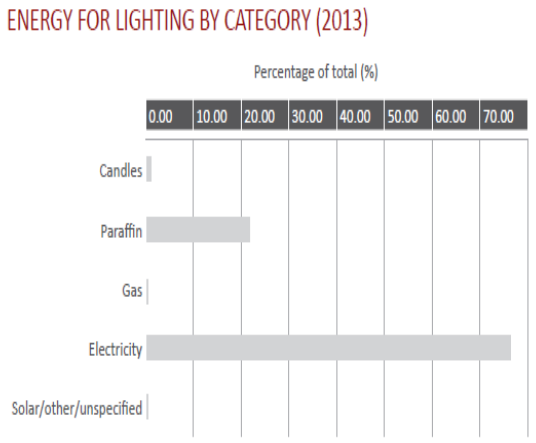
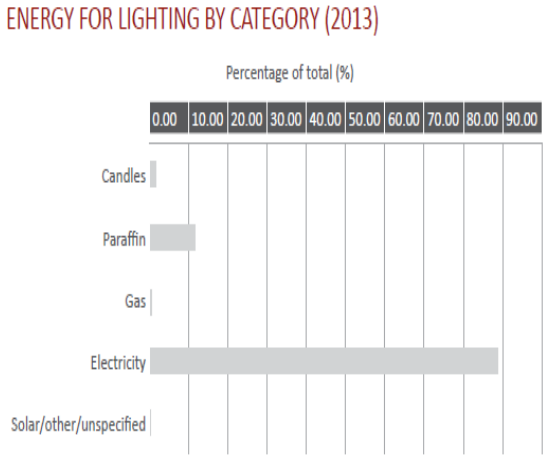
Source: ECSECC, 2015

5.9.2 Forms of Energy

The relationship between energy use, economic growth and development is complex and important (Nkomo, 2005). Economic development literature is in agreement that "Energy provision is crucial to overall development". This is more so, in economies that are mostly inclined in manufacturing and processing. Although the economy is grappling with an energy crisis, electricity is still the number one energy source in South Africa, for its safe and ease of use. Nevertheless, national electricity usage for South Africa increased from about 60 percent in 1995 to over 81 percent in 2013 (Statistics South Africa, 2014). However, the usage of electricity in the Eastern Cape increased from 35 percent in 1995 to 68.6 percent in 2013, with many households still reliant on paraffin and even candles (ECSECC, 2014). Although the proportion of households with access to electricity in the two metros is higher than the provincial figures, the proportion of households without access to electricity is still high. About 27 percent and 18 percent of household have no electricity in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality respectively. Figure

5:17 illustrates these statistics. Regardless of the dangers[10] posed by paraffin and candles, the two are still some of the popular means of energy and or lighting in a significant number of houses in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality.

Figure 5. 17 Energy Sources by Category for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
	

Source: ECSECC, 2015

The two municipalities, Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality are the largest manufacturing economies of the Eastern Cape province. The availabilty of reliable source of energy will go a long way to ensure that their manufacturing and procesing (most agro processing) firms are in full production. Failure to supply enough energy to the economy will cripple the operations of the manufacturing and processing economies and lead to devastating effects of the local economic development prospects of the two municipalities.

[10] Paraffin and candles are mostly utilised by indigent people who are more likely to be using shacks as a form of shelter. Fires causes by poor handling of candles and paraffin have led to a number of deaths and injuries in these communities.

5.10 Health Profiles

5.10.1. HIV/AIDS Statistics

Health economics literature points to the negative relationship that exists between the HIV/AIDS pandemic and economic growth (Dixon, McDonald and Roberts, 2002). The model explain s the huge impact HIV places on the economy via the loss of labour supply, loss of critical skills in the economy, social burden and reduced productivity during illness(Dixon, McDonald and Roberts, 2002)

Projected long-run economic costs of HIV/ AIDS are much higher than predicted in previous studies, in the absence of appropriate and efficient measures, an economic collapse can be witnessed (Bell et al, 2003). Human capital is destroyed in a number of ways: through sickness and death of young adults, by weakening or destroying the mechanisms that generate human capital formation (i.e. the transmission of knowledge and potential productive capacity from parents to children, lower school attendance and less investment in children's education) and by continuing the vicious cycle across generations, as children with less education and knowledge are likely to jeopardize the future generations (Bell et al. 2003).

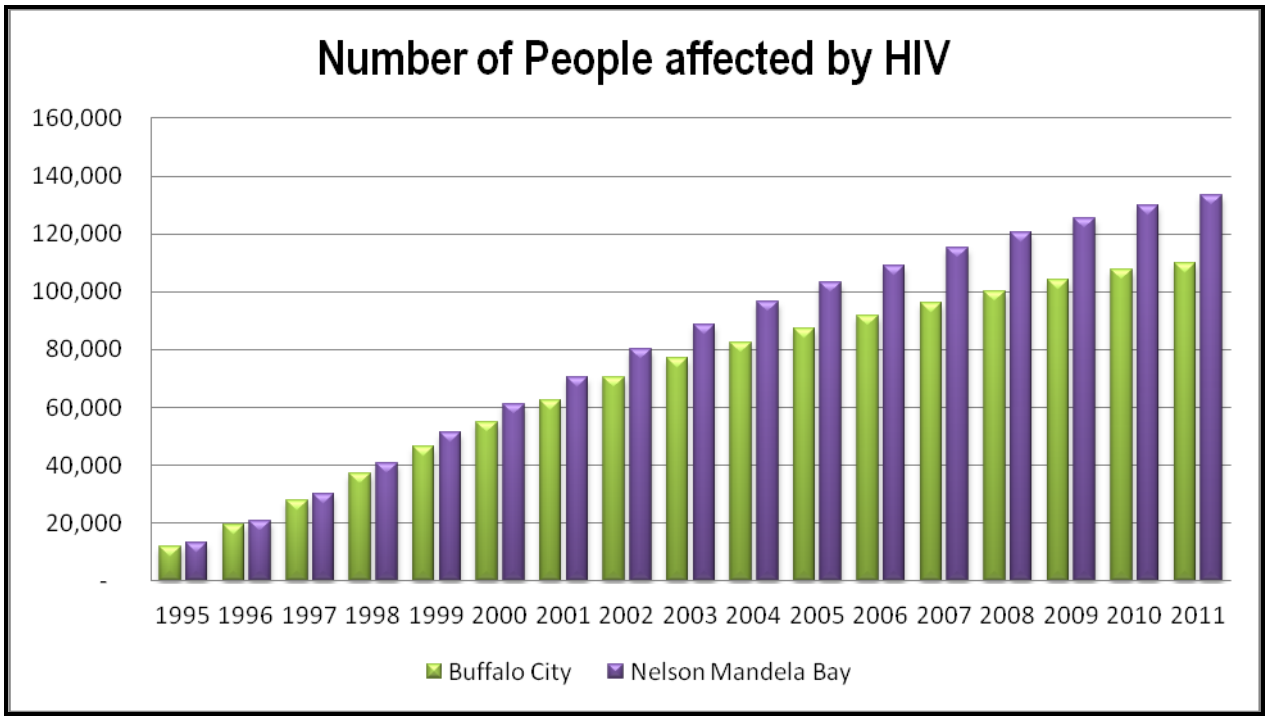
The costs associated with sickness and reduced productivity as a result of HIV/AIDS are transferred to reduced organisational competitiveness and profits (Dixon, McDonald and Roberts, 2002). "Government incomes also decline, as tax revenues fall, and governments are pressured to increase their spending, to deal with the rising prevalence of AIDS, thereby creating the potential for fiscal crises" (International Labour Organisation, 2012).

South Africa has one of the highest HIV prevalence rates in the world and is home to the world's largest population of people living with HIV (World Bank, 2013). In 2013 there were an estimated 6.7 million people infected with AIDS, representing over 12.6 percent of the South Africa population as a whole (South Africa, 2014). The proportion of infected people in the Eastern Cape was 725 763 people (11.6 percent). Buffalo City Metropolitan Municipality had 12.6 percent of its population affected by HIV and AIDS while Nelson Mandela Bay Municipality had 10.5 percent of its population affected.

Figure 5:18 shows that the number of HIV/AIDS affected people has been increasing over the years. The increase in the number of people affected by HIV/AIDS does not augur well for economic development of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality regions. In 2009, Buffalo City Metropolitan Municipality had 89 692 HIV/AIDS new cases while Buffalo City Metropolitan Municipality had 109 633. Moving on to 2013, there were 96 905 and 121 489 new cases in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality respectively (ECSECC, 2015).

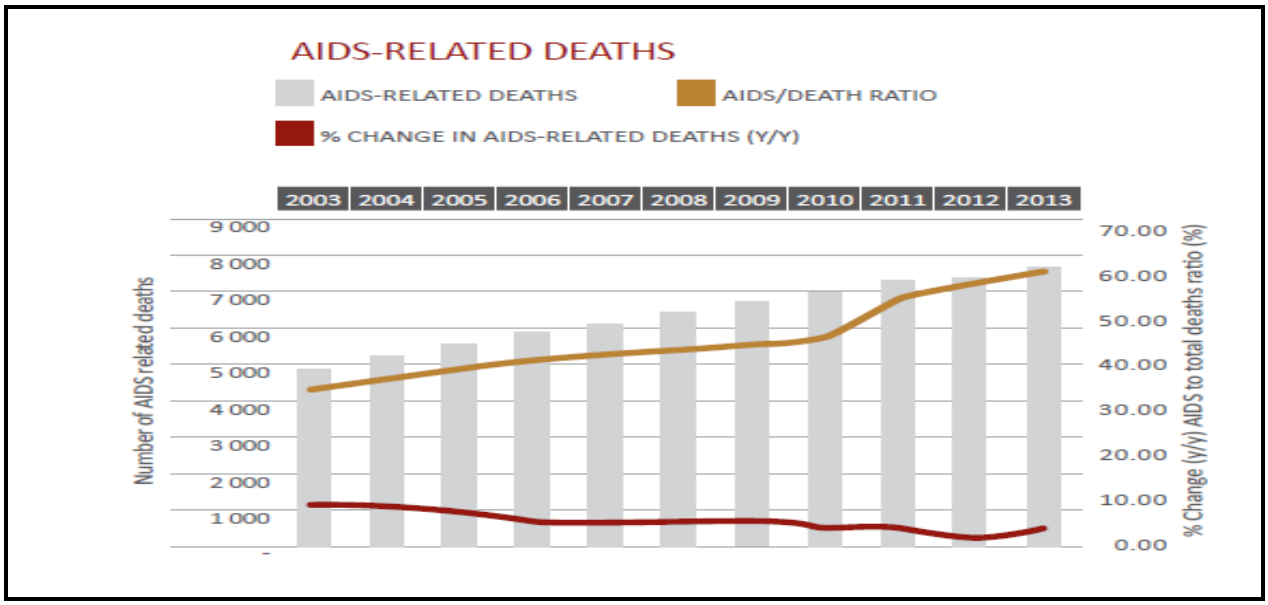
Figures 5:18, 5:19 and 5:20 portray the pictures of the HIV/AIDS scourge on communities. However, due to medical advancement, there has been a reduction world-wide in the numbers of children born with HIV/AIDS and as a result the huge number of fatalities recorded among young adults. This has devastating effects on the economic development of regions as the young youth constitute a huge number of workers.

Figure 5: 18 Number of People affected by HIV/AIDS in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality



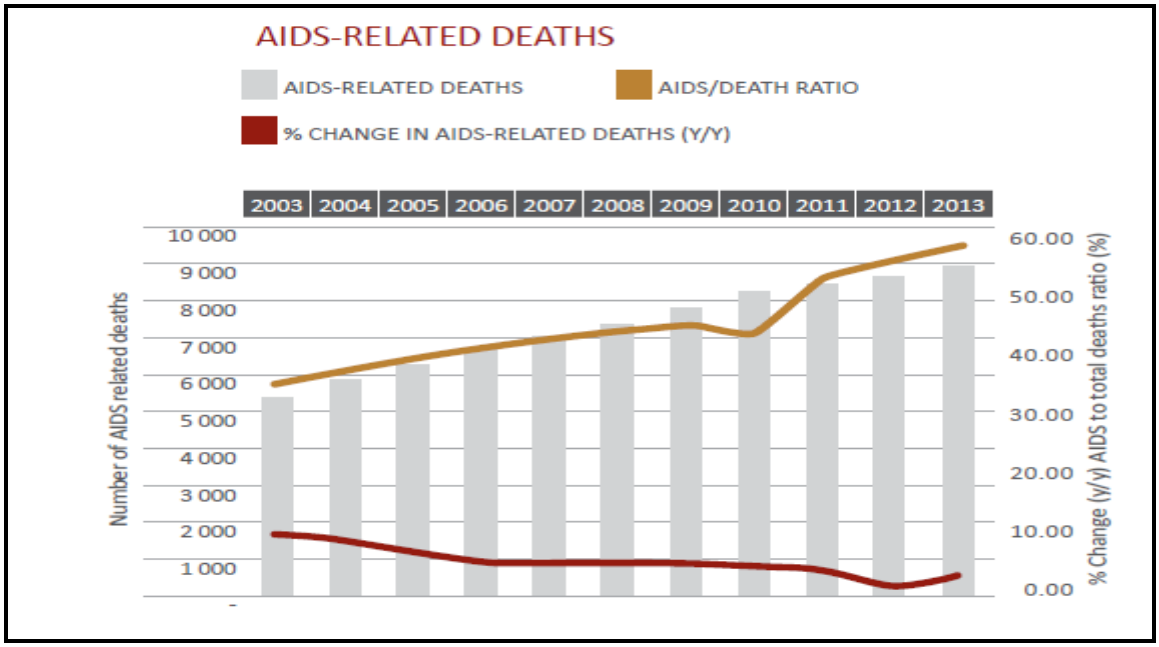
Source: ECSECC, 2015

Figure 5: 19 AIDS Related Deaths: Buffalo City Metropolitan Municipality



Source: ECSECC, 2015

Figure 5: 20 AIDS Related Deaths - Nelson Mandela Bay Municipality



Source: ECSECC, 2015

Considering that HIV/ AIDS is found mostly among adults between 20 and 40 years old, it has a direct impact on the workforce and consequently on economic output. The increase in number of people affected by HIV/AIDS in both metros has a potential to affect the output levels of firms in the two municipalities and put pressure on the health and social needs of those affected.

5.11 Economic Profiles

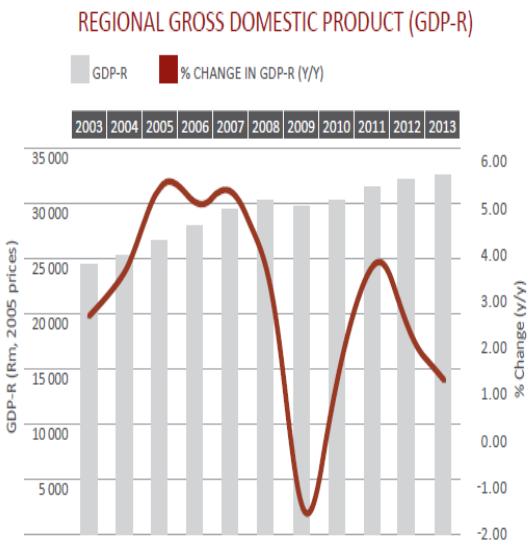
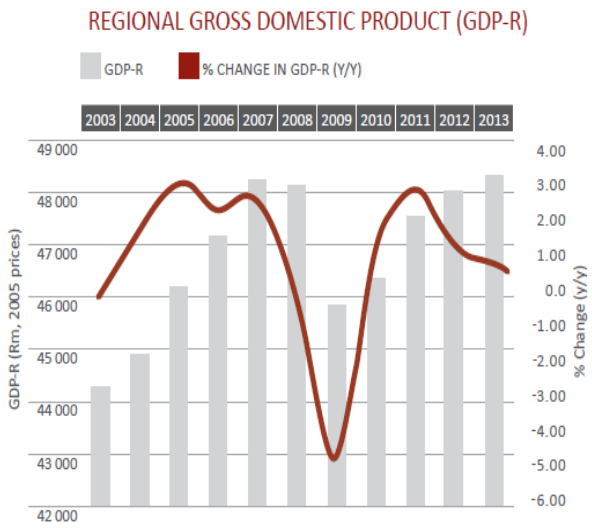
The Eastern Cape Province contributed 7.8 percent towards the National Gross Domestic Product (GDP) in 2013 (ECSECC, 2015). During the same period about 59 percent of the Eastern Cape provincial GDP came out of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality (ECSECC, 2015). However, the contribution of Eastern Cape Province to the national GDP is limited due to the structure of the province (ECSECC, 2015). The Eastern Cape Province is structurally different from the national economy due to the virtual absence of a significant mining sector. Unlike other provinces, the Eastern Cape has a significant large tertiary sector and this sector is accounted mainly by the public sector.

5.11.1 Regional Gross Domestic Product (GDP-R)

Nelson Mandela Bay Municipality is the biggest contributor to the Eastern Cape Gross Domestic Product. In 2013 Nelson Mandela Bay Municipality contributed (in adjusted 2005 prices) R48.2billion while Buffalo City Metropolitan Municipality contributed R32, 4billion representing 34.5 percent and 23.1 percent respectively (Stats SA, 2015). The two municipalities were affected by the 2008-2009 global financial recession. According to the same data sets, the recession had a big effect on the Nelson Mandela Bay Municipality, as its growth dropped by - 4.8 percent while Buffalo City Metropolitan Municipality's economy shrank by -1.5 percent. The post-recession growth for both, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality has been slower and their 2013 annual growth rate has been inferior to the provincial growth rate (1.6 percent), with Buffalo City Metropolitan Municipality growing at 1.3 percent while Nelson Mandela Bay Municipality grew at 0.6 percent (Stats SA, 2015). The low growth rates of the two metropolitan municipalities has serious repercussions on the job creation potential, poverty alleviation and general economic development of their respective areas.

Figure 5:21 shows the growth rate of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality.

Figure 5: 21 Regional Gross Domestic Product (GDP-R) for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
	

Source: ECSECC, 2015

5.11.2 Gross Value Added (GVA)

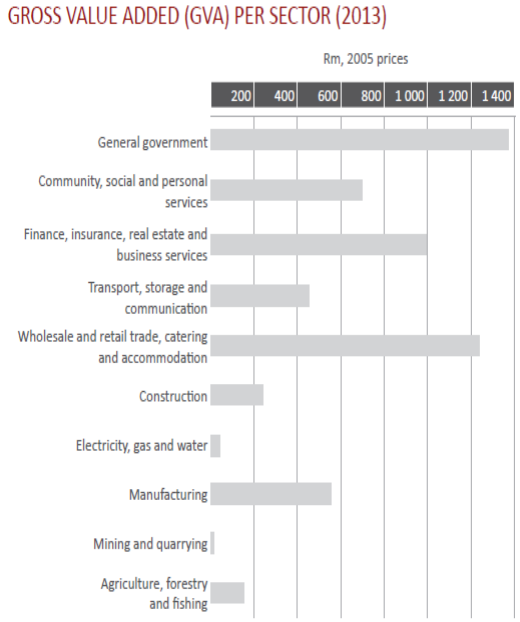
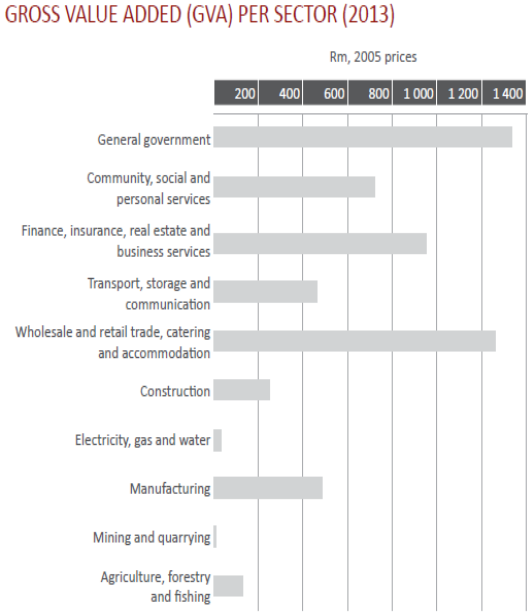
The tertiary sector is the largest contributor to the economy of the two municipalities with a contribution of 81.7 percent and 71.5 percent in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality respectively. This is followed by the secondary sector with 17 percent (Buffalo City Metropolitan Municipality) and 27.9 percent (Nelson Mandela Bay Municipality) and primary sector, 1.3 percent (Buffalo City Metropolitan Municipality) and 0.6 percent (Nelson Mandela Bay Municipality) (ECSECC, 2015). Figure 5:22 shows that according to the Standard Industrial Classification (SIC) the top 6 contributors to the Gross Domestic Product of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality are the same, albeit differing in their percentages of contribution. The following were the top 6 contributors in the two metros in 2013: (in their order of contribution).

- General Government
- Wholesale and retail, trade, catering and accommodation

- Finance and Insurance
- Community, Social and personal services
- Manufacturing
- Transport, storage and Communication (ECSECC, 2015).

Figure 5:22 shows the contribution of all the sectors (according to SIC) to the GDP for respective municipalities.

Figure 5: 22 Gross Value Added (GVA) Per Sector (2013) for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
	

Source: ECSECC, 2015

5.11.3 Tress index

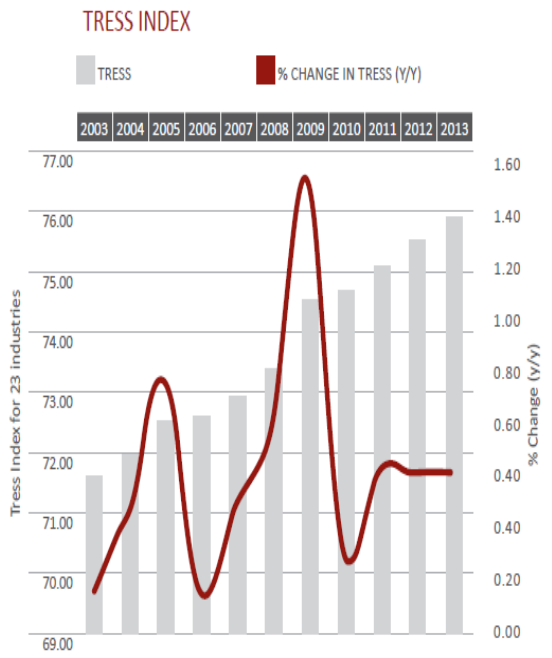
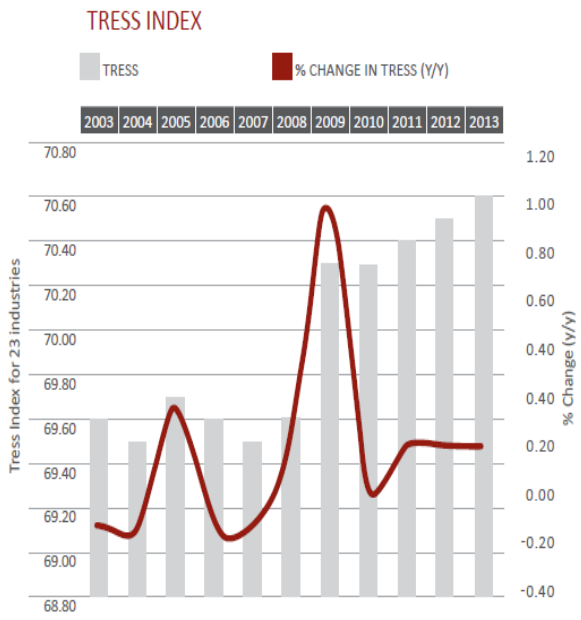
To ascertain the level of diversification of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, the Tress index is used to indicate the level of concentration (or diversification) of the two local economies. The sectoral composition of an economy is a good measure of the level of diversification or concentration of a region's economy and can be measured utilizing a tress index. A Tress index value of 0 means that all economic sectors in the municipality contribute equally to Gross Value Added (GVA), whereas a Tress index of 100 means that one

economic sector contributes to all GVA. The higher the index (closer to 100), the more concentrated or vulnerable the region's economy to exogenous variables, such as commodity prices, demand and extreme weather events such as droughts and floods and so forth.

In 2013, the tress index for Buffalo City Metropolitan Municipality was 75.9 compared to Nelson Mandela Bay Municipality 70.6, 73.0 for the Eastern Cape and 66.9 for South Africa as whole. The tress index of the two metros shows that Nelson Mandela Bay Municipality is more diversified than Buffalo City Metropolitan Municipality and as a result is less vulnerable to shocks from any exogenous variables that may affect the main sectors contributing to the GDP of the region. Although Nelson Mandela Bay Municipality is better diversified than Buffalo City Metropolitan Municipality, the two municipalities lag behind the National tress index and a result, both needs to diversify their economies more.

There is need to diversify the economies of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality better in order to cushion against any shock that may hit the leading sectors such as manufacturing, general government and others. Figure 5:23 shows the diversification levels of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality over the years.

Figure 5: 23 Tress Index of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
	

Source: ECSECC, 2015

5.12 Economic opportunities

The economies of the two metropolitan municipalities, Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality have a host of economic opportunities to complement their already existing areas of strengths. Table 5:6 tabulates some of the opportunities identified during the analysis of the two metros.

Table 5: 6 Economic opportunities for Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
Agriculture	
An existing irrigated and intensive horticulture (tomatoes and peppers) provide an opportunity for firms to occupy the value chain opportunities that exist out of these vegetables	Firms to occupy the flowers value chain for flower being grown on the outskirts of town. Processing and exploring the medicinal properties of honey bush tea from neighbouring municipalities.

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
There is scope for increased urban agriculture based on proximity to large consumer markets.	There is scope for increased urban agriculture based on proximity to large consumer markets.
Construction	
Potential for Construction industry growth based on: • Industrial and logistics growth (ELIDZ) • Infrastructure renewal and extensions • Township upgrading • Residential and commercial property developments • The sleeper site development	Potential for Construction industry growth based on: • Industrial and logistics growth (Coega IDZ) • Infrastructure renewal and extensions • Township upgrading • Residential and commercial property developments • PE Waterfront
Manufacturing	
A good potential in industrial manufacturing based on: • EL IDZ • The existing auto industry • Industrial waste recycling • Maritime industries and logistics • New-generation products • Development of Bisho into a residential town • Revival of Dimbaza	A good potential in industrial manufacturing based on: • Coega • The existing auto industry • Maritime industries and logistics • New-generation products • Lower energy costs (fracking and nuclear) • Shale-gas to liquid and polymers production • The existing Coega investment pipeline (in excess of R200 billion) • The existing automotive industry as “anchor tenant”, and associated

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
	engineering base • New smelters and Project Mthombo • Industrial waste recycling • Revival of the clothing and footwear industry and other light industry
Tourism	
Good Tourism Potential Based on • Business tourism and conferences • City and beach holidays • Gateway to Wild Coast • Sporting and Cultural events	Good Tourism Potential Based on • Business tourism and conferences • City and beach holidays • Gateway to Garden Route, Sunshine Coast and Karoo (Valley of Desolation), Addo and Baviaanskloof • Sporting and Cultural events
Knowledge Based Services	
A good potential based on : • University of Fort Hare, Walter Sisulu University, Unisa and various FET • EL IDZ Science and Technology Park • ICT	A good potential based on : • Nelson Mandela Metropolitan University, Unisa and various FET • Business Process Services (Coega) • ICT

Source: DEDEAT, 2014

5.13 Summary of the overview of LED practice in NMBM and BCMM, economic profiling analysis and conclusions

The two metropolitan municipalities, albeit to varying degrees, display the dual economy aspect of the national economy, with pockets of developed areas within largely under-developed areas being the scenario of Buffalo City Metropolitan Municipality while Nelson Mandela Bay Municipality has pockets of underdeveloped areas within largely developed areas.

Although there are national policy imperatives directing municipalities to offer LED in a uniform manner, the way in which LED is being implemented in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality is not exactly the same. As discussed in section 5.3, the two metropolitan municipalities exhibit similar practices in the five facets namely, enterprise development, livelihoods development, workforce development, community development and general facet but conversely display different practices in the Locality development and LED governance. These differences are telling in the results discussed across Chapter 6.

The existing development footprint of the two municipalities still bears the marks of apartheid planning. This is evident in the spatial plans of the two metropolitan municipality, with distinct townships and suburbs and in BCMM, homelands towns and their industries. Like the rest of the country, the two municiplities are dominated by black people but with diffrerent racial composition. As illustrated in section 5.4, due to the largely urban and huge concetration of industry, mainly manufacturing in the two metropolitan minicipality, there has been a growing number of people between the ages 15-19, 25-29 and 30-34. The metros attract people from their respective hinterlands and beyond seeking for for mainly employment, study and recreation opportunities. However, the increase in number of people within this age groups has also brought with it pressure for job opportunities.

As a result, there is a relatively high number of unemployment in the two municipalities across the afforementioned age groups. Encouragingly, the statistics displayed in section 5.4 reveal that the numbers of people in the aforementioned age groups in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality has been on the decline. Nevertheless these statistics are still high enough to worry the councils of the two municipalities as they are flagged in their

respective 2051/16 IDP as a concern. There is need for all concerned to fight the scourge of poverty in the two metropolitan municipalities (see section 5.5).

The discussions in section 5.5.1 reveals that the two metropolitan municipalities have been recording negative household savings between 2003-2013, a situation that does not augur well for economic development. The same discussion shows that a comparison between the household income and expenditures revealed that there is a negative saving trend across the study years. It is evident that households in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality require to be educated on the need to save, more so its importance on poverty reduction, future wealth and consequently the standard of living.

Nationally, efforts have been made to reduce the number of illiterate people and the numbers are reportedly on a decline. However, the numbers of people who cannot read or write in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality is still high enough to constrict development (see section 5.6). As discussed in the same section, the high numbers of illiterate people in the two municipalities does not augur well for development, as it poses a huge challenge on the state to bring these people in the main stream economy and consequently impose a massive burden on the state to provide social grants.

Using the narrow definition of unemployment, statistics from Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality revealed that the number of unemployed people as a percentage of the total population is very high (see section 5.7). In a majority of cases, the unemployed have no form of schooling or any relevent skill to offer to the economy. As discussed in section 5.7 there is need for relevant role players to skill locals as well as creating employment opportunities.

The discussion in section 5.11.1 reveal that the growth in the output in the two municipalities has not beeen matched by the decerease in enemployment, if anything the figures have been on the rise. The analysis attributed the “jobless growth” phenomenon to possible effects of high usage of capital at the expense of labour (see section 5.7). The inference drawn was that, while growing economic output was necessary, striking a balance between capital and labour usage was essential inorder to alleviate unemployment and poverty.

The results depicted in section 5.8 reveal that there has been an increase in overall crime in the two metropolitan municipalities since 2001. The analysis noted that the recorded high crime rates do not augur well for business attraction and retention in both municipalities. As discussed in section 5.10.1 the number of people affected by HIV/ AIDS has been on the increase in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality bringing with it devastating effects on the economic development of regions as the majority of people affected are people between 20-40 years, mostly working class. However, due to medical advancement, there has been a reduction world-wide and the two metro alike in the numbers of children born with HIV/AIDS.

Municipalities are duty bound to ensure their residents have the basic services required to live a dignified life. As discussed in section 5.9, infrastructure investment is an important driving force to achieve rapid and sustained economic growth and therefore an important pre-condition for sustainable economic and social development. The analysis reveals that the two municipalities are making efforts to provide basic services like water, refuse collection and sources of energy. However, it is evident that a lot needs to be done to bring Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality to the national standards and to the level of other metros (see section 5.9).

Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality are significant contributors to the provincial gross domestic product, with a combined contribution of 59 percent in 2013. Data analysed in section 5.11 shows that he economic structures of the Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality are almost identical, with identical top six contributors to their GDP. General government, wholesale and retail, finance and insurance, community services, manufacturing and transport make the top six contributors to the GDP in the two municipalities. The economies of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality have been growing steadily between 2003-2007 (see section 5.11.1). The global financial recession of 2007/08 knocked off growth in both municipalities , with Nelson Mandela Bay Municipality the most hard hit with a -4.8 percent shrink to its economy in 2009 while Buffalo City Metropolitan Municipality had a -1.5 percent drop in output during the same period.

Although the two municipalities have shown signs of post-recession recovery, Nelson Mandela Bay Municipality's annual growth rate has not yet caught up with the provincial growth rates. In 2013, Buffalo City Metropolitan Municipality matched the provincial growth rate of 1.6 percent, while Nelson Mandela Bay Municipality could only grow by 0.6 percent. In order to spur future growth and the growth of hinterland regions, efforts have to be made to bring the two municipalities to their maximum potential. Any form of development, be it, rural development and small town regeneration will not happen if Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality economy fail to grow. Global experience shows that hinterland areas development have a huge chance of succeeding when the core "mostly urban centres" are thriving and vice-versa (World Bank, 2012).

As revealed in section 5.11.3, Nelson Mandela Bay Municipality has a more diversified (as measure on tress index) economy as compared to Buffalo City Metropolitan Municipality (BCMM) and as a result Nelson Mandela Bay Municipality is less vulnerable to shocks from any exogenous variables that may affect the main sectors. Although Nelson Mandela Bay Municipality is better diversified than Buffalo City Metropolitan Municipality, the two municipalities lag behind the National tress index and as a result, the two municipalities are required to diversify their economies more.

However, there is need to diversify the two economies better in order to cushion against any shock that may hit the leading sectors e.g. manufacturing, general government and others. The analysis noted that here are a number of economic growth opportunities available in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality that just need to be harnessed in order to spur growth and help diversify their economies. This chapter is a pre-cursor to Chapter 6, which presents the empirical findings of the study.

CHAPTER 6

EMPIRICAL ANALYSIS AND FINDINGS OF LOCAL ECONOMIC DEVELOPMENT IN BUFFALO CITY METROPOLITAN MUNICIPALITY AND NELSON MANDELA BAY MUNICIPALITY

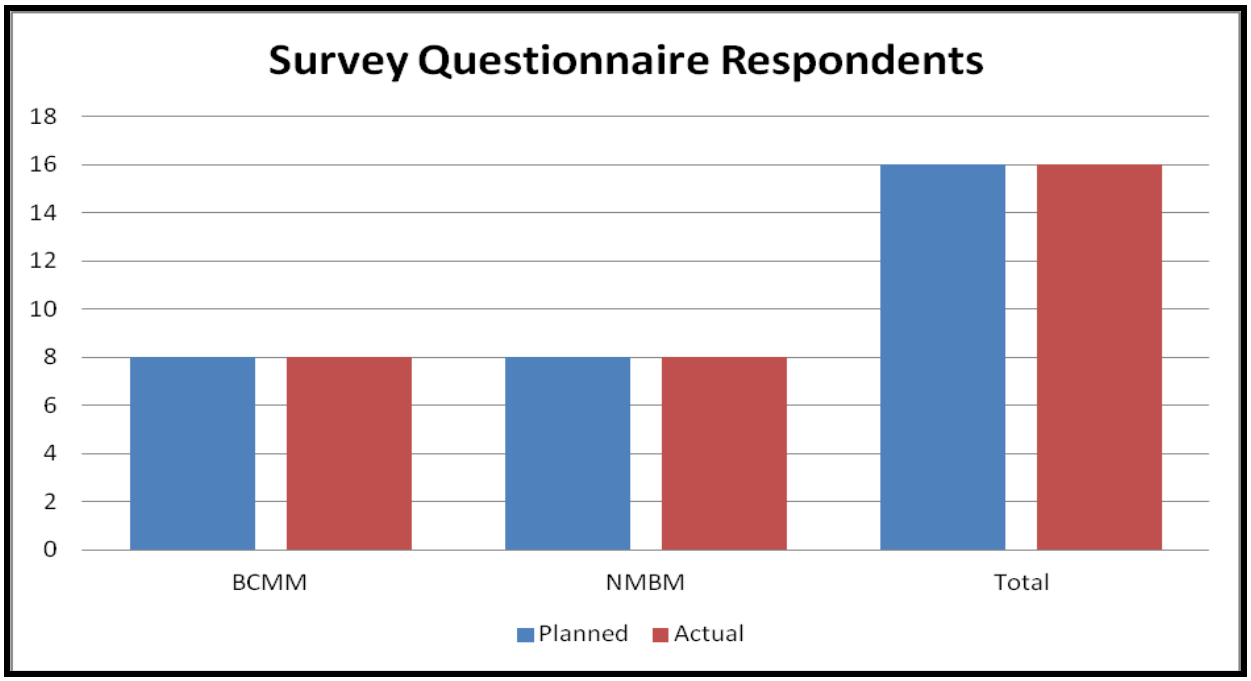
6. 1 Introduction

In the preceding chapter, an overview of the local economic development practice and key socio-economic indicators of the study areas were presented. This was done to portray a cursory picture of the areas in which the two metropolitan municipalities under study are located. This chapter presents the findings that necessitated the initiation of this research study. The findings have been sub-divided into two sub-sections. The first section depicts the different facets (particular aspects) of local economic development (LED) available in in the two metros, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. The subsequent section specifically focuses on the level at which LED practice in both Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality is embedded in LED theory. The level of embeddedness was measured using the re-modelled hybrid scale[11] tool, first introduced to local economic development (LED) by the Germany Technical Corporation (GTZ) (a leading International Local Economic Development technical support partner across the globe) (see discussions in Section 4.3).

This chapter was completed using the information gathered mainly through using a survey questionnaire. Data was coded in excel and analyzed using the Statistical Package for Social Sciences (SPSS), the outcome of which was used to develop this chapter. The chapter also drew meaningful nuances from the qualitative data obtained through in-depth semi-structured interviews (see section 4.3 and Annexure C). Qualitative data was used to complement and “offer further meaning” to the quantitative data gathered through survey questionnaires. Although the interviews were fraught with several postponements, all the 16 respondents, 8 per metro, managed to respond to the survey questionnaire. Figure 6:1 illustrates the distribution of survey questionnaire respondents by municipality.

[11] The re-modelled hybrid tool (in Annexure D) has been in use since 2006, and utilized to measure the level of LED embeddedness in a number of municipalities world-wide.

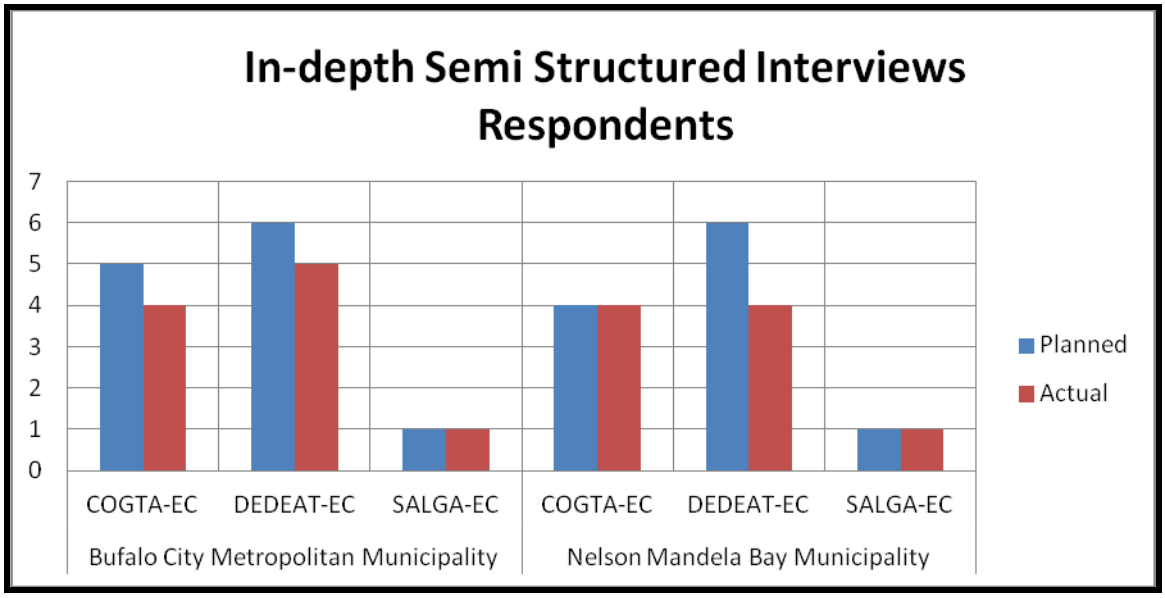
Figure 6: 1 Survey Questionnaire Respondents



Source: Survey Data- Number of respondents

The in-depth semi-structured interviews were targeted to approach a total of 12 people per metro, but due to difficulties in setting interview appointments, only 9 people were interviewed for Nelson Mandela Bay Municipality and 10 for Buffalo City Metropolitan Municipality. Figure 6:2 illustrates this breakdown.

Figure 6: 2 In-depth Semi-Structured Interviews - Target versus Actual Interviews



Source: Survey Data- Number of respondents

6.2 Different Facets (particular aspects) of Local Economic Development in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

This section presents a detailed analysis of the different facets (particular aspects) of Local Economic Development (LED) as practiced in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. The discussion of the chapter is informed by literature on local economic development (see section 2.2 and 3.5). Local Economic Development (LED) theory identifies 6 LED facets (particular aspects) namely, enterprise development, locality development, livelihoods development, community development, workforce development and LED governance (Hindson and Vicente, 2005).

Particularly interesting to note is that the identified facets have no space for aspects that this research considers “General LED”. These include aspects such as: availability or unavailability of LED strategy, LED strategy review process, and the inter-link between LED functions and other key municipal organs. The lack of expression of these “General items” in the LED facets has prompted this research to add a general LED facet to the already available 6 facets. The researcher would have preferred to spread all the aspects captured in the General LED facet across the 6 existing facets were it not for the difficulty to fit these aspects in any of the 6 already existing aspects. As such, the general LED facet was introduced into this study.

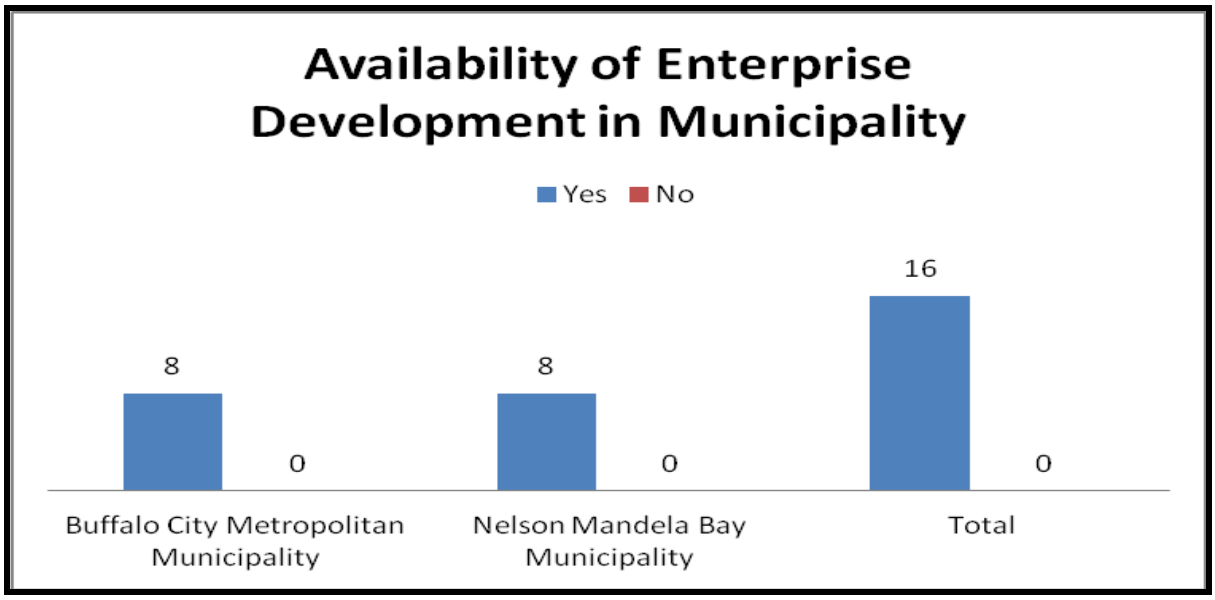
The general LED facet goes beyond availability or unavailability of the LED strategy aspect to touch on: matters of the LED budget, implementation plans, experience of LED practitioners, and availability of other LED supporting strategies such as Small and Medium Enterprise Strategy/plan, amongst others. The survey questionnaire consisted of seventy-seven questions, but due to feasibility shortfalls, some of the questions had to be considered as “proxies”. This implied that there was an indirect connection, based on a hypothesis, between the question/answer and the information required for the research.

6.2.1 Enterprise development facet

Evidence from the survey reveals that both municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality prioritised enterprise development as one of their Local Economic Development (LED) facets, albeit to varying degrees (see question B13 in the survey questionnaire in Annexure B and results in Annexure E). All the 16 survey questionnaire respondents revealed that, indeed, enterprise development was a key facet of LED in the respective municipality. These findings are consistent with the finding of Hani (2014) who argues that most municipalities interpreted LED as purely centered on enterprise development. Hani (2014) findings imply that the majority of municipalities in the Eastern Cape Province prioritised enterprise development above all facets. As discussed in section 3.5.1, the need to grow the entrepreneurial capacity of locals has been mentioned in a large number of developmental literature, more so in Rostows (1960) precondition for take-off stage, in Harrod Domar's productivity of investment, Prebisch-Singer (1950) article advocating for the need for countries to stop exporting raw materials but rather produce entrepreneurs capable of converting local raw material into finished products and Lewis (1954) through structurally aligning the economy from traditional to industrial amongst other theories.

The survey result shows that 100 percent (8 out of 8) of the respondents from each municipality agreed that their municipality was implementing the Enterprise Development facet. Unlike in other facets, where respondents gave conflicting responses, all the respondents agreed on the presence of the Enterprise Development facets in the implementation of LED. Figure 6:3 illustrates these results:

Figure 6: 3 Enterprise Development



Source: Survey Data (ref Question B13)

6.2.1.1 Business development services

Literature on Local Economic Development (LED) defines enterprise development as all initiatives that help to nurture entrepreneurial capacity within community members and all initiatives that make the operation of existing business of sizes to thrive and compete better with businesses from other local spaces (Hindson and Vicente, 2005). Enterprise development includes initiatives such as providing several integrated functions, namely, starting a business, post-registration formalities with tax authorities, provision of useful business as well as issuance of documents, licenses and permits (minimizing moving from one organisation to another), facilitating easy access to business finance, business advice, entrepreneurs capacitation and offering a whole host of business development services (BDS) (Hindson and Vicente, 2005)

The enterprise development facet includes both financial and non-financial business development services (World Bank, 2003). Literature on LED locates business development services as the core of the enterprise development (Meyer-Stamer, 2008). These views were shared by Rostow (1960), Harrod (1939), Domar (1946), and Lewis (1954) amongst others. These authors amongst others believed that without entrepreneurial dynamism the development of economies would be curtailed.

In order to ascertain this literature position, this section is profiled based on the identified business development services. Although literature does not rank (in order of importance) the Business Development Services (BDS) offerings, or specify which of these offerings are a “must have”, logic dictates that they are all important to varying degrees. As such, it would be convenient and noble for all municipalities to offer the complete package.

Figure 6:4 illustrates the Business Development Services in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality.

Figure 6: 4 Business Development Services Available in BCMM and NMBM.

Business Development Service (BDS)	BUFFALO CITY METROPOLITAN MUNICIPALITY	nelson mandela bay
Business Advice and Research	✓	✗
Business Development Grant	✓	✗
Business Counselling	✓	✓
Business Training	✓	✓
Special Economic Zones	✓	✓
Business Incubators	✓	✓
Business Opportunity Sourcing	✓	✓
Business Information Sourcing	✓	✓

Source: Survey Data (ref Question B15)

The above results show the available BDS in the two metropolitan municipalities are instructive (useful and informative). The results show that Buffalo City Metropolitan Municipality provides a big number of Business Development Services (BDS) through their LED directorates than Nelson Mandela Bay Municipality. While an overwhelming number (7 out of 8 respondents) indicate that Buffalo City Metropolitan Municipality has the above BDS, one respondent disagreed and stated that Buffalo City Metropolitan Municipality did not offer business advice and research and business development grants as part of the BDS. The lack of shared and uniform

understanding (among respondents) of how LED is being implemented in respective municipality was evident[12].

This lack of uniform and shared understanding of how LED is implemented among practitioners resonates with the findings of Cunningham and Meyer-Stamer (2005). Cunningham and Meyer-Stamer (2005) pointed out that the implementation of development programmes in developing countries has for decades been based on the assumption that government consists of highly professional, competent and ethical Weberian bureaucracies, which much more often than not is an unrealistic assumption. The in-depth semi-structured interviews revealed that the lack of uniform and shared understanding of the same concept by different practitioners in the same organisation breeds a feeling of "dynamic policy inconsistence" among community members, where probably none exist[13].

Although the survey responses prove that Nelson Mandela Bay Municipality fails to offer other services through their LED directorate, the following statement provides the reason for this scenario.

> *All matters of business development services that require, business advice and research, business development grants, business counseling and business incubators are referred to the Small Enterprise Development Agency (SEDA). The reason for this lies in the acknowledgement that SEDA is better equipped to deal with matters of this nature better than the municipality* (Interview, 6/July/2015).

Of the 16 respondents (from both municipalities), only one (1) from Buffalo City Metropolitan Municipality stated that the municipality provided some business finance service. When probed to specify the type and eligibility criteria, the respondent said:

> *The provision of funds to certain LED projects is a sole responsibility of the top LED management and as such, we junior staff members are not in the know. From where I sit, these funds are only released on the whims and*

[12] The respondents within the same LED directorate were providing different answers to questions (factual) that should elicit similar responses

[13] Respondents reveal that their departments or organisations frequently receive complaints from community members either in meetings or correspondences complaining about inconsistent information and services provided to them by same LED directorates but via different practitioners.

caprices of the top management. The majority of SMMEs and project members who come looking for funding are directed to other financing institutions like Eastern Cape Development Corporation and National Youth Development Agency. (Interview, 6/July/2015).

However, according to South African Local Government Association (SALGA), DEDEAT and COGTA EC representatives, there was no form of business finance that was provided by BCMM to businesses serve of processing calls for proposals from the various sector departments. In addition to funding, the survey responses also revealed how the following LED challenges (tabulated in Table 6:1) are handled in both municipalities:

Table 6: 1 Municipal Responses to Enterprise Development Challenges

Challenge	Municipal Response Plan
Lack of Business planning, mostly during start up	Business advice and research (BCMM)
Difficulties accessing finance	Business information dissemination (BCMM and NMBM)
Difficulties accessing markets	Market research and deal negotiating (BCMM and NMBM)
Lack of sector-specific expertise	Business advice and research (BCMM)
Lack of experience among owners and manager	Business training (BCMM and NMBM)

Source: Survey Data (ref Question 25)

6.2.1.2 Conducting market research and deal negotiating

One general barrier to entry and a challenge facing SMMEs in South Africa, across all sectors, is the difficulty in accessing markets, locally and globally (Small Enterprise Development Agency, 2012). While the Prebisch-Singer (1950) model was against exporting raw materials, the model advocated for the need for developing countries to market their finished products to foreign markets. However,

Prebisch (1959) noted the challenges that developed nations face when exporting when exporting to developed world, more so for finished products than for raw materials. These findings place a huge responsibility on the government to assist entrepreneurs to gain access to identified markets. Out of the 16 survey questionnaire respondents, 15 revealed that the two metropolitan municipalities researched markets for local products and where possible, negotiate deals. This assertion augurs well for the growth and wellbeing of SMMEs as most SMMEs fail due to lack of market niche information (Small Enterprise Development Agency, 2012). The research results reflect that the two metros, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, are closing the gap that currently exists in the LED space regarding lack of market information.

In most of the questions, respondents demonstrated a lack of understanding on matters that should elicit similar answers. One (1) Buffalo City Metropolitan Municipality respondent stated that their LED directorate did not conduct any market research for local products. The same respondent had this to say:

> *Since my arrival two years ago, no market research studies have been conducted internally or externally regardless for our calls as a unit to budget for such.*

This remark is useful and informative, as a close look at the 16 collected questionnaires revealed some tell-tale signs of a relationship between experience (years of experience in the LED function) and knowledge of how LED is being implemented in respective municipalities. The researcher decided to investigate (making use of cross tabulations) the relationship between:

i. Experience and LED practitioners' knowledge of whether their respective municipality conducted market research for selective local products.

ii. Experience and LED practitioners' knowledge of their respective municipality facilitating any formations of business associations.

In the former scenario, the null hypothesis is that there is no relationship between experience and LED practitioners' knowledge of whether their respective municipality conducted market research for selective local products. In the latter, the null hypothesis is that there is no relationship between experience and LED practitioners'

knowledge of their respective municipality facilitating any formations of business associations.

The cross tabulation results between experience and LED practitioners' knowledge of whether their respective municipality conducted market research for selective local products, produced a χ^2 (2, N=16) = 0.485, p = 0.785)[14], which leads the researcher to not reject the null hypothesis that there is no relationship between experience and LED practitioners' knowledge of whether their respective municipality conducted market research for certain local products. The *p*-value generated is considered to be insignificant, meaning that the researcher cannot be 95 percent confident that the relationship between the two variables is not due to chance. In addition, in the descriptive statistics, there is no clear trend between experience and LED practitioners' knowledge of whether their respective municipality conducted market researches for certain local products. Tables 6:2 tabulate these results.

Table 6: 2 Cross Tabulation of Experience and Knowledge of Respondents on Municipality Conducting Market Research for products

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	.485[a]	2	.785
Likelihood Ratio	.779	2	.677
N of Valid Cases	16		

a. 5 cells (83.3 percent) have expected count less than 5. The minimum expected count is .06.

The second relationship depicted in Table 6:3, was a cross tabulation of experience and LED practitioners' knowledge of their respective municipality facilitating any formations of business associations. The results produce χ^2 (2, N=16) = 0.485, p = 0.785)[15], which also leads us to not reject the null hypothesis that there is no

[14] In research it is convention that if the *p*-value is less than .05, then the statistic is considered to be significant and vice versa is true.
[15] In research it is convention that if the *p*-value is less than .05, then the statistic is considered to be significant and the opposite is true.

relationship between experience and LED practitioners' knowledge of their respective municipality facilitating any formations of business associations. Like the previous cross tabulation, the *p*-value generated is considered to be insignificant, meaning that the researcher cannot be 95 percent confident that the relationship between the two variables is not due to chance. These cross tabulation results are supported by the descriptive statistics showing a lack of clear trend between experience and LED practitioners' knowledge of their respective municipality facilitating any formations of business associations. These results are depicted in Table 6:3.

Table 6: 3 Cross Tabulation of Experience and Knowledge of availability of Business Formation Facilitation

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	.485[a]	2	.785
Likelihood Ratio	.779	2	.677
N of Valid Cases	16		

a. 5 cells (83.3 percent) have expected count less than 5. The minimum expected count is .06.

It emerged from the two[16] cross tabulations results that the responses from the LED practitioners were identical. However, the two cross tabulation tests revealed statistically insignificant patterns between years of experience in LED and understanding of the two aspects, municipality conducting market research for local products and municipality facilitating business organisation formations respectively. While the researcher cannot make robust conclusions on these findings (the two cross tabulations), as these are beyond the scope of this study; however, there is a

i. [16] Cross tabulating Experience and LED practitioners' knowledge of whether their respective municipality conducted market researches for selective local products.

ii. Experience and LED practitioners' knowledge of their respective municipality facilitating any formations of business associations.

need to probe the relationship that exists between experience of an LED practitioner and knowledge of how LED is being implemented in respective municipalities. This is so, because some of the cross tabulation presented ahead in this chapter (on experience and other areas of knowledge) reveal interesting and statistically significant patterns.

While respondents from Buffalo City Metropolitan Municipality pointed out that all business units conduct periodic market research surveys for identified niche products, the Nelson Mandela Bay Municipality respondents revealed that market research for certain products is conducted on demand. Eight Nelson Mandela Bay Municipality (NMBM) respondents revealed that such demand is informed by members during their LED forum meetings following which the municipality then budgets for this research, and if possible, conducts the research internally or outsources (Field notes, 2015).

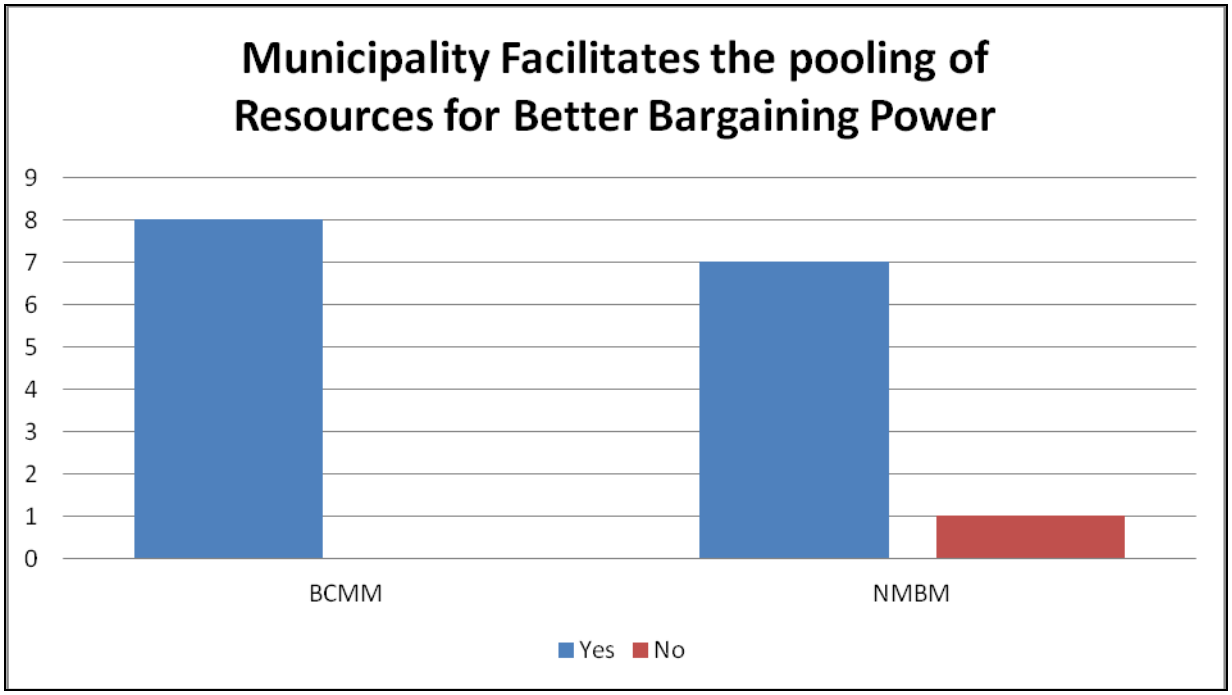
During the in-depth semi-structured interviews it came to light that the Department of Cooperative Governance and Traditional Affairs had conducted market research for the mohair industry in the Nelson Mandela Bay Municipality. The provision of such market research by municipalities goes a long way in providing leverage to entrepreneurs operating within these two municipalities, as such research provides useful information on available markets, key requirements to enter these markets and so on. While such research helps to provide a comprehensive basket of offerings, it often arms the state with information it needs to negotiate trade deals to the benefit of local entrepreneurs.

6.2.1.3 Facilitate the pooling of resource for better bargaining power

Fragmentation of business in South Africa makes it difficult to negotiate deals with big customers (SEDA, 2012). The sheer size of most SMME businesses puts them at a disadvantage when it comes to doing business with big business (Kumah and Omilola, 2014). All Buffalo City Metropolitan Municipality respondents (8 representing 100 percent) agreed that their municipality facilitated the pooling of resources for better bargaining power for their Small, Medium Micro Enterprises while 87 percent from Nelson Mandela Bay Municipality respondents agreed to the availability of such support in their LED directorate, with 13 percent (1 respondent)

responding contrarily. Figure 6:5 illustrates the distribution of responses across the two municipalities.

Figure 6: 5 Facilitating the pooling of Resources for Better Bargaining Power



Source: Survey Data (ref Question B21)

The size of SMMEs affects their production and consequently, their output and appeal to large businesses (Kumah and Omilola, 2014).

In some markets, pooling of resources helps SMMEs to break certain barriers (UN-Habitat, 2005). The two municipalities facilitate business clustering as an effort to make SMMEs overcome the disadvantage of their size. The research found out that associations to help SMMEs to penetrate big markets have been facilitated in BCMM through the formation of Mdantsane Tomato Farmers Association. The respondents had the following remarks to make:

> *These associations have made it easier for the association members to supply the Kat Leisure group of hotels with tomatoes (BCMM).*

In the same fashion, NMBM respondent claimed that:

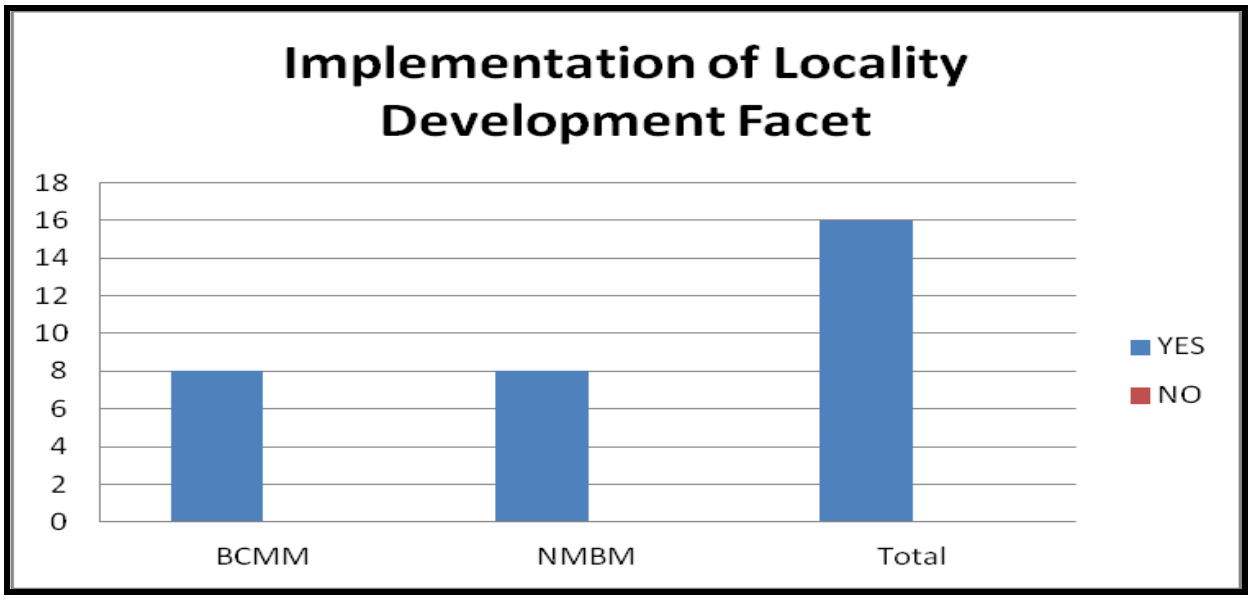
Our municipality managed to facilitate a number of associations in order to help SMMEs secure large contracts with big business. Among such associations is the Mohair Processor Association that can currently export to China.

While the basket of questions making up the enterprise development facets (shown on the survey questionnaire from questions 13 to 25) managed to elicit almost the same responses from respondents across the two municipalities, there is a glaring lack of a common and shared understanding of how LED is implemented in respective municipalities amongst respondents. Primarily, it looks like it is linked to the lack of shared knowledge among respondents. However, many other factors behind this scenario need to be teased out in future studies.

6.2.2. Locality development

From the findings, all the respondents (100 percent) from the two municipalities revealed that Locality Development is one of their spheres of LED (see questions C26 in the survey questionnaire in Annexure B and responses in Annexure E). Figure 6:6 illustrates these findings. As discussed in section 3.5.2, the need to develop conducive localities came to the fore in the work of Rostow (1960) in the precondition for take-off stage when articulating the need for good infrastructure, Prebisch-Singer (1950) challenge on governments to create conducive environment for industrial production rather that benefiting solely from natural endowments and Neoclassical counterrevolutionary models which advocated for government to provide a conducive environment for business to thrive through “non-selective” intervention like providing physical and social infrastructure, security and legal framework to avoid price distortions, poor resource allocation and corruption.

Figure 6: 6 Implementation of Locality Development Facet



Source: Survey Data (ref Question C26)

6.2.2.1 Facilitating a business enabling legal, regulation and administrative environment

The legal and regulatory frameworks establish the "rules of the game" in a society and govern the way in which government relates with business and individuals (OECD, 2004). When these rules are imposed at unrealistic levels and are inadequately enforced, they can affect businesses in (Bannock et.al. 2003). The cost of bureaucratic inconveniences on SMMEs in South Africa is estimated to constitute 6 percent of the total business cost (DTI, 2014). However, reducing some of the red tape around business licensing and registration could help SMMEs in a big way (SEDA 2012). Table 6:4 shows that all the 16 respondents agreed that their respective municipalities were making efforts to ensure business enabling environment.

Table 6: 4 Facilitating a business enabling legal, regulatory and administrative environment

	Frequency	Percent
Yes	16	100.0
No	0	0

Source: Survey Data (ref Question C27)

These results are consistent with a number of findings where it has been noted that LED (in most municipalities) tend to be just a preoccupation of providing an enabling

environment for businesses to thrive, through providing robust economic development policies. The models of Kramer (1993), Prebisch-Singer (1950), Lewis (1954), Harrod-Domar etc. all agreed that one of the roles of government was to ensure that a robust legal, institutional and political framework was in place. In this study, the researcher also found that locality development is not only about providing robust economic policies and plans but also about providing other aspects like infrastructure (point and network), and decision-making tools, amongst others.

There is a broad consensus that bureaucratic red tape ironically offers both incentives and opportunities for bribes and corruption. There is a high likelihood of SMME involvement in corruption if there are a lot of procedures required to do business (Anti-corruption Business Portal, 2012). Red tape generally involves filling in of seemingly unnecessary paper work, obtaining unnecessary licensing, having multiple people or committees approve a decision that makes conducting business slower, more difficult, or both (Anti-corruption business portal, 2012).

All the respondents (100 percent) unanimously agreed that both municipalities are making an effort to promote an enabling regulatory environment. These efforts include:

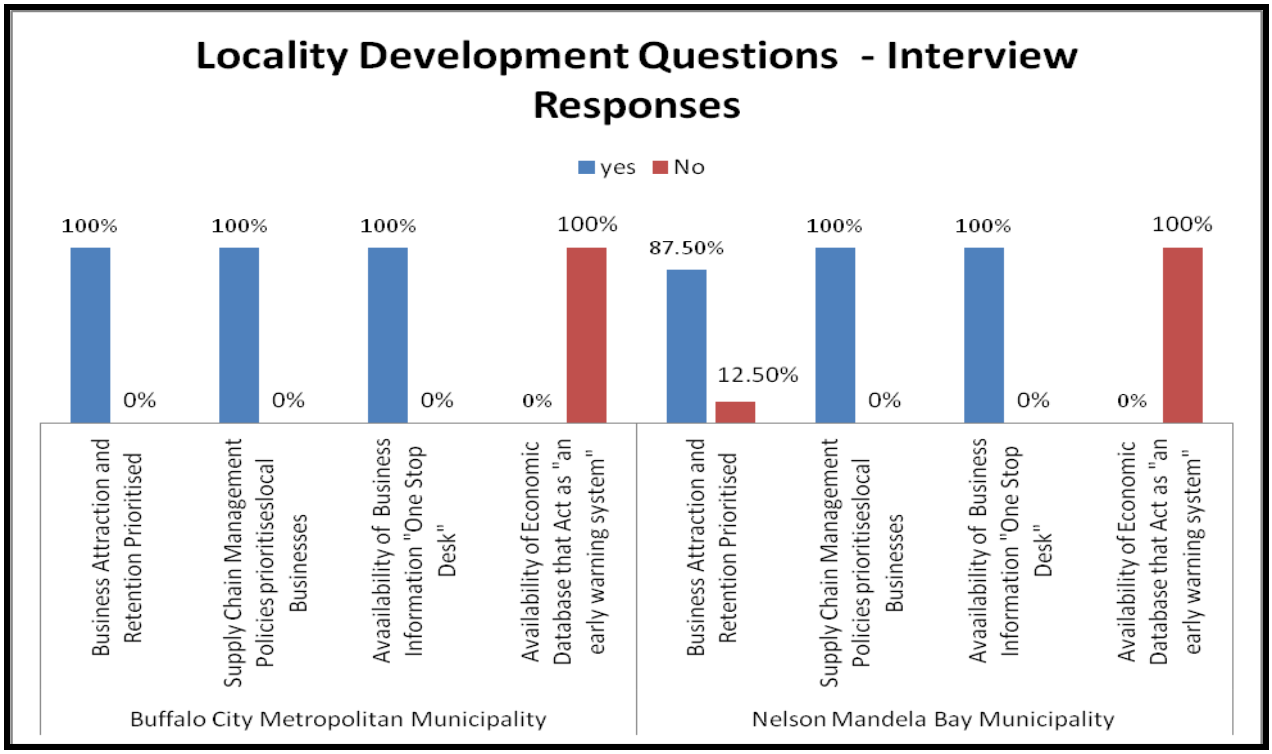
- Establishment of a one-stop-shop as a single entry points providing several integrated functions such as starting a business, post-registration formalities with tax authorities, provision of information on the business environment and its requirements as well as issuance of documents, licenses and permits (minimizing moving from one organisation to another);

- Development of guidelines on the regulatory framework - Nelson Mandela Bay Municipality developed a consolidated investor or business manual with simple and easy to interpret guidelines meant to help SMME and other investors on the regulatory framework in place; and

- Developing business-friendly bylaws, and developing incentives within their respective areas and designating informal traders' operating areas. In order to attract business to their respective areas, both municipalities host annual investments exposés and attend other exposés both locally and internationally to market their respective areas.

Both sets of respondents agreed that there is more to locality development beyond, the enabler role. Some of the key functions raised by the respondents were, promoting the development of point infrastructure (raised by 75 percent of the respondents, 12 respondents, 8 from Nelson Mandela Bay Municipality and 4 from Buffalo City Metropolitan Municipality) and prioritisation of Business Attraction and Retention Strategy raised by 87.5 percent of respondents, 7 from Nelson Mandela Bay Municipality and 7 from Buffalo City Metropolitan Municipality). Figure 6:7 shows the responses to some of the basket questions on the locality development facet.

Figure 6: 7 Locality Development Interview Responses



Source: Survey Data

The data in Figure 6:7 reveals that 100 percent of respondents in BCMM agree that their municipality prioritises Business Expansion, Attraction and Retention (BEAR), while there has been a discord in Nelson Mandela Bay Municipality, with 87.2 percent agreeing, while 12.5 percent the of respondents disagree that their respective municipality prioritises Business Expansion, Attraction and Retention. However, it was revealed by 80 percent of in-depth semi-structured interviews that very little information on the contents of the BEAR strategies were known to majority of SMMEs.

In order to minimise leakages and promote local businesses, Supply Chain Management (SCM) processes are encouraged to be skewed towards local businesses. The research findings show that 100 percent of the respondents in both municipalities agree that supply chain policies in place are biased towards local businesses. While these findings are consistent with literature recommendations (see discussion in section 3.5.1), it is one thing to have well-meaning supply chain management policies and another thing to have supply chain policies being implemented by the book. However, since this link is outside the scope of this study, the researcher cannot ascertain whether the SCM policies in place in the both municipalities are being implemented to the benefit of local entrepreneurs.

The research results show that both municipalities (100 percent of respondents) have a "one stop desk" which acts as a "single entry window" providing several integrated functions to businesses. The results also brought to the fore, lack of an economic database that informs and acts as "an early warning system" for the municipality. Both sets of respondents agreed that there was no economic database in both municipalities. However, both sets of respondents pointed to the urgent need of their municipalities to have their own economic databases. All (19) in-depth semi-structured interview respondents reiterated the urgent need for both municipalities to have their own economic databases. The following observation was made by one in-depth semi-structured respondent:

> *The challenges facing all Eastern Cape (EC) municipalities [LED] is lack of a grounded understanding of their economic offering beyond rhetoric. For example all Eastern Cape Municipalities' LED directorates cannot quantify with accuracy their economic drivers beyond what an ordinary man knows. In one rural municipality, they wanted to establish an abattoir without even knowing the available numbers of cattle, their owners' willingness to sell and the beef grade, etc. As a result, I feel availability of these economic databases would help put all these numbers and important trends together…. going a long way to help decision making, be it for investment purposes or disinvesting.*

While it is beyond the scope of this research to draw findings on the importance of economic database based on a sample of the two metropolitan municipalities under

study herein, it was evidently clear from the respondents that there was need for a consolidated economic database for respective municipalities.

6.2.2.2 Promoting the development of infrastructure

The need for the state to provide both point and network infrastructure came out strongly in the models of Lewis (1954), neoclassical counterrevolutionary, the coordination failure theory's big-push and balanced growth among others. The models placed the responsibility of infrastructure development on the state. The two sets of respondents to the survey questionnaire from Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality in their totality (100 percent) pointed to the important role played by municipalities in providing point infrastructure. The respondents, (8 out of 8 from each municipality) agreed that the biggest players in point infrastructure development were their respective Special Economic Zones (SEZ). The afore-mentioned role is being promoted mainly through the world class facilities in special economic zones of Coega (Nelson Mandela Bay Municipality) and East London Industrial Development Zone (ELIDZ) in Buffalo City Metropolitan Municipality (Eastern Cape Development Corporation, 2014).

Like in most questions, the responses gathered in survey interviews demonstrate significant difference in the understanding of LED among practitioners. The results depicted in Table 6.5 show that there are statistically significant levels of understanding among respondents in the three questions (i. Availability of BEAR strategy ii. Availability of infrastructure for informal business e.g. vendor stalls iii. regularly updating community members on LED initiatives under support), with a Chi-square of 1 degree of freedom of 12.250, $p < 0.001$.

Table 6: 5 Implementation of Locality Development

	Availability of BEAR Strategy	Availability of infrastructure for informal business e.g. vendor stalls	Regularly updating of community members on LED initiatives under support
Chi-Square	12.250[a]	12.250[a]	12.250[a]
Df	1	1	1
Asymp. Sig.	.000	.000	.000
Exact Sig.	.001	.001	.001
Point Probability	.000	.000	.000

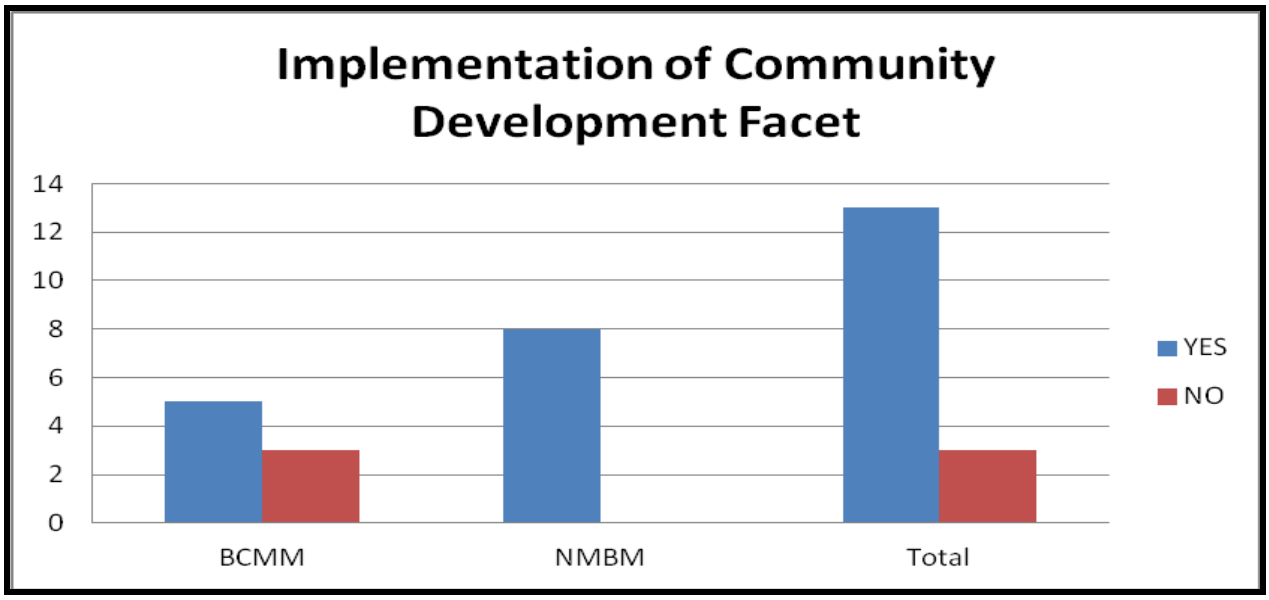
N=16, No missing Data. Statistically Significant difference (*p<0.001)

It came to the fore in the in-depth semi-structured interviews that since their establishment, SEZs have attracted a number of new businesses and created thousands of jobs. The results also reveal that both municipalities are providing point infrastructure for informal traders. Buffalo City Metropolitan Municipality respondents revealed that their municipality is in the process (2015) of building vending stalls and sheds for informal traders in Berlin and Zwelitsha as a way of formalizing informal trade.

6.2.3 Community development

From the locality development facet, certain trends and patterns linking into community development and livelihoods are beginning to emerge. Locality development is thus an important variable insofar as it determines the manner in which community and livelihoods facets benefit. When locality development provides a conducive environment for local economic development to take off, chances are high that communities benefit and livelihoods are provided. It then follows that there is an intricate level of interconnection between the identified LED facets. Out of the 8 respondents from Buffalo City Metropolitan Municipality, 3 respondents revealed that Community Development as a facet was not implemented in their municipality while the remainder five (5), responded to the contrary. The 8 respondents from Nelson Mandela Bay Municipality all agreed that a community development facet was being implemented in their respective municipality. Figure 6:8 illustrates these findings.

Figure 6: 8 Implementation of Community Development Facet



Source: Survey Data (Ref Question D40)

Before applying any statistical tests, it is interesting to note that all the three (3) respondents from Buffalo City Metropolitan Municipality who revealed that their municipality was not implementing the Community Development facet, managed to complete other "basket questions" from the same facets, thus contradicting their earlier responses. The reason for this may lie in part, in the lack of understanding of what in particular is "Community Development". This has led to the inferential statistics to "churn out" results showing a statistically significant level of understanding (of Community Development facet) among respondents. The results depicted in Table 6.6 show that there is statistically significant level of understanding among respondents with a Chi-square with 1 degree of freedom of 6.250, p value of 0.012. The research then concludes that there is very strong evidence that there is a huge difference in the understanding (of respondents) of what community development entails.

These differences lie mostly across questions that would normally elicit identical responses. The questions whose results are depicted in Table 6:6 were on whether BCMM was implementing Community Development as one of its facets (see question D40 in the survey questionnaire in Annexure B). The questions had a binary choice of answers between Yes or No. Nonetheless, the 8 respondents provided varied answers on a matter of such objective value. Lack of a uniform

understanding of certain aspects of the LED subject across respondents working in the same directorate is apparently behind this difference. Thus, this has a negative impact on how LED is implemented since officials working in the same environment have diverse understandings on a matter that requires uniform responses.

Table 6: 6 Implementation of Community Development

	Community Development Facet
Chi-Square	6.250[a]
Df	1
Asymp. Sig.	.012
Exact Sig.	.021
Point Probability	.017

N=16, No missing Data. Statistically Significant difference (*p<0.05)

6.2.3.1 Bringing marginalized groups into mainstream economy

As discussed in section 3.5.3, economic development process cannot guaranteed across all citizens. There are either a deliberate or unintentional efforts by capitalist or middle class to keep the status quo (Baran, 1975). The responsibility then lies with the state or various other relevant structures to ensure that the marginalised groups are not excluded from the mainstream economy. Lewis' (1954) structural change model highlighted the need for government to ensure that development processes do not lead to the extinction of the agriculture sector as it is in this sector that the majority of masses participate.

Integrated Development Plans (IDP) 2015/16 for Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality identified a growing gap between the rich and poor as a cause of concern. Growth in the gap between the rich and poor is one of the causes of civil unrest (Tongai, 2013). In an effort to close the existing inequality gaps, both municipalities target development of projects or programmes in highly under-developed areas. All survey questionnaire respondents, 8 from each municipality, agreed that their respective municipalities foster participation of marginalized groups into the mainstream.

The respective LED directorates help marginalized groups through:

- Help with joint business opportunity identification;

- Joint (Municipality and Community) business plan development;
- Help with business registration; and
- Mobilising resources for empowerment of the marginalized.

Evidence from in-depth semi-structured interviews reveals that most municipalities in the Eastern Cape had abandoned the community development facet on the basis of provision that stipulated that LED was not about poverty alleviation but more about creating a conducive environment for existing and future businesses to thrive (Field notes, 2015). The following observation was made by a sector department official:

> *While a lot of community development initiatives can be achieved using LED as a vehicle, lack of a credible database to provide information on specific groups or individuals to target remains a challenge. As a result, community development initiatives end up targeting the same group of conveniently placed individuals or groups* (Interview/10 June/2015).

6.2.4 Livelihoods development

The livelihoods development facet seeks to gain an accurate understanding of the LED directorates endeavor to convert its capabilities and assets into creating positive (present and future) livelihoods outcomes for the inhabitants of their respective municipality and the globe at large (Chambers and Gordon, 1992). As discussed in section 3.5.4, the importance of livelihoods development, as an LED facet, resonates well with the work of Lewis (1954). The model advocated for the need for government to ensure that during the envisaged growth development process, from traditional to industrial, that the agricultural sector is not neglected, considering the huge numbers of people who drew a living from it.

The Prebisch-Singer (1950) model also highlighted the need for economic development to ensure that the living conditions of countries exporting raw material are improved through locals participating in manufacturing of product developed from their local products while the dualistic development model argued for the need to develop mechanism to address the dual economy problems for the benefit of those in the second economy.

The descriptive statistics generated shows that all respondents (100 percent) from both municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality agreed that livelihoods development is one of the LED facets implemented in their respective municipality (see question E44 in the survey questionnaire in Annexure B and the responses in Annexure E). Table 6:7 tabulates the responses from both municipalities with regards to livelihoods development.

Table 6: 7 Implementation of Livelihoods Development

	YES	NO	TOTAL RESPONDENTS
BCMM	8	0	8
NMBM	8	0	8

Source: Survey Data (Ref Question E44)

However, the responses gathered from some "basket questions" making the livelihood facets demonstrate significant difference in the understanding of LED practitioners. These results depicted in Table 6.8 show that there is statistically significant level of understanding among respondents in the two questions[17], with a Chi-square with 1 degree of freedom of 12.250, $p < 0.001$. These results show that there is very strong evidence of a huge difference in the responses provided by respondents in relation to similar questions.

Table 6: 8 Implementation of various livelihoods initiatives

	Municipality promotes schemes (Joint Ventures or PPP) to fund the development and maintenance economic infrastructure	Municipality facilitates cluster and value chain development
Chi-Square	12.250[a]	12.250[a]
Df	1	1
Asymp. Sig.	.000	.000
Exact Sig.	.001	.001
Point Probability	.000	.000

N=16, No Missing Data, Statistically significant differences (*p<0.001)

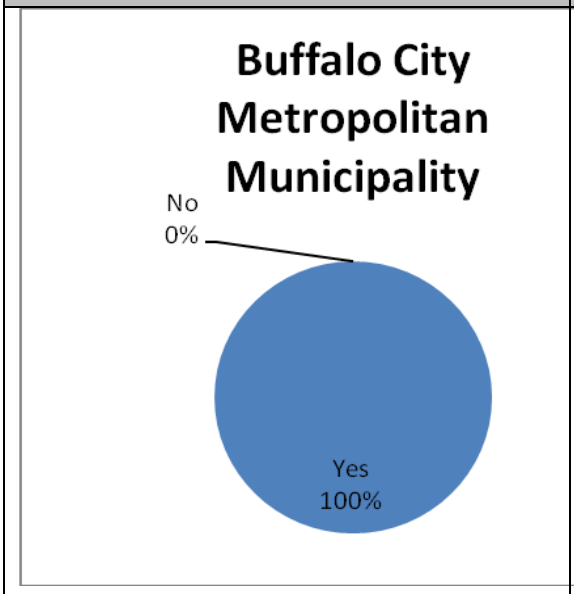
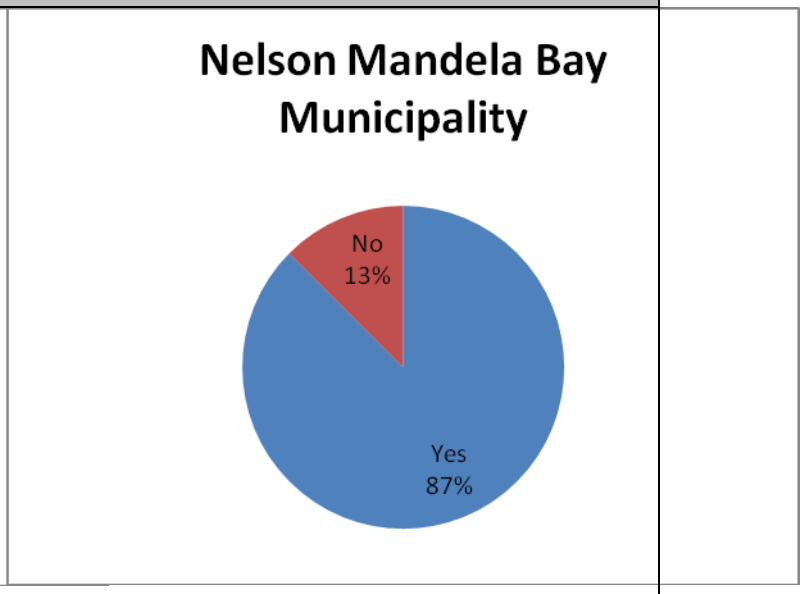
[17] i. Municipality promotes schemes to fund the development and maintenance economic infrastructure ii. Municipality facilitate cluster and value chain development.

6.2.4.1 Municipalities promote joint ventures and public-private partnerships (PPP)

Joint ventures, if properly monitored, help SMMEs to form strategic partnerships with big well- established companies (Zhang and Li, 2001). These partnerships can ensure that SMMEs can partake in projects or programmes that they could not initially afford to roll out due to their small size and lack of experience. These joint ventures bring with them experience and reputation that would help SMMEs partake in big projects in the future (Small Enterprise Development Agency, 2012).

Where feasible, municipalities are recommended to encourage formation of PPP and joint ventures as a way to grow SMMEs and introduce them to big businesses. Evidence from the survey questionnaire interviews reveals that a number of PPPs have been formed in a number of projects in both municipalities. Figure 6:9 displays the responses collected from the respondents.

Figure 6: 9 Municipalities promote Joint Venture and Public-Private Partnerships

Buffalo City Metropolitan Municipality	Nelson Mandela Bay Municipality
	

Source: Survey Data (Ref Question E45)

Buffalo City Metropolitan Municipality respondents, in their entirety (8) agreed that their municipality promotes Joint Ventures (JV) and Public-Private Partnership (PPP). Out of the eight (8) respondents from Nelson Mandela Bay Municipality, one (1) respondent did not agree with the other seven who suggested that their municipality was promoting formation of JV and PPP. As a result the inferential test

produced a Chi-square with 1 degree of freedom of 12.250, $p < 0.001$ (see Table 6:8), reflecting a highly significant gap in responses between the respondents. Table 6: 8 illustrates these results. Lack of a uniform understanding of certain aspects of the LED subject across respondents working in the same directorate is apparently behind this difference. As discussed in section 6.2.3, the lack of shared understanding of the same aspects across respondents has a negative impact on how LED is implemented in respective municipalities.

An overwhelming majority of sector department officials, eleven (11) out of the nineteen (19) interviewed during the in-depth semi-structured interviews revealed that very limited work was being done by municipalities with regards to formation of joint ventures and public private partnerships. The same respondents traced the limited nature of work to two major constraints (i) lack of knowledge and skill by LED practitioners to help establish joint ventures since much of the joint venture work requires legal expertise (ii) Rigidity of the Municipal Service Partnership (MSP). The following is an in-depth semi-structured interview by one respondent:

> *The regulatory framework is perceived as cumbersome by, in particular, the private sector and in general, the municipalities themselves. In the first instance, the two pieces of legislations regulating the establishment and management of MSPs, the Local Government: Municipal Systems Act (MSA) and the Municipal Finance Management Act (MFMA) were found to have had provisions that are not harmonious. As a result it has proved difficult for municipality to forge any significant partnerships*. (Interview, 18/ June/ 2015).

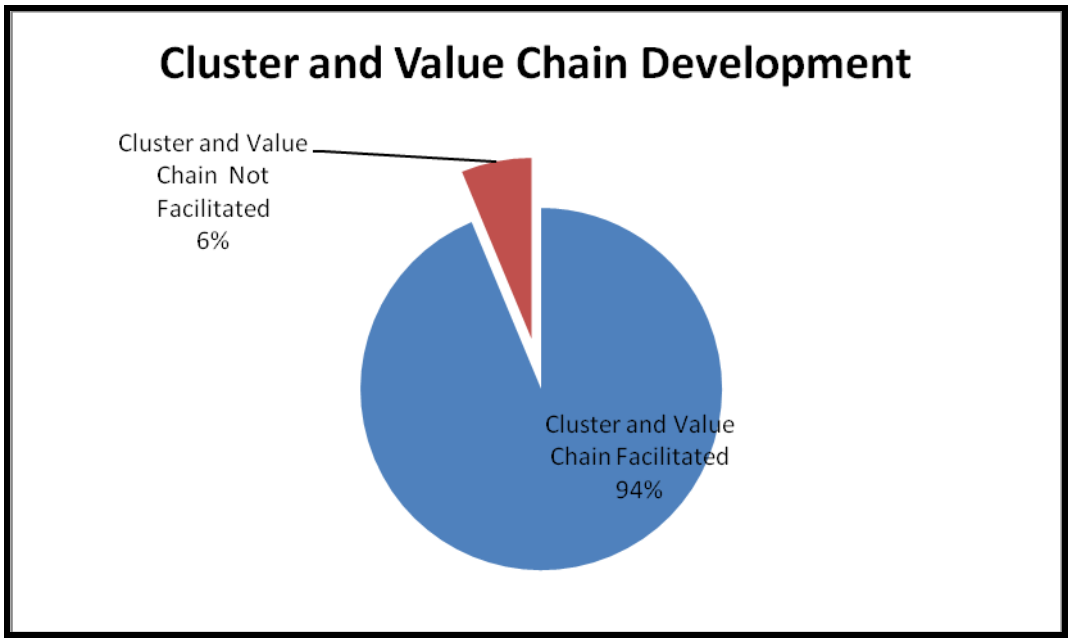
Notwithstanding these challenges, the results have revealed that both municipalities have frameworks and guidelines to help them promote joint ventures and public-private partnerships. The implementation of these initiatives is mainly enforced through the municipalities inserting a clause that necessitates bid winners of certain bids or projects to form joint ventures with local SMMEs (Field notes, 2015). Collating of results shows that Nelson Mandela Bay Municipality enforces utilisation of SMMEs as partners for most its PPP projects while BCMM does not necessarily prioritize SMMEs but recommends its service providers to form joint ventures with local SMMEs.

6.2.4.2 The Municipality regularly conducts value chain analyses to inform value chain integration

Inclusive value chain analysis, integration and, where possible, reversal of processes are increasingly being recognised as potential means for achieving sustainable development and poverty alleviation (DTI, 2014). As discussed in section 3.5.4, Prebisch-Singer (1950) advocated for the exportation of final products rather than raw material. In order to realize this, the model argued for development of entrepreneurs who would occupy value chain processes happening in exporting countries. It is against this background that developed countries inherited the need to minimize exportation of raw materials and invest in value chain analysis – value chains that inform participation of local in production.

The survey results show that 94 percent of a total of 16 respondents mention that their municipality plays a facilitation role in the formation of clusters and value chain development. Figure 6:10 illustrates the responses on whether value chain analysis models are being facilitated by in NMBM and BCMM.

Figure 6: 10 Municipalities Facilitate Cluster and Value Chain Development



Source: Survey Data (Ref Question E47)

During the in-depth semi-structured interviews, 63 percent of the participants (12 out of 19) responded that most municipalities are richly endowed with natural resources, but fail to facilitate the integration of their local businesses into their value chain

process. Due to the high cost involved in developing a comprehensive value chain analysis for a specific niche or product, most SMMEs can hardly afford to undertake the development of any value chains (COGTA-EC, 2013). It is recommended that municipalities apply for funding from Department of Trade and Industry to develop necessary value chain analysis that will inform integration and participation of locals.

The data gathering process revealed that both metros were unaware of the value chain funding at the Department of Trade and Industry (DTI). In order to enable SMMEs to enjoy the economic space usually reserved for large firms, municipalities help firms to form clusters. A number of clusters were formed in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality as facilitated by the respective municipalities; such clusters include tomato and poultry clusters, recently formed in Buffalo City Metropolitan Municipality (field notes, 2015). In Nelson Mandela Metropolitan Municipality, the wool and automobile clusters were formed (field notes, 2015).

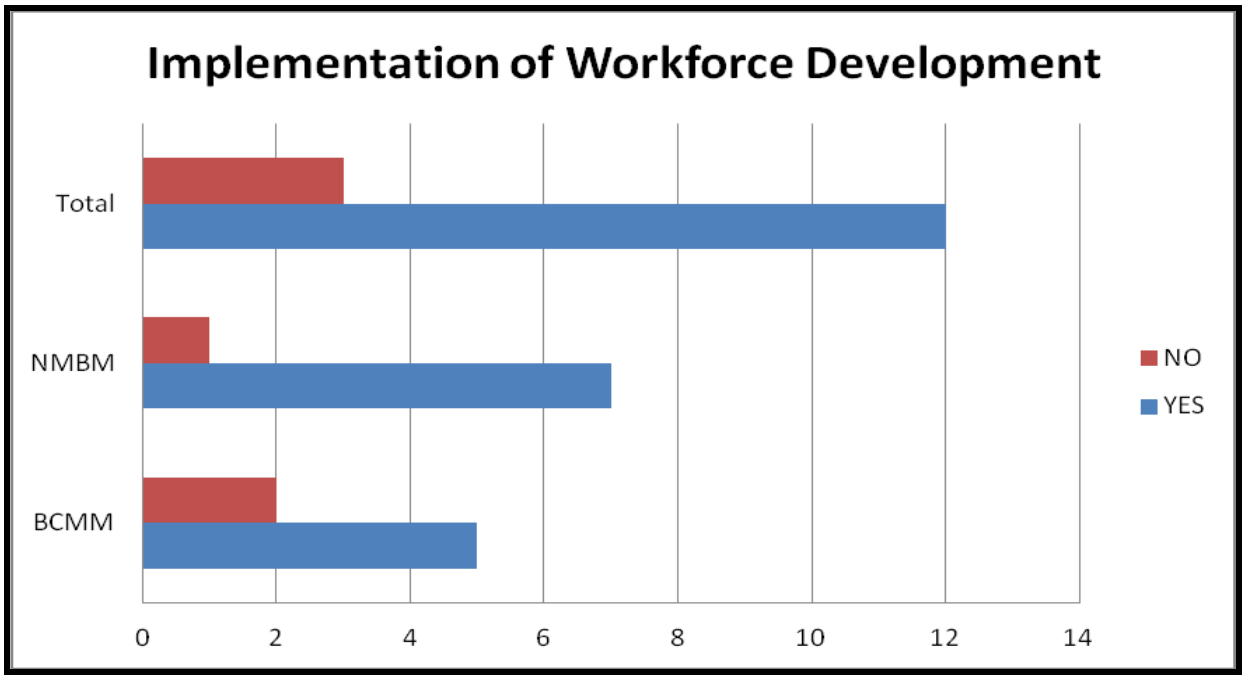
6.2.5 Workforce development

The need to develop particular workforce has been a key pronouncement in the Harrod-Domar model, Lewis model, Balanced growth, Rostow model, Kramer model, amongst others. The models traced the importance of workforce development on the ability of individuals to secure decent jobs, increase productivity and to a lesser extent, catapult individuals into being entrepreneurs. All of these are important ingredients of both economic growth and economic development.

There is a huge shortage of sought-after ‘artisan and vocational’ type of skill in South Africa (Department of Labour, 2014). This proves that in some instances, there are job opportunities that cannot be filled by available locals due to either mismatch of skills or sheer lack thereof. As discussed in section 2.4.5, the National Framework for Local Economic Development (2007) recommends that LED play a critical role in ensuring that local workforces is well capacitated, appropriately skilled and fairly remunerated. These skilling efforts can be attained through graduate placement, internship, job shadowing, apprenticeship or individuals’ participation in other initiatives rolled out by sector departments e.g. Extended Public Works Programme and Community Works Programmes. By partaking in these usually one-year long programmes, individuals acquire certain levels of skills and experience that can put

them in good stead to enter mainstream job market or entrepreneurial routes. Figure 6:11 illustrates the outcomes of the respondents on the existence of the workforce facet in the municipality.

Figure 6: 11 Implementation of Workforce Development



Source: Survey Data (Ref Question F49)

From the survey findings, the researcher found that a reasonable number of respondents were not aware of particular features that constitute workforce development facet[18]. Thus, this poses an implementation challenge when practitioners have a diverse understanding of matters that require a uniform understanding. Out of the 8 interviewed LED practitioners in the Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, 3 and 1 respondent, respectively, revealed that workforce development, as a facet, was not being implemented in their municipality. This translated to a total of 12 (Yes) and 4 (No) answers, thus showing a statistically significant level of understanding among respondents (see table 6.9), with a Chi-square with 1 degree of freedom of 6.250 and a p value of 0.012. It is against this output that the research then concludes that there is very strong evidence that there is a huge difference in the understanding (of

[18] The same respondents who stated that Workforce development was not a facet under implementation went on to contradict themselves by attesting to the presence of other workforce "basket" questions.

respondents) of what workforce development facet entails. Table 6:9 displays the levels of significance.

Table 6: 9 Workforce Developments

	Workforce Development is one of the LED facets
Chi-Square	6.250[a]
Df	1
Asymp. Sig.	.012
Exact Sig.	.021
Point Probability	.017

N=16, No Missing Data; Statistically significant differences of *p<0.05, respectively.

As discussed in section 6.2.3 and 6.2.4, the apparent lack of shared understanding of the same aspects across respondents has a negative impact on how LED is implemented in respective municipalities.

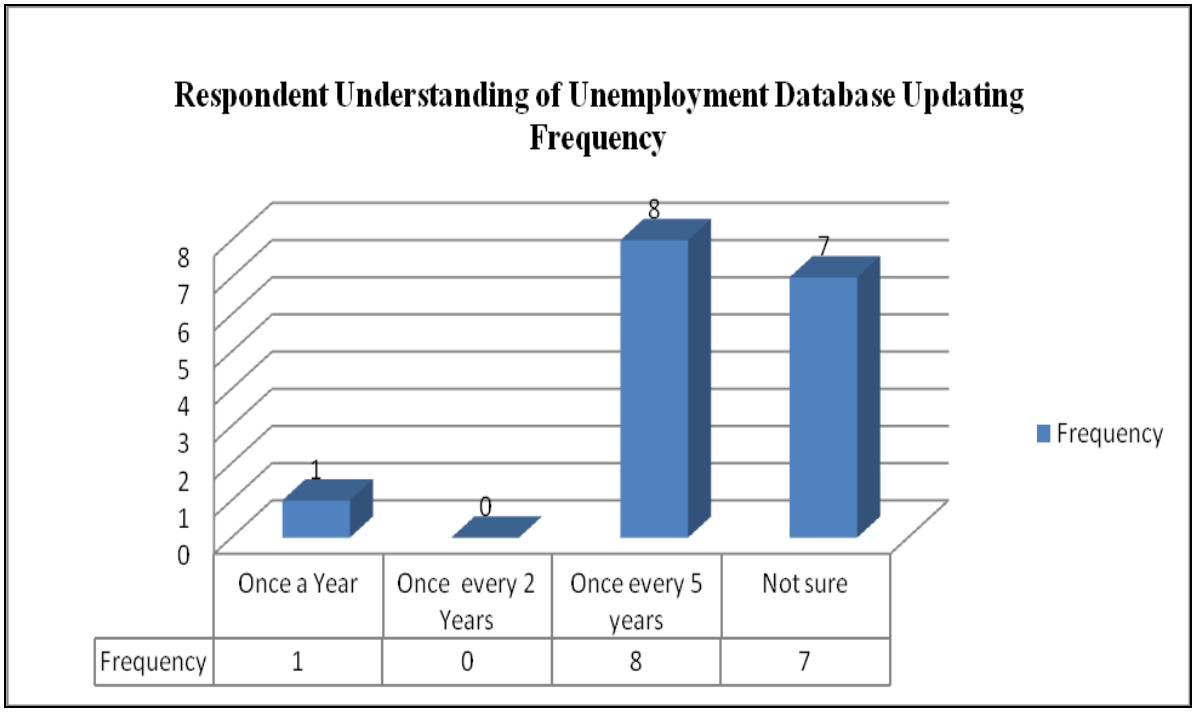
About 94 percent of respondents attested to the availability of workforce skilling initiatives, in the respective municipalities. The respondents stated that skilling initiatives target mostly historically marginalized individuals (Field notes, 2015). The finding shows that Buffalo City Metropolitan Municipality works in collaboration with the Special Programmes Unit (a unit responsible for marginalised people) to identify individuals who deserve to benefit from these skilling initiatives.

The data gathered from the two sets of respondents (from two municipalities) specify that through their LED directorates, workforce development programmes are rolled out by respective sector departments for the benefit of locals. Where possible, both municipalities insert clauses in most labour-intensive contracts between the respective municipality and private service provider insisting on the need to prioritise recruitment of a certain percentage of locals.

The results from the survey questionnaire revealed that both municipalities have databases of unemployed locals. All 16 respondents (100 percent) agreed that unemployment databases were in place. What was not clear was the frequency at which these databases were periodically updated. The importance of any database lies in the accuracy of the information contained therein (Statistics South Africa,

2014). Without proper and timeous updating of these databases, the accuracy of the information cannot be guaranteed. The results in Figure 6:12 reveal a mixed understanding of the unemployment database updating timeframes.

Figure 6: 12 Respondents' Understanding of Unemployment Database Updating Times



Source: Survey Data (Ref Question F53)

It is evident that there is no uniform understanding of the regularity at which the unemployment databases are updated. This trend has been the same in Buffalo City Metropolitan Municipality as well as in Nelson Mandela Bay Municipality, with 4 and 3 respondents respectively, not sure of the database updating frequency while 1 repondent in the Nelson Mandela Bay settled for once a year. Whatever the frequency, chances are very high that these unemployment databases are not being updated at frequency levels enough to make them a true reflection of the unemployed locals. This, then, makes it difficulty for one to test the unthenticity of the number of people hired for municipal initiatives through these databases.

Responses collected from the in-depth semi-structured interviews (mainly sector department officials supporting the two municipalities) revealed that the reasons for the lack of uniform understanding of these matters was more to do with lack of knowledge and experience amongst municipal LED practitioners. This was a sentiment echoed by 79 percent (15 out of 19) of in-depth structured interviews.

Considering the above, the researcher decided to cross tabulate experience and knowledge of how often municipal unemployed database were reviewed to ascertain if there was any relationship. The cross tabulation results (of experience and knowledge of database updating timeframes) proved statistically insignificant, with a Pearson *p* value of 0.384. A chi-square test performed revealed that there is no relationship between experience of LED practitioners and knowing the review time of respective unemployed databases, X^2 (2, N = 16) = 4.162, p =0.384. This p>0.05 means that the researcher cannot be 95 percent confident that what looks like relationship between the experience of LED practitioners and knowledge of review time period of unemployed databases is not due to chance. Table 6:10 illustrates these results:

Table 6: 10 Cross tabulation of Experience and Knowledge of database Updating Frequency

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.162[a]	4	.384
Likelihood Ratio	4.791	4	.309
N of Valid Cases	16		

8 cells (88.9 percent) have expected count less than 5. The minimum expected count is .06.

The researcher feels that although this research cannot make general conclusions on the link between experience and knowledge of various LED matters, based on the aforementioned findings, this relationship necessitates further teasing.

6.2.6 LED Governance

As discussed in section 3.6, the role of government differs on the extent of governance across a number of theories, namely: the Kramer model, Neo classical counterrevolution model, Baran model, Coordination failure theory, Prebisch-Singer hypothesis, Lewis model, Harrod-Domar etc. However, all these models agreed that government should play critical roles in development. The roles identified across the theories include but limited to ensuring coordination of developmental efforts and ensuring that that a robust legal, institutional and political framework was in place, including its relations with the market and the community.

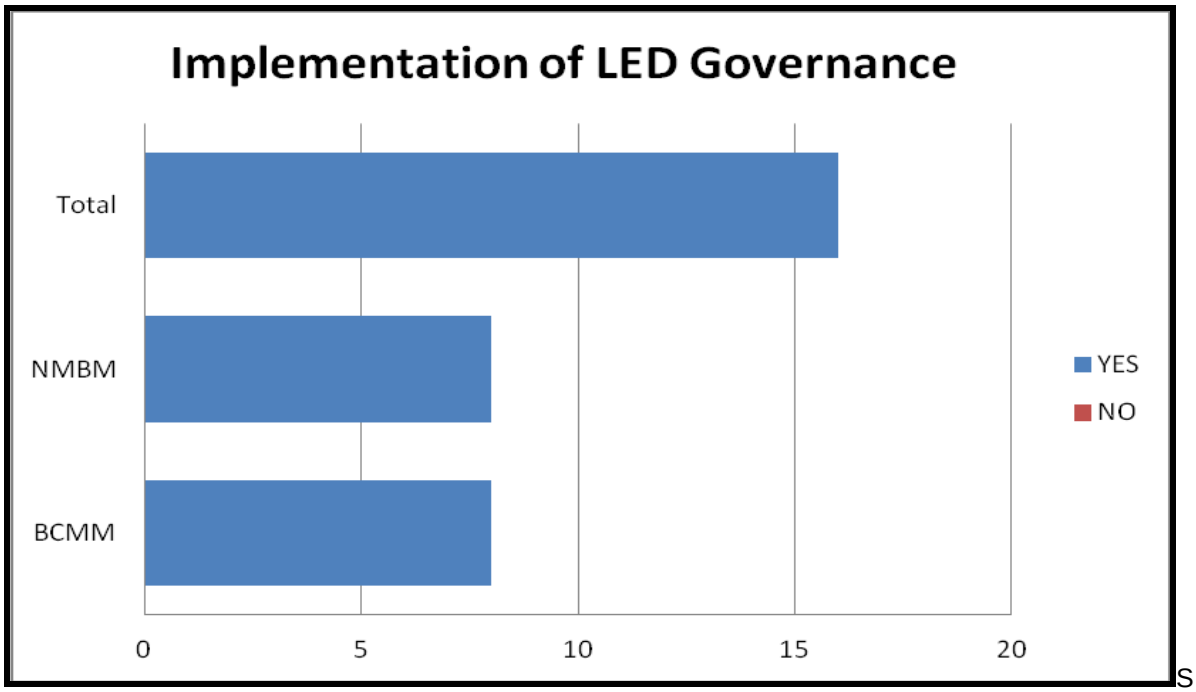
The difference between front-runners and laggards in Local Economic Development (LED) has to do with “governance challenges rather than resource issues” (Werline, 2003). As if to support this assertion, the LED Policy Guidelines for implementing LED in South Africa, 2005 state that:

> Local Economic Development is an outcome of action and intervention resulting from good local governance, constant improvement and integration of national priorities and programs in local spaces.

The former Department of Provincial and Local Government (DPLG), currently known as Cooperative Governance and Traditional Affairs (COGTA), in partnership with the German Technical Cooperation (GTZ), also acknowledged the need for good governance in the success of LED.

All the 16 respondents agreed that LED governance was a key part of their municipalities LED function. The availability of LED governance structures in the two municipalities help to create a platform that ensures that a favourable environment for local economic development is in place. As discussed in Section 3.5, these LED governance structures are identified as useful vehicles to drive the implementation of local economic development and act as learning and sharing platforms for practitioners. The LED governance responses gathered showed a uniform and shared understanding of matters across respondents, a feat that augurs well for the effective implementation of local economic development in the respective municipality. Figure 6:13 depicts the responses on whether respective municipalities are implementing LED Governance as one of their facets.

Figure 6: 13 Implementation of LED Governance



Source: Survey Data (Ref Question G60)

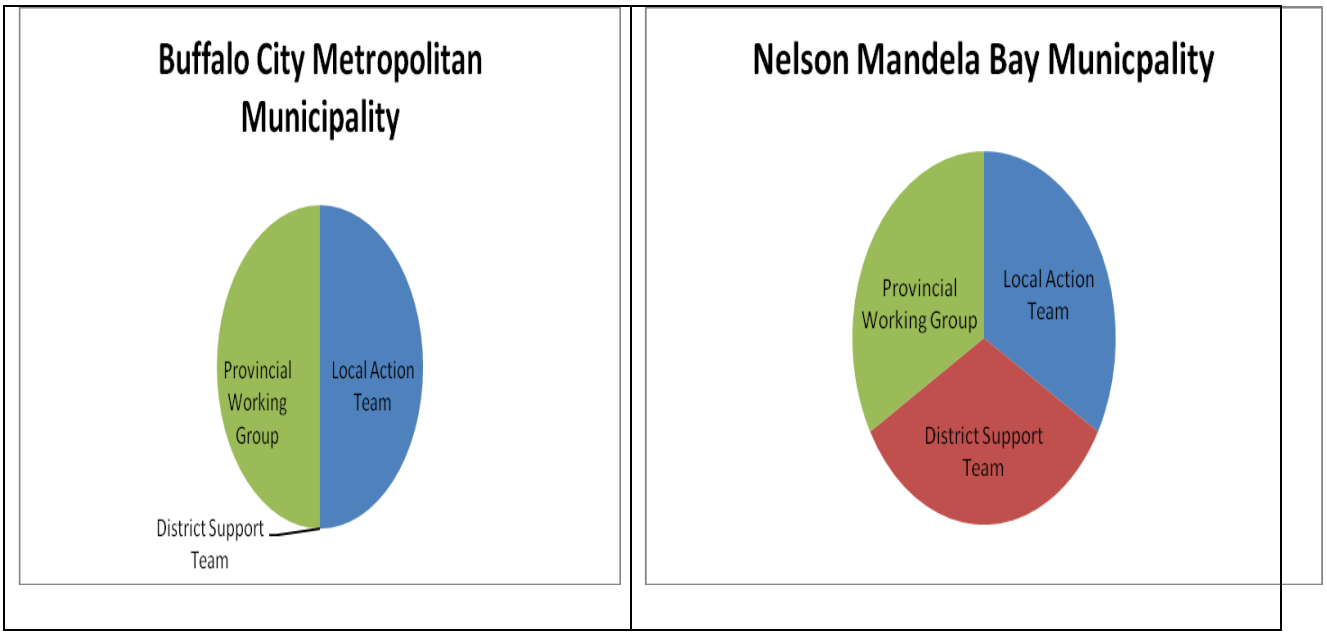
Figure 6:13 reveals a uniform understanding among practitioners of whether LED governance is being implemented in their respective municipalities. The researcher believes that a shared understanding of development issues is likely to reduce implementation errors, minimize non-adherence to policies, and avoid creating a "false sense of dynamic policy inconsistencies" among community members.

6.2.6.1 Proper LED governance structures are in place

The survey results (100 percent) shows that both municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, have LED governance structures in place. In Buffalo City Metropolitan Municipality, all eight (8) respondents agreed that their municipality had two LED governance structures in place, namely Local Action Team/LED forum and are also active members of the LED Provincial Working Group (PWG). The respondents also pointed out that the District Support Team (DST) that they were affiliated to (the Amathole DST) had collapsed. The reasons beyond the collapse of their DST were only known by 25 percent (2) of the respondents who cited lack of funding as the key reason for the collapse. Nelson Mandela Bay Municipality, on the other hand, had all the three[19]

LED governance structures fully functional. Figure 6:14 shows the existing LED governance structures in place in the two municipalities.

Figure 6: 14 Municipal LED Governance Structures



Source: Survey Data (ref Question G61)

A total of 19 in-depth semi-structured interviews respondents interviewed unanimously agreed that while LED governance structures were fully functional during the Thina Sinako era, 2004-2013, and significant gains made during the successful 10 year Thina Sinako initiative are in the process of being reversed (Field notes, 2015). These findings are corroborated by the Department of Cooperative Governance and Traditional Affairs Annual report 2014/15 (EC COGTA, 2015).

Although the survey results (100 percent of the respondents) show the collapse of the District Support Team in Buffalo City Metropolitan Municipality, the municipality is still an active member of other LED governance structures outside the province, e.g. South African Local Economic Development Network and the Commonwealth Local Government Forum (Field notes, 2015). These findings are also consistent with the information on the LED Network website and Provincial Working Group (PWG).

While LED literature does not stipulate matters to be discussed in the LED governance structures, this research results revealed the key matters of discussion

[19] The Eastern Cape provincial government in partnership with the European Union under the Thina Sinako introduced three LED governance structures across all the 45 Eastern Cape municipalities. These structures were Local Action Team, District Support Team and Provincial Working Group.

in the LED structures. A comparison of matters discussed in LED governance structures reveals that Nelson Mandela Bay Municipality had a wide range of topics as compared to Buffalo City Metropolitan Municipality. Figure 6:15 shows the variety of matters under discussion. The researcher feels that the more the number of issues discussed in a particular LED structure, the better the chance of providing multiple and well-rounded solutions to developmental challenges confronting respective municipalities.

Figure 6: 15 LED Governance-Key Matters of Discussion

LED Governance –Key Matters of discussion	BUFFALO CITY METROPOLITAN MUNICIPALITY	nelson mandela bay
Continuous learning	✓	✓
Innovation	✓	✓
Cluster Enhancement	✓	✓
Value Chain Analysis and Beneficiation	✗	✓
LED Challenges	✗	✓
SMME Promotion	✓	✓
Benchmarking	✗	✓
LED Performance	✓	✓

Source: Survey Data (Ref Question G65)

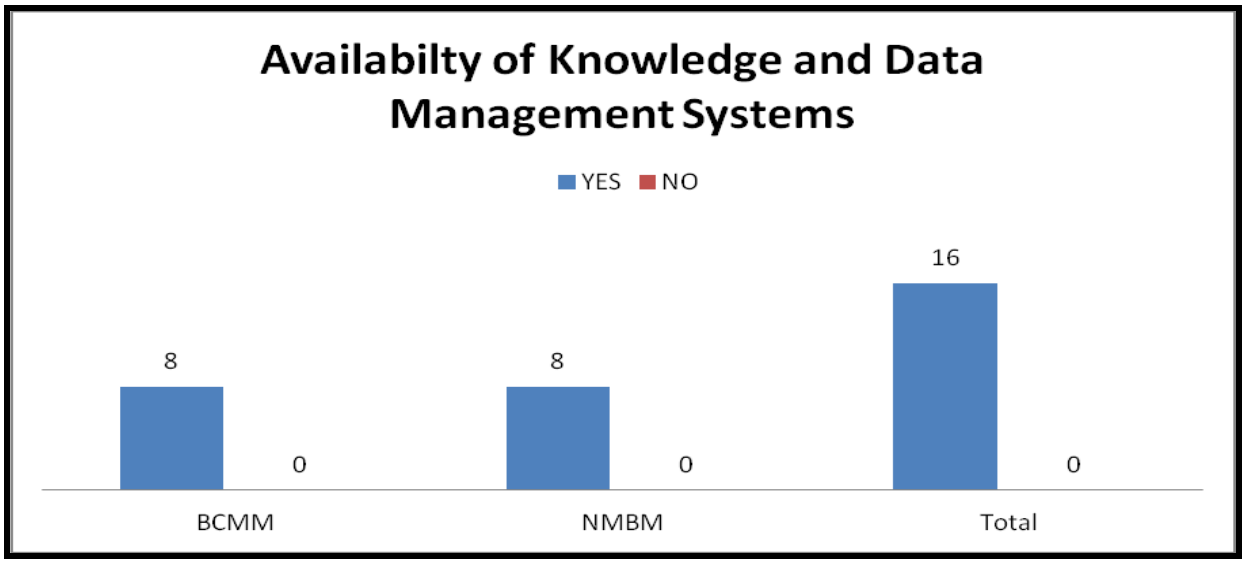
6.2.6.2 Local Economic Development Institutional Memory

Local Economic Development is a profession where individuals hardly stay with the same organisation (COGTA, 2009). This is mostly due to shortage of top-of-the-range LED practitioners who can handle the multifaceted nature of LED work (COGTA, 2012). The work includes business planning, economic profiling, community engagements, soliciting with politicians, dealing with disgruntled community members and facilitation, amongst others (Chigidhani, 2012; South

African LED network, 2014). On average, an LED practitioner in South Africa does not last beyond a 5 year political cycle at municipal level (COGTA, 2012).

In light of these institutional LED practitioners' movements, LED institutional memory management is key to the long-run success of an organisation. In organisations where institutional memory management is not well managed, individuals become repositories of institutional memory. In the event of these "repository beings" leaving the organisation, the impact is usually heavily felt (Freeman, 2001). While there are a number of ways to protect an organisations' institutional memory, continuous training of all staff members and maintenance of both electronic and manual records remains the best (Freeman, 2001). The survey results (100 percent) prove that both Buffalo City Metropolitan Municipality and Nelson Mandela Bay have electronic knowledge and data management systems in place. Figure 6:16 illustrates these responses.

Figure 6: 16 Availability of Knowledge and Data Management Systems in the Municipality



Source: Survey Data

All the 16 respondents in their entirety revealed that data and knowledge management systems in place support project and programmes management and feeds into the broader knowledge management system of the respective municipalities.

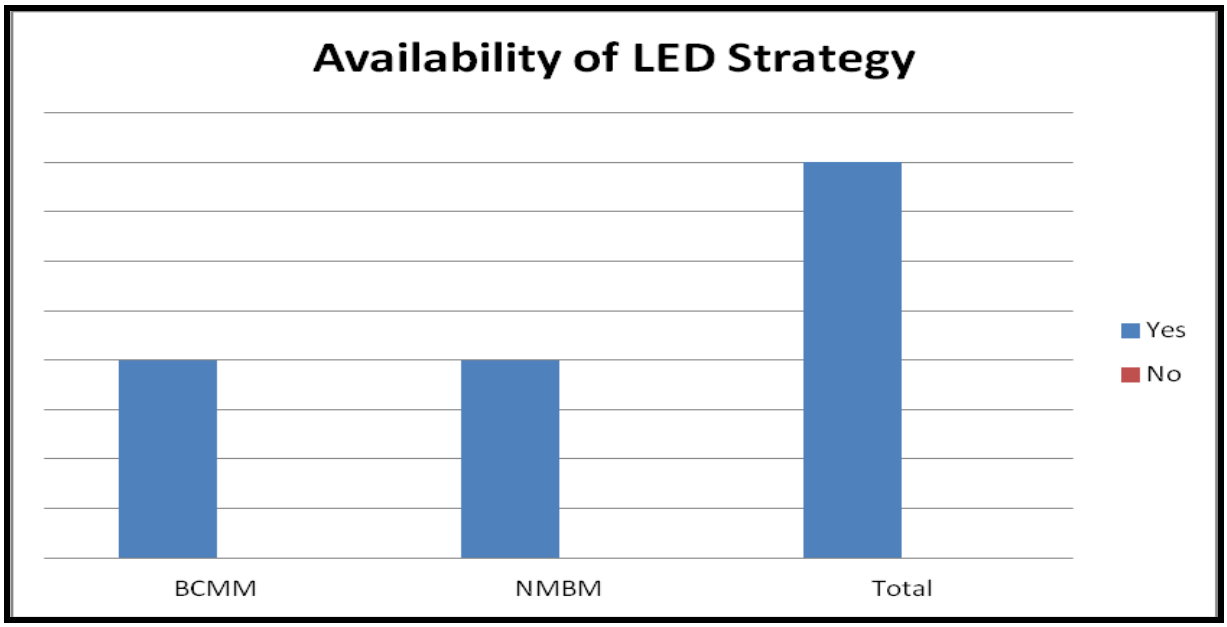
6.2.7 General LED Facet

The general LED facet was introduced out of necessity[20] and later acted as a pre-cursor to the survey questionnaire. All the sixteen (16) respondents, eight from each municipality, responded to the general LED facet.

6.2.7.1 LED strategy/ plan (availability and uunavailability)

The 16 survey questionnaire respondent (100 percent) revealed that their respective municipalities had an LED strategy/plan in place. The results proved that both municipalities had LED strategies in place. Figure 6:17 depicts these outcomes.

Figure 6: 17 Availability of LED Strategies in NMBM and BCMM



Source: Survey Data (Ref Question A3)

These findings were consistent with the outcomes of the in-depth semi-structured interviews as one respondent said:

> *All the 45 municipalities have been assisted by the Department of Cooperative Governance and Traditional Affairs – Eastern Cape (COGTA-EC, 2013), through providing either full or part funding or technical support to develop their respective (credible) LED strategies. The challenge, however, lies in how to implement these strategies (Interview, 14/July 2015).*

[20] See Section 5.2

The availability of LED strategies in both municipalities - Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, augurs well for the local economic development prospects of their respective regions. The World Bank (2003) postulated that no LED processes achieve desired results without detailed and careful planning that is reflected in an LED strategy/plan. This means that with regards to planning, LED in the two municipalities is being implemented according to the international standards or requirements. Although both municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, have robust and credible LED strategies in place, there is no uniform understanding among respondents of the LED strategy review time frames. Table 6:11 reveals the output generated from the Statistical Package for Social Sciences (SPSS) analysis.

Table 6: 11 LED Strategy Review Timelines

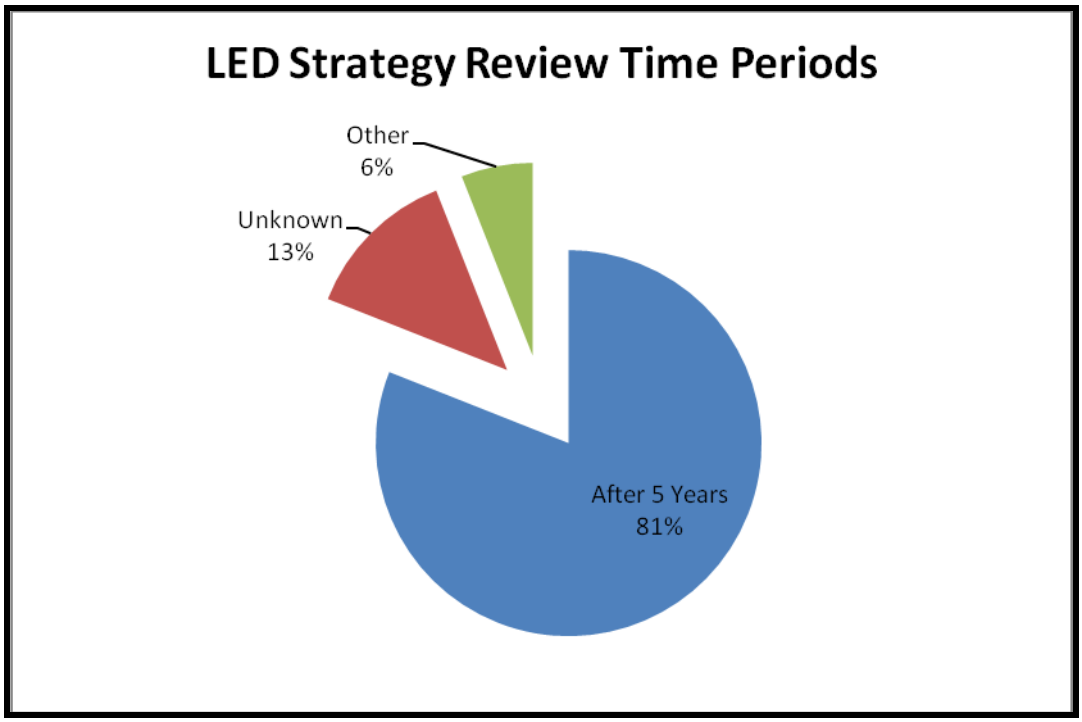
Levels	Df	Frequency	percent	Chi-Square	*P*-Value
Annually	2	0	0	16.625	0.0001
Unknown		2	12.5		
After 5 years		13	81.3		
		0	0		
After 10 years		1	6.3		
Other					

N=16, No missing data. Statistically significant differences (* p < .001).

The result outcome of *P* <0.001 (as shown in Table 6:1) reflects that there is a highly significant difference in the understanding of the right LED strategy review times. Of the total sixteen (16) respondents, two (2) respondents, making a total of 12.5 percent, one (1) from each municipality, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality confirmed that “they were actually not aware of the LED review time periods”. One respondent from Buffalo City Metropolitan Municipality stated that the LED review time periods in the survey questionnaire were not applicable by choosing other and instead settling for a review that happens after every 3 years.

However, an overwhelming majority, 81.3 percent (13 out of 16 respondents), confirmed that their LED strategy review time period occurred after every 5 years. Figure 6:18 depicts these results:

Figure 6: 18 LED Strategy Review Time periods



Source: Survey Data (Ref Question A4)

Although LED framework insists on a 5 year LED review timeline, it emerged from a total of 19 in-depth semi-structured interviews respondents that the review times of LED strategies differ from one Municipality to the other (Field notes, 2015). According to LED literature, the time-span for an LED strategy is usually 5-10 years with associated short, medium and long-term deliverables (Cunningham and Meyer Stamer, 2005). Although a fair body of LED literature does not put a figure to the LED strategy review time periods, the following points appear pertinent:

- When the plan/strategy has run its course (e.g. 2009-2013, so review comes end 2013);
- When all that is on the implementation plan is implemented; and
- When there is proof that the strategy/plan is not implementable.

All the 8 Cooperative Government and Traditional Affairs respondents made the following observation:

> *There is some tendency for a number of municipalities to review their LED strategies at the end of every political term. That as it may, is counter-productive and usually leads to wasteful expenditure as LED strategies are reviewed a short-while into their lifespan (Field notes, 2015).*

These findings are consistent with the findings of Heijden (2008) and Cohen (2010).

The survey results show that about 88 percent of the respondents indicated that their respective LED strategies were reviewed when they had run their course. However, the same 2 respondents (1 per municipality) who stated that they were "actually unaware of review times of their respective LED strategies went on to indicate that that they were not knowledgeable about the rationale behind the review of their strategies. Table 6:12 illustrates these results:

Table 6: 12 Rationale of Reviewing Respective LED Strategies.

Levels	Df	Frequency	percent	Chi-Square	*P*-Value
Run its Course	2	14	87.5	21.125	0.0001
Not implementable		0	0		
All is implemented		0	0		
End of political term		0	0		
Other (unknown)		2	12.5		

N=16, No missing data. Statistically significant differences (* $p < .001$).

The huge difference in the respondents outcomes have led to a $P < 0.001$, showing a hugely statistically significant difference in responses. This lack of a uniform understanding of what informed the review of respective LED strategies by some practitioners was blamed on the recruitment of unqualified people with lack of a grounded understanding of development studies and or economic planning (Field notes, 2015). About 74 percent (14 out of 19) in-depth semi-structured interview

respondents felt that most municipal LED practitioners lacked know-how and LED experience.

To test this claim, the researcher decided to cross tabulate the relationship between LED practitioners' experience and knowledge of the rationale behind reviewing respective LED strategies[21]. The cross tabulation results (of experience and knowledge of database updating timeframes) proved statistically insignificant, with a Pearson *p* value of 0.469. A chi-square test performed revealed that there is no relationship between experience of LED practitioners and knowing the reasons behind reviewing respective strategies X^2 (2, N = 16) = 3.558, p =0.469.

The following cross tabulation results were generated (Table 6:13):

Table 6: 13 The Relationship between Experience and Knowledge on the rationale behind LED Strategy review

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.558[a]	4	.469
Likelihood Ratio	3.629	4	.459
Linear-by-Linear Association	.047	1	.828
N of Valid Cases	16		

a. 8 cells (88.9 percent) have expected count less than 5. The minimum expected count is .06.

6.2.7.2 Availability of other plans complementing the LED Strategy

The survey results show that there are a number of LED strategies complementing plans in both municipalities. All the 16 respondents attested to the availability of LED strategy complementing plans, namely: Tourism master plan, SMME strategy, Business Retention, Expansion and Attraction Strategy and procurement policies. These policies are sector-specific and aid the implementation of LED strategies (Field notes, 2015). However, the survey results also showed that Buffalo City

[21] Cross tabulating LED practitioners experience and the knowledge of what inform review of particular LED strategies.

Metropolitan Municipality did not have an Industrial Development Plan in place while Nelson Mandela Bay Municipality had one. Figure 6:19 below indicates the LED strategy complementing plans in the two municipalities.

Figure 6: 19 LED Strategy Complementing Plans

LED Strategy Complementing Plans	BUFFALO CITY METROPOLITAN MUNICIPALITY	nelson mandela bay
Tourism Master Plan	✓	✓
SMME Strategy	✓	✓
Industrial Development Plan	✗	✓
Business Attraction, Expansion and Retention Strategy	✓	✓
Procurement Policy	✓	✓
Urban Agriculture Plan	✗	✓
Investment Policy	✓	✓
Agriculture and Rural Development Policy	✓	✗

Source: Survey Data (Ref Question A6)

While literature on Local Economic Development is mute on which specific strategies need to be in place, it recommends that there is need for other sector-specific strategies to enable Local Economic Development to thrive (World Bank, 2013); (Bond, 2005); (COGTA-EC, 2012). These sector-specific strategies give impetus to specific sectors that drive certain economies e.g. Industry drives Nelson Mandela Bay Municipality economy and as a result, they have an industrial Development strategy.

About 89 percent of in-depth semi-structured interview responses (from 17 out of 19) revealed that the type of sector strategies in place for certain municipalities is informed by their economic landscapes e.g. a mining economy should certainly have a mining strategy/plan in order to harness and drive the respective sector to prosperity (Field notes, 2015). It is against this background that the researcher feels

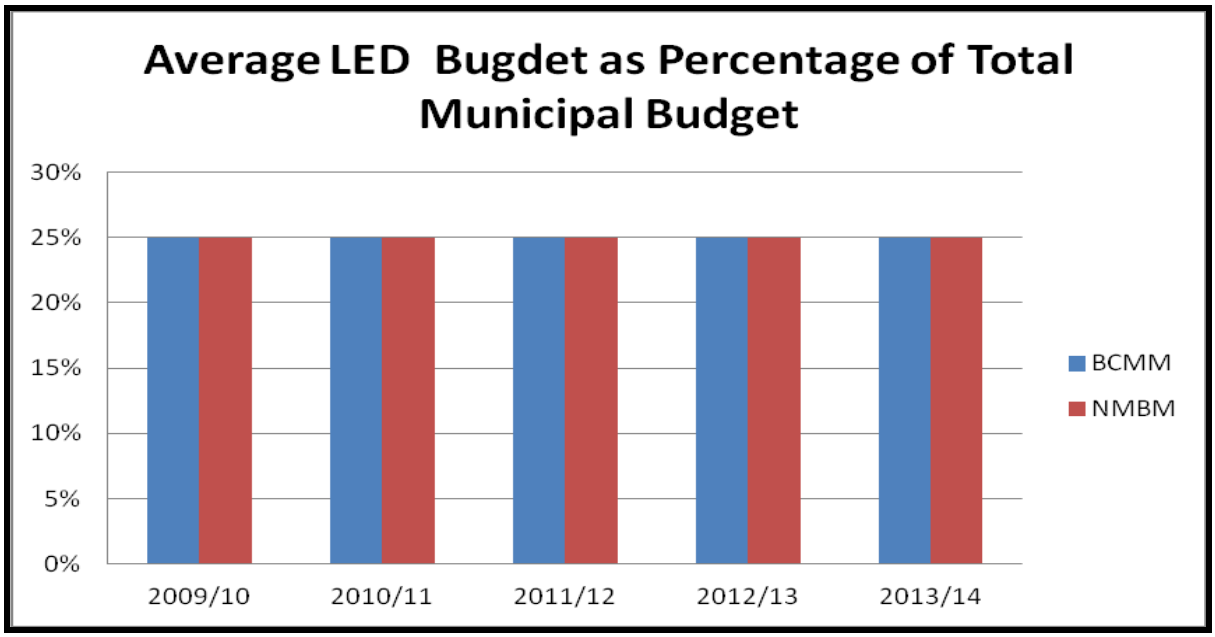
that there is an anomaly that Buffalo City Metropolitan Municipality, an industrial hub of the eastern part of the province, does not have an industrial development plan.

6.2.7.3 Municipal Budget Allocation for LED function

The Constitution of the Republic of South Africa of 1996 mandates all municipalities to facilitate Local Economic Development in their respective areas of jurisdiction (Republic of South Africa Constitution, 1996). However, the section in the Constitution that identifies the functions of municipalities does not include Local Economic Development. Therefore, such lack of clarity can be misconstrued as if LED is an unfunded mandate for municipalities (DPLG, 2006). According to the responses collected during the in-depth semi-structured interviews, the "confusion" that LED was an unfunded mandate seems to have been dispelled.

All the sixteen 16 respondents (100 percent), eighty (8) from each municipality, revealed that their respective LED directorates had separate budgets. The survey results reveal that on average, each LED directorate in the two municipalities had been receiving on average, 25 percent of the total municipal budget allocation. Figure 6:20 illustrates the budget allocation of LED directorates across the 5 year period (2009/10-2013/14).

Figure 6: 20 LED Budget as a Percentage of Total Municipal Budget



Source: Survey Data (Ref Question, A9)

The survey results indicate that on average, 25 percent of the 2015/2016 municipal budget allocation for both municipalities was toward LED, and budgets did not include compensation for employees designated in respective LED functions, but included, strictly, goods and services. The same descriptive statistics proved that both municipalities have been spending in excess of 75 percent of the annual budget allocations over the same period.

However, about 87 percent of the respondents were complaining of the limited budget allocated to LED. One respondent had this to say:

> *The amount allocated to the LED function is not sufficient to service the need of the large business community that we have. On average the budget ran out in about 7 to 8 months into our financial year. Our cries for an increase have fallen on deaf ears.*

These sentiments were shared by all the 19 in-depth semi-structured interview respondents. However, all the 19 respondents interviewed using the in-depth semi-structured interview schedule, mostly sector department officials responsible for LED, revealed that besides the municipal funding, there are a host of other LED funding institutions that municipalities fail to tap into due to lack of business plans development expertise[22] (Field notes, 2015).

6.3 Embeddedness of LED Practice in LED theory - Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality

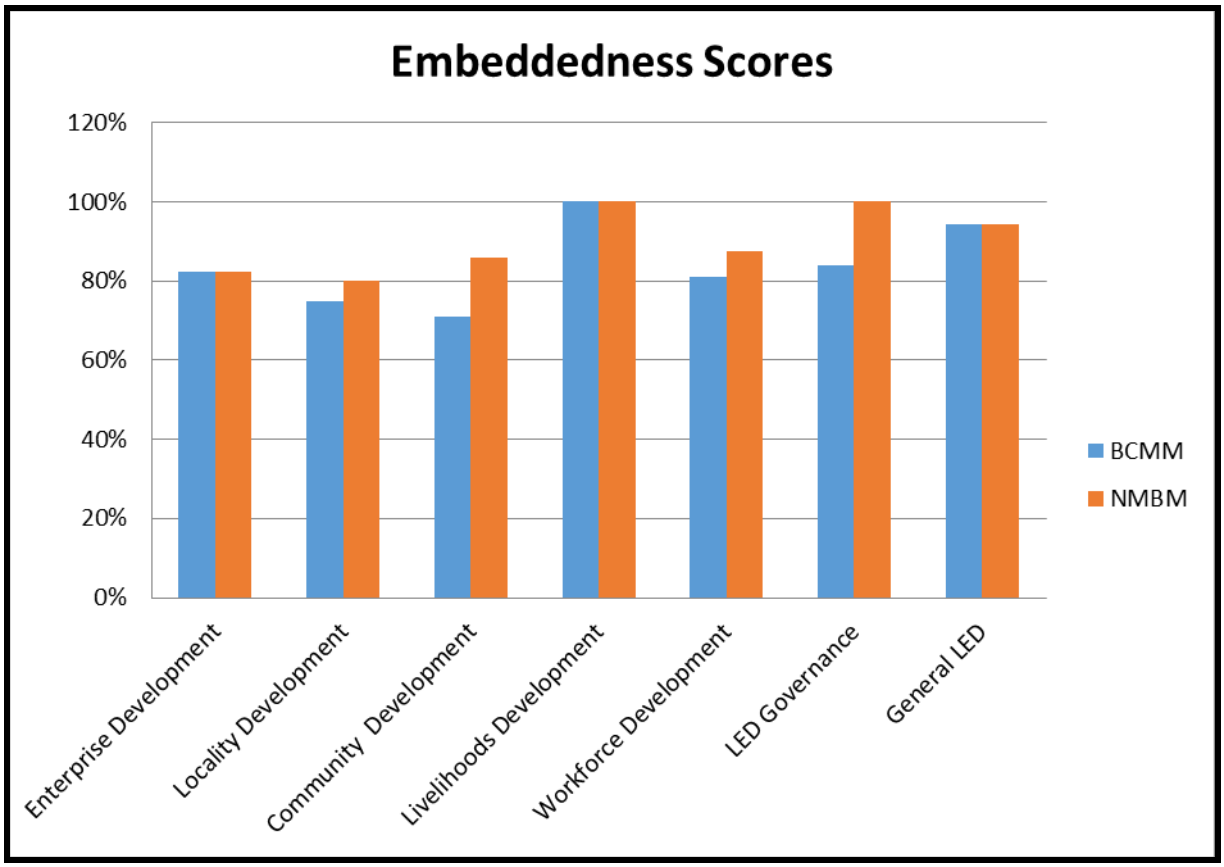
The failure or limited impact of local economic development (LED) in South Africa lies in a number of factors, and among them is poor implementation of LED initiatives (COGTA, 2014; Thina Sinako, 2007; GTZ, 2006). LED initiatives are being implemented on a piecemeal basis and are not fully implemented according to the LED theory (Thina Sinako, 2007). In order to provide well rounded answers, the level of LED embeddedness theory was assessed according to the six (6) facets identified in local economic development literature. However, due to factors discussed in Section 6.2, the general LED was introduced making the total number of facets under consideration seven (7). According to the re-modelled scale, all questions in

[22] A key requirement to access these funds was development of a credible business plan/case.

the survey questionnaire (Annexure B) were accorded a weight as discussed in Section 4.3 and appearing in Annexure D.

The 16 survey questionnaires collected were grouped per municipality, and the average score per question was ascertained e.g. where 5 BCMM questionnaires had 5 scores of 4; 3; 4; 2; 2 totaling 15, an average of those score had to be calculated, leading to 15 divided by 5 with a final question score of 3 (See Annexure E for the Embeddedness score sheet results). Any facet score that was less than 75 percent was considered not embedded enough and vice-versa. Figure 6:21 depicts the overall score of each of the facets identified and explanations of the score of each facet are provided below the aforementioned figure.

Figure 6: 21 Municipal Comparison of Embeddedness of Facets Score



Source: Survey Data (across all questions; see annexure E)

6.3.1 Enterprise Development

The survey results revealed that practice of enterprise development in both municipalities was highly embedded in the local economic development theory. Both

municipalities scored 82 percent in the enterprise development facet. The results showed that both municipalities had good business development services (BDS) offerings in place and made efforts to conduct market research for various local products, to the benefit of local SMMEs amongst other initiatives. The score revealed that both municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, practices in enterprise development are at par with each other. These results are consistent with the responses gathered, showing a presence of a number of features that makes up the enterprise development “basket of questions”. These responses are depicted in embeddedness score sheet breakdown in Annexure E.

6.3.2 Locality Development Facet

The survey results show that there is room for improvement in the manner in which LED is practiced in the both Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality (with regards to the locality development facets). The two municipalities scored relatively less in the locality facet. There were signs of lack of passion among all the 16 respondents when responding to the locality development facets questions. This lack of interest in the facets was evident in the low embeddedness score. Buffalo City Metropolitan Municipality scored 75 percent (just fair enough to cross through) while Nelson Mandela Bay Municipality scored 80 percent in the same facet.

Although the same respondents demonstrated a good understanding of how LED is being implemented (see embeddedness score sheet breakdown in Annexure E), there was a fairly large number of inconsistent responses. It was revealed that both municipalities do not have an economic database that acts as an “early warning system “for the municipality. By comparison, the level of LED practice with regards to locality development of Nelson Mandela Bay Municipality was better than that of Buffalo City Metropolitan Municipality. The need for the two municipalities to improve their locality offerings, discussed in section 6.2.2, is herein supported by these embeddedness results.

6.3.3 Community Development Facet

The survey results revealed that there was a general lack of understanding of what community development facet entails, as discussed in Section 5.5.1. While the Nelson Mandela Bay Municipality performed well in the community development facet, Buffalo City Metropolitan Municipality performed below average. Buffalo City Metropolitan Municipality scored 71 percent in the community development facet. On the other hand, Nelson Mandela Bay Municipality scored 86 percent. The inconsistent responses from 3 of the 8 respondents from Buffalo City Metropolitan Municipality could have possibly weighed down the final score. However, there is evidence to prove that the level of LED practice in Nelson Mandela Bay Municipality was better embedded in theory than practice of Buffalo City Metropolitan Municipality. Like the locality development facet, the community development facet is one of the LED practitioners' least favourite facets. These results are consistent with the responses gathered, more so in BCMM, where the results show an absence of a number of features that makes up the community development "basket of questions". These responses are depicted in the embeddedness score sheet breakdown in Annexure E.

6.3.4 Livelihoods Development

The survey result shows that livelihoods development is one of the well understood facets amongst LED practitioners and thus well implemented facet. When responding to the questions from this facet, respondents displayed a general level of interest not displayed in the livelihoods and community facets. In some instances, respondents would give unending explanations. This was displayed equally well across the two municipalities. Unlike in the earlier facets, respondents were willing to reveal practical examples of livelihoods initiatives being rolled out in their respective municipalities.

This high level of passion displayed in the interviews has been consistent with the facet score. The level of LED practice embeddedness in theory in the two municipalities, Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality, is very high with both municipalities scoring 100 percent.

These results are consistent with the results discussed in Section 6.2.4, showing presence of a shared understanding among LED practitioners of a huge number of questions making up the Livelihoods facets.

6.3.5 Workforce Development

In the workforce development facet, Nelson Mandela Bay Municipality scored higher in the embeddedness results than Buffalo City Metropolitan Municipality, with 88 percent and 81 percent respectively. The results indicate that both municipalities actively participate in workforce development initiatives rolled out by various sector departments and parastatals e.g. Community Works Programme, (a Cooperative Governance and Traditional Affairs programme) and Extended Public Works Programmes (a Department of Public Works initiative). All the 16 respondents revealed that empowerment of locals in mostly labour-intensive projects is enforced through inserting applicable clauses in contracts between the respective municipality and service providers. Although Nelson Mandela Bay Municipality outscores Buffalo City Municipality in this facet, both municipalities are performing excellently well in the workforce development facet.

However, there are areas that require improvement, e.g. respondents giving conflict responses on the question pertaining to the frequency at which respective municipality unemployment databases are updated. That as it may, the high scores gathered by the two municipalities are consistent with the responses gathered from survey questionnaire, showing presence of a number of initiatives promoting workforce development.

6.3.6 LED Governance

The research result revealed that both municipalities had LED governance structures in place. Although Buffalo City Metropolitan Municipality had a key LED governance structure (District Support Team) that collapsed, the municipality managed to score well in the LED governance category. Buffalo City Metropolitan Municipality scored 84 percent while Nelson Mandela Bay Municipality scored 100 percent. However, the researcher feels that Buffalo City Metropolitan municipality's failure to attend certain LED governance structures deprives the municipality of an opportunity to learn and

share with other provincial LED practitioners, national and international guests, who periodically make presentations in Provincial Working Group (Field notes, 2015).

However, the level of embeddedness in theory of the LED practice of both municipalities, with regards to LED governance is very high, with Nelson Mandela Bay Municipality performing better than Buffalo City Metropolitan Municipality. The presence of a number of LED governance structures (in both municipalities) discussed in Section 6.2.6 bear testimony to high embeddedness score gathered by Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality.

6.3.7 General LED Facet

The two municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality proved that their general LED facets practices were embedded well enough in local economic development theory. Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality scored the same level of embeddedness (94 percent). The two municipalities proved that they had the basic LED ingredients to make success of LED. These factors were, the availability of an adopted LED strategy/plan, presence of LED supporting plans, separate LED budgets and a general display of knowledge by the LED practitioners in terms of how their respective LED plans are reviewed and the reasons beyond reviewing the LED plan. Although there were displays of lack of grounded understanding of LED by a “small number” of respondents, by averaging the scores, these outliers are neutralized (see embeddedness scoresheet in Annexure E). In comparison, it shows that the level of general LED facet practice in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality is equal (see embeddedness scoresheet in Annexure E).

Table 6: 14 Challenges Observed Across Facets

Facet	Area	Comment
General LED	There is need for LED practitioners to understand the need to timely review respective LEDs.	There was an inconsistent understanding of LED strategy review timelines.
Enterprise Development	Conducting market research for key local product	Although the majority of respondents agreed that their municipalities conducted market research for certain "key" local products, most practitioners could not substantiate their responses with examples of where these researches were conducted.
Locality Development	General understanding to locality development facet.	There is a lack of a shared understanding of what locality development is and, consequently its offerings
Community development	General understanding of community development	A number of respondents felt that this function belonged to other municipal functions outside LED e.g. Social Development or Community Services.

Source: Survey Results (ref across all Questions)

While LED Governance Structures in Nelson Mandela Bay Municipality are functional, in Buffalo City Metropolitan Municipality, the District Support Team (DST) has collapsed since 2014.

The researcher feels that the collapse of key LED governance structures in the Buffalo City Metropolitan Municipality inhibits learning and information sharing of LED practitioners as it deprives the municipality of a very useful structure to mix and share with other practitioners with diverse LED experience. Both municipalities have a strong institutional memory system to mitigate the effects of the departure of key practitioners. Table 6:15 tabulates the embeddedness score across both municipalities:

Table 6: 15 Level of LED Practice embeddedness in LED Theory

Facet	MUNICIPALITIES		Top Performer
	BCMM	NMBM	
General LED	embedded	Embedded	Both Equal
Enterprise Development	embedded	Embedded	Both Equal
Locality Development	embedded	Embedded	Nelson Mandela Bay Municipality
Community Development	Not embedded	Embedded	Nelson Mandela Bay Municipality
Livelihood	embedded	Embedded	Both Equal
Workforce	embedded	Embedded	Nelson Mandela Bay Municipality
LED Governance	embedded	Embedded	Nelson Mandela Bay Municipality

Source: Survey Results (See Annexure E)

Although both municipalities performed satisfactorily well across the majority of the LED facets, the results reveal that LED practice in Nelson Mandela Bay Municipality is better embedded in LED literature than the LED practice of Buffalo City Metropolitan Municipality.

Based on the findings discussed in this chapter, chapter 6 proposes set recommendations and suggest areas of further research. These recommendations are classified according to the identified facets.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7. 1 Introduction

The previous chapter discussed the research findings derived from the manner in which LED is implemented in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. The study managed to exhaustively identify all the existing LED facets, as informed by LED literature. However, the researcher discovered that there is an array of “LED aspects” that lie outside facets identified in the literature. These include aspects such as: availability or unavailability of LED strategy, LED strategy review process, and the inter-link between LED functions and other key municipal organs. The “General LED” facet was introduced by the researcher to capture these aspects amongst others.

Equipped with the identified facets, the research proceeded to measure the level at which LED practice in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality is embedded in LED theory. The research results show similarities in the LED facets being implemented by the two municipalities, to a certain degree with identical challenges and successes. However, the research findings revealed varying levels of LED practice embeddedness in theory across the identified facets in the two municipalities. In order to close this research, this chapter presents summarised research findings, propose recommendations and suggest areas for further research. Section 6.2 provides a comprehensive summary of the findings, categorised according to the identified LED facets.

7.2 Summary of the study and findings

The primary aims of this study were to explore Local Economic Development (LED) as a subject, in particular, to find:

i. The different facets (particular aspects) that constitute the LED concept.

With the intricate knowledge (as per LED literature) of available LED facets, the study proceeded to:

ii. Establish the level at which LED in Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality is embedded in LED theory (See research objectives in Chapter 1).

The secondary objectives included the following:

- Explore relevant theories of economic development with the motive to understand the definition of the term "Local Economic Development", its facets (particular aspects), dynamics and the continuous evolvement;
- Trace the elusive and contested definition of LED;
- Investigate various initiatives rolled out by the two municipalities per identified facets;
- Determine the role of certain role players in LED implementation across the two municipalities; and
- Draw conclusions and make recommendations on the ways to ensure better implementation of LED in the two municipalities as well as suggesting areas of further research for academics, practitioners and policy makers at all levels of governance.

All the secondary objectives have been responded to in the thesis except the last objective (drawing conclusions and making recommendations). The aforementioned objective and the two primary objectives provide responses in the bulk part of this chapter.

As articulated in Chapter 2, the rationale to ascertain the level of the LED practice's embeddedness in LED theory was informed by several LED writings that located the failure of LED practice in South Africa, mainly on the poor implementation and/ or piecemeal application of LED principles and facets. The identified implementation challenges were corroborated by responses collected through the use of in-depth semi-structured interviews sector department officials (who formed the majority of in-depth semi-structured respondents) located the limited impact of LED in municipality on poor implementation.

In order to exhaustively find out all the existing aspects of LED, this study reviewed literature on local economic development. The review process revealed the presence of 6 LED facets, namely: enterprise development, locality development, livelihood development, community development, workforce development and LED governance. These six (6) facets featured in a large body of local economic development literature. As discussed in Section 6.2, all the 6 identified facets failed to capture other aspects that this research felt were key, more so at municipality level. Some of the key aspects this study felt were not included were:

- Availability or unavailability of LED strategy;
- LED strategy development processes, review timelines, LED stakeholders and their roles and levels of participation (more so community members);
- Alignment of LED strategy to other sector plans (e.g. SMMEs, Spatial Plans or Industry Development Plans); and
- Availability of LED budget (for funding of LED programmes and projects).

Efforts to incorporate these aspects among the existing facets were unsuccessful due to the big differences between these aspects and the six (6) existing facets (see section 6.2). The study, therefore, introduced a new facet called “General LED” (as a 7th facet) in order to capture these and other aspects. After introducing the seventh (7th) facet, the researcher felt that the facets exhaustively captured the key aspects constituting the “LED concept”. The research findings showed that the two municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, were implementing all the 7 facets albeit to varying degrees. As discussed in Section 6.4, the summary of the main findings and conclusion, the success and challenges experienced across the two municipalities were, to an extent, similar.

7.2.1 Enterprise Development

The discussions in section 6.2.1 reveal that the two municipalities, Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, prioritised enterprise development as one of their Local Economic Development (LED) facets, albeit to varying degrees. At the core of Enterprises Development of the two municipalities is the Business Development Services (BDS) function. The results show that the two municipalities offer business training, assistance in sourcing of business opportunities and business information dissemination, amongst other business development services. The embeddedness score, as discussed in section 4.3, revealed that both municipalities' enterprise development initiatives are fully embedded in local economic development theory with an 82 percent score for both municipalities.

The results show that besides providing a number of business development services, both municipalities, through either internal or external finance, fund the expenses of conducting market research studies for select key local products in their areas of jurisdiction. Although the results reveal that market research studies have not been conducted in Buffalo City Metropolitan Municipality since 2010, there is evidence of such studies having been conducted prior to that period. On the other hand, results reveal that Nelson Mandela Bay Municipality outsources the development of these studies, and funds are only made available on demand.[23] In order to ensure that local enterprises benefit fully from services offered by various (private and public) institutions, the two municipalities have a number of initiatives that seek to encourage institutions supporting SMMEs to locate within their areas of jurisdiction (see section 6.2.1.1).

7.2.2 Locality Development

The survey results depicted in section 6.2.2 show that 100 percent of the research respondents identified locality development as one of the focus areas of their respective LED directorates. The same results show that there is evidence to prove that various initiatives creating a conducive environment are being implemented by

[23] The need to conduct any market research is an outcome of mainly the LED Forum.

the two municipalities through streamlining business processes to the ease of enterprises willing to locate or be established in the two municipalities. As discussed in section 6.2.2.1, efforts to streamline business processes are achieved through ensuring that conducive legal, regulatory and administrative frameworks are in place in the two municipalities. These efforts led to the establishment of one-stop-shops in both municipalities. These one-stop shops act as “single entry windows” providing integrated business functions and the development or review of business regulatory by-laws, amongst others.

More so, the results show that both municipalities have credible (council adopted) business expansion, attraction and retention strategies. These strategies form the basis of how businesses are attracted and retained within the two municipalities. The same findings show that in an effort to make the two municipalities attractive centers of investment, both municipalities prioritise the development of both point infrastructure (land and buildings) and network infrastructure. As part of the efforts to ensure the establishment of point infrastructure in their respective municipalities, both municipalities have established special economic zones, namely, Coega and East London Industrial Zone (ELIDZ) in Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality, respectively. These efforts also included the development of informal traders’ vending stalls and sheds, with Buffalo City Metropolitan Municipality in the process of erecting such stalls in Fort Jackson, Berlin and Zwelitsha while Nelson Mandela Bay has successfully built such structures in Port Elizabeth Central and Motherwell.

7.2.3 Community Development

The research findings discussed in Section, 6.2.3 prove that there is a lack of understanding among respondents in Buffalo City Metropolitan Municipality on what constitutes community development. The same discord was not evident among respondents from Nelson Mandela Bay Municipality where the eight (8) out of eighty (8) respondents revealed that indeed, community development was being implemented in their municipality. However, the results from both municipalities demonstrate that efforts are being made to foster the participation of marginalized

groups (mostly women, youth and disabled) into the mainstream economy. These efforts included:

- Helping members from identified marginalized groups to identify business opportunities;
- Joint business plan development with interested locals; and
- Offering business advice.

Nelson Mandela Bay Municipality performed well, using the embeddedness test (as discussed in section 3.3) with a community embeddedness score of 86 percent, while Buffalo City Metropolitan Municipality recorded a score of 71 percent, a mark that is considered poorly embedded in local economic development literature. Although there are a number of initiatives (discussed in section 6.2.3) and programs to ingrain community development facets in Buffalo City Metropolitan Municipality, the embeddedness score reveals that the initiatives are not enough.

7.2.4 Workforce Development

As discussed in Section 6.2.5, respondents from the two municipalities under study displayed a lack of uniform understanding of what the “workforce development” facet entails. It was evident in the results that that identified lack of uniform understanding of some of the workforce development questions led to respondents providing mixed responses to questions that logically necessitated similar responses. However, the survey results revealed that both municipalities are rolling out various workforce development programmes in partnership with a number of stakeholders. The results show that similar workforce development initiatives are rolled across the two municipalities; these initiatives included participating in Extended Public Works Programmed (EPWP) and Community Works Programme (CWP). A number of internal workforce development programmes, namely: internships, apprenticeships and various community training programmes (skilling cooperative members) are evident in the wo municipalities.

In order to harness their workforce development efforts, the two municipalities developed unemployed people’s databases, with a target of extracting personnel when recruiting for various development initiatives. However, the discussions in

section 6.2.5 demonstrate a lack of uniform understanding of the regularity at which the unemployment databases are updated. About 44 percent of the respondents reveal that they were not aware of database-updating intervals. The researcher felt that this lack of a shared understanding of databases updating time intervals put the credibility and reliability of the databases into question.

Nonetheless, there is significant evidence of a number of initiatives on the workforce development facet being rolled out in the two metropolitan municipalities. As a result, the level of LED practice in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality, with respect to the workforce development facet, was found to be highly embedded in LED theory across the two municipalities, with scores of 81.25 percent and 87.5 percent, respectively.

7.6.5 Livelihood Development

Descriptive statistics displayed in 6.2.4 show that all the respondents agree to the availability of livelihoods development facets in their respective municipal LED offerings. In order to ensure that the livelihoods of local residents are improved, both municipalities have two similar programmes to enable participation of locals in the mainstream economy. These initiatives include:

i. Promoting joint ventures and Public – Private Partnerships (PPP)

The two municipalities have policies and guidelines that are aligned to both the national treasury guidelines on municipal service delivery and public-private partnership and municipal services partnership. As discussed in section 6.2.4, evidence reveals that the two municipalities have policies and plans that seek to ensure that there are working partnerships between the municipality and private partners, to the benefit of locals.

ii. Conducting Value Chain Analyses for Local Products

The discussions in Section 6.2.4 reveal that all the respondents (16 in total, 8 per municipality) felt that beneficiation of locals on local resources was restricted due to

limited participation by locals in value chain processes. As result, and where possible, both municipalities fund the development of value chain analyses that help inform locals on where to invest and take advantages of value chain opportunities.

The products to target in the two municipalities are informed by discussions in various LED governance forums. The discussions in section 6.2.4.2 show that due to the complexities[24] required to perform value chain analyses, this function is outsourced. As a result, these value chain analyses are conducted with less frequency due to budgetary constraints.

The results displayed in section 6.2.4 demonstrate very high level of understanding and appreciation of the livelihoods facets, a feat not demonstrated in other facets, bar general facet. Respondents were willing to substantiate most of their responses with practical examples of where certain projects or initiatives are/were rolled out by their respective municipality. On the embeddedness scale (see section 3.3), both municipalities recorded a 100 percent mark. When interpreted, the score represents the maximum level of LED embeddedness that any municipality can score.

The LED embeddedness results proved that both municipalities had their LED practices, with regards to livelihoods, highly embedded in LED literature. The two municipalities promoted Public Private Partnership (PPP) to the benefit of local SMMEs albeit to varying degrees. However, Public Private Partnerships (PPP) are enforced differently in the two municipalities. While Nelson Mandela Bay Municipality utilises a legal clause to ensure that most huge projects are rolled out utilising the public-private partnership, Buffalo City Metropolitan Municipality recommends the formation of PPP for most of its large money projects.

7.2.6 LED Governance

The results illustrated in Section 6.2.6 reveal the presence of active LED governance structures in Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality. What comes to the fore is that most of the Eastern Cape municipalities

[24] The high degree of specialisation required to perform value chain analysis dictates that the two municipalities source services of external service provider to perform this function.

had the same LED governance structures harmonized during the Thina Sinako LED initiative[25]. Although the structures of LED governance in the two municipalities are not exactly the same, there are signs of similarities in a number of regards. The results displayed in section 6.2.6.1 show that the two municipalities have LED Action Teams (also known as LED Forum); the two municipalities participate in a District Support Team (although the Buffalo City Metropolitan Municipality's DST has been dysfunctional for close to two years), and both municipalities participate in Provincial Working Group.

As discussed in section 6.2.6.1, besides the three aforementioned LED governance structures (as mandated by Cooperative Governance and Traditional Affairs (COGTA), the two municipalities participate in other LED governance and networking structures, locally and internationally. Buffalo City Metropolitan Municipality has LED partnerships with Netts Africa and Common Wealth Local Government Forum while Nelson Mandela Bay Municipality has partnerships with South African Breweries, Development Bank of Southern Africa and the LED Network amongst others.

The results reveal that all the LED structures in the two metropolitan municipalities have meeting schedules and enforced work plans to ensure proper operalisation of these structures. The results revealed that matters of discussion across the two municipalities are, to a degree, the same, with the following prominent subjects:

- Continuous learning;
- Innovation;
- Cluster Enhancement;
- LED performance reporting; and
- LED institutional memory issues.

The survey results reveal that the two metropolitan municipalities have built Information Technology (IT) into their institutional memory management system in order to safeguard loss of valuable LED documents and knowledge.

[25] Thina Sinako was an LED initiative driven in partnership between the South African Government and the European Union. The partnership was meant to ingrain LED practice across municipalities in three beneficiary provinces of Eastern Cape, Kwazulu Natal and Limpopo.

As discussed in Section 6.2.6, while LED governance structures are collapsing in most municipalities in the province, the LED structures in the Nelson Mandela Bay Municipality are fully functional. The findings also revealed that most LED governance structures were established during the Thina Sinako (South Africa Government and European Union LED initiative, 2004-2013) initiative. The discussions in section 6.2.6.1 revealed that the folding up (ceasing to function) of the Thina Sinako LED initiative coincided with the collapse of LED governance structures in 9 municipalities, including the District Support Team in Buffalo City Metropolitan Municipality.

The respondents[26] cited lack of clear post-Thina Sinako "after care" support mechanism as the reason for the collapse of a number of LED governance structures across the province, in general, and the Buffalo City Metropolitan Municipality, in particular. Regardless of the collapsed District Support Team (DST) structures in the Buffalo City Metropolitan Municipality, there is evidence from the information collected that Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality have enough LED governance structures capable of driving their respective LED initiatives. The results reveal that the level at which LED practice in Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality (with respect to LED governance) is highly embedded in LED theory with scores of 100 percent and 84 percent respectively.

7.2.7 General LED

As discussed in section 6.2, the "General LED" facet was introduced out of the need to accommodate aspects the researcher deemed vital but were not finding expression in the six (6) already existing facets. Among these aspects were availability or unavailability of LED strategy in respective municipality, the inter-link between LED functions and other key municipal organs, amongst others, with the

[26] See Section 5.2.6.1

former being deemed a critical[27] part of successful LED planning and implementation.

The results displayed in section 6.2.7.1 revealed presence of credible LED strategies in the two municipalities, Nelson Mandela Bay Municipality and Buffalo City Metropolitan Municipality. Henceforth, literature on LED strategy emphasises the need for periodic review of LED strategy/ plan (World Bank, 2003). As discussed in Section 6.2.7.1, in spite of the presence of LED strategies in the respective municipalities, there is a significant difference among the respondents in their understanding of respective LED strategy/ plan review timelines.

However, the results[28] show that an overwhelming majority (81 percent) of the respondents gave responses that were in line with LED literature which states that LED strategy review timeline should be between 5-10 years. Section 6.2.7.1 reveals that a cursory observation of the two respective LED strategies showed that, indeed, the LED strategies in place had robust implementation plans (a key requirement in LED literature) with short, medium and long term deliverables.

The results displayed in section 6.2.7.1 show that the same level of inconsistent responses displayed by respondents when responding to LED strategy/plan review time intervals is also demonstrated by respondents when responding to the question on the rationale behind the review of their respective LED strategies. The same discussions (section 6.2.7.1) revealed that although 88 percent of respondents indicated that their respective LED strategies are reviewed when they have run their course, a response consistent with LED strategy literature, about 12 percent of the respondents, prophesised ignorance.

During the research process, it emerged that the general LED facet of the two metropolitan municipalities had a number of sector-specific plans aimed at aiding their respective LED strategies and standalone LED budgets of approximately 25 percent of the total municipal budgets, set to fund LED initiatives. The spending

[27] The World Bank postulates that no LED process achieves desired results without detailed and careful planning reflected through an LED plan or strategy.
[28] See Section 5.2.7.1

patterns for the LED budgets for the 5 year period (2009/10-2013/14) were estimated to be greater than 75 percent for the two municipalities, while no cases of under expenditures were recorded during the same period. This bodes well for the future of LED initiatives in the two municipalities. The discussions in section 6.3.7 reveal presence of highly varied and packaged general LED initiatives in the two metropolitan municipalities. As a result, the embeddedness measure depicted in 6.3.7 proved that the two municipalities have LED practices (with regard to general LED) that are well embedded in LED theory with scores of 94 percent each.

7.3 Conclusions

7.3.1 Conclusion on the level of Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality LED practices embeddedness in LED theory

The two metropolitan municipalities' LED practice, with respect to all the identified LED facets, provided some measure of their respective levels of embeddedness in LED theory using the re-modeled tool discussed in section 3.3. The embedded (ness) outcome (table 6.12) proved that Nelson Mandela Bay Municipality's LED practice was embedded in the LED theory on all the 7 facets, namely: general LED, enterprise development, locality development, community development, livelihood development, workforce development, and LED governance.

The same analysis proved that Buffalo City Metropolitan Municipality's LED practice was embedded in LED theory in all the other facets bar community development. The survey results revealed that there are inadequate or limited initiatives in Buffalo City Metropolitan Municipality to bring marginalized groups into the mainstream economy *(see Annexure E). As discussed in Chapter 4, the score of 75 percent indicates the least mark that a municipality can achieve to attain an embedded classification. With Buffalo City Metropolitan Municipality securing a 75 percent score in the locality development facets, it then follows that improvements are required to prevent the score from sliding down. The analysis in 6.3.6 also revealed the need for Buffalo City Metropolitan Municipality to revive its collapsing District Support Team (a key LED governance structure) for better coordination of LED initiatives.

7.3.2 Conclusion on the different facets (particular aspects) of Local Economic Development in BCMM and NMBM

The findings discussed in section 6.2 show that all the seven identified facets are being implemented in both municipalities, albeit at varying degrees. The seven facets identified are:

i. Enterprise Development;
ii. Community Development;
iii. Locality Development;
iv. Livelihoods Development;
v. Workforce Development;
vi. Local Economic Development Governance; and
vii. General LED.

As discussed in the field notes (see field notes in Annexure F), the respondents displayed a high level of enthusiasm when responding to questions from the General LED, Enterprise Development, Livelihoods Development, Workforce Development, and LED Governance facets. In these facets, respondents would expand on the explanations and cite relevant examples. However, the same enthusiasm was not demonstrated when responding to basket questions from the community development and locality development facets.

As shown in the embedded scores (depicted in Figure 6:23), the lack thereof enthusiasm shown by respondents during interviews was corroborated by the low scores[29] from the embeddedness tool. Locality and community development facet responses scored the two least marks in both municipalities.

7.4 Recommendations

In trying to establish the existing LED facets (in BCMM and NMBM) and their level of embeddedness in LED theory, the research discovered areas of excellence as well as areas that require improvements in as far as LED implementation is concerned. It is important to state that the former areas need to be maintained and where

[29] By comparison, low scores in locality and community facet.

possible, improved while the latter receive immediate attention. This section of the research makes recommendations based on these two areas: on one hand, areas of "excellence" and on the other, areas that require improvement.

7.4.1 General LED

The discussions in section 6.2.7.1 reveal that both municipalities have robust and credible LED strategies in place. Evidence gathered proves that these strategies are utilized to inform how Local Economic Development (LED) programmes are being implemented in Buffalo City Metropolitan Municipality and Nelson Mandela Bay Municipality. However, the two municipalities need to ensure that no LED initiatives fall outside their LED strategy implementation plans to safeguard alignment and ensure maximum impact.

A number of virtues, in as far as LED implementation is concerned, have been noted throughout the research, but it is germane to make the following recommendations (with regard to general LED facet):

i) Ensure that no LED initiatives fall outside the implementation plans and budgets of respective LED strategies

Local economic development literature is littered with a number of instances where LED initiatives collapsed or went unimplemented due to falling outside the implementation plans of respective LED strategies. The majority of these initiatives or projects fail to secure funding outside the municipal coffers as they seem to lack legitimacy in the eyes of funders. In instances, where these initiatives are funded, they [initiatives] tend to compete for other resources besides finance, with projects and programmes on the implementation plan, thereby compromising their and or others' implementation.

LED practitioners need to ensure that all LED initiatives are contained in the implementation plan of their strategies/plans for easy resource mobilisation and management or they risk seeing those initiatives fail.

ii) Develop sector plans that are informed by the configuration of economic drivers

Literature on LED strategies recommends that there should be relevant sector-specific plans complementing respective LED strategies/plans, for it is in these sector-specific plans that there is more detail on programmes, projects and other related interventions (see World Bank, UH Habitat, ILO standpoints in section 3.2). The survey results showed that the two metropolitan municipalities have a number of sector development plans that complement their respective LED strategies.

As discussed in section 3.2, the available sector plans need to be informed by the configuration of economic drivers of respective municipalities. It is against this reason that the researcher feels

Buffalo City Metropolitan Municipality, an industrial hub of the Eastern part of the province, needs to have an Industrial Development Plan/Strategy to inform how its industrial initiatives are rolled out.

iii) Ensure a shared and uniform understanding of LED, more so its planning and implementation by LED practitioners.

There was an apparent lack of uniform and shared understanding by respondents (most survey questionnaire respondents) on a number of aspects e.g. LED strategy review timelines, the rationale behind reviewing respective LED strategies and frequency at which unemployment databases are updated, amongst others. The in-depth semi-structured interviews revealed that the displayed lack of uniform and shared understanding of the same concept by different practitioners in the same organisation breeds a feeling of “dynamic policy inconsistency” among community members where none exists (see field notes summary in Annexure F). The same respondents felt that such lack of uniform understanding of the same matter by different practitioners does not inspire confidence in locals.

However, the same results revealed that the aforementioned lack of uniform and shared understanding that exist among municipal LED practitioners also exist among some sector department officials assisting municipalities (see field notes in Annexure

F). The researcher feels that for maximum results, there is need for a uniform and shared understanding of how certain LED functions or initiatives are rolled out among practitioners, within municipalities LED directorates and across sector departments supporting LED implementation in municipalities.

iv) Ensure availability of sufficient and full utilisation of the budget on fruitful expenditures

Limited funding has been likened to an Achilles heel of the local economic development concept in South Africa (Nel and Rogerson, 2005; Thina Sinako, 2007; Meyer, 2014). Similarly, Meyer (2014:10) contends that external funding requires skills and expertise on how to lobby for such funding. Meyer (2014) brings to the fore the importance of qualified LED practitioners, moreso with the ability to raise funds. Therefore, it is also important for LED practitioners to be well capacitated in order for them to package proposals that bring funding to their respective municipalities.

Although the two municipalities have huge overall budgets running into billions, their LED budgets are minute components of the overall budgets, with a number of LED initiatives remaining unfunded (see field notes in Annexure F). It is against this background that this research recommends that sufficient budgets be made available for LED initiatives. Similarly, these budgets need to be spent on initiatives that have huge multiplier effects on the respective economies. Fruitless and wasteful expenditures need to be curbed.

7.4.2 Enterprise development

In order to provide the necessary services required by enterprises in their respective municipalities, both municipalities are providing Business Development Services (BDS) to their respective areas. As discussed in section 6.2.1, the two municipalities provide business training, business registration assistance, business information dissemination and sourcing of business opportunities e.t.c as part of their BDS. A number of efforts are being made by the two municipalities to better provide for enterprises operating in their areas of jurisdiction. However, the research found that the following needs to be improved:

i) Develop Business Development Services (BDS) that comprehensively address the needs of existing businesses.

The results depicted in section 6.2.1 show that a number of business development services are being provided through one-stop-shops established in the two municipalities. While all the respondents labeled the one-stop-shop as a “single entry window” providing several integrated functions such as business information and issuing various licenses’, the research found that the one-stop-shops in the two municipalities failed to provide a number of services that are a characteristic of one-stop-shops world-wide. These services include: business registration and other post-registration formalities such as issuing of relevant licenses, documents and permits, amongst others. The researcher feels that there is need for these one-stop-shops to expand their services in line with what the same establishments are offering globally.

7.4.3 Locality development

Discussions in section 6.2.2 show that the two municipalities have introduced a number of initiatives to make their respective areas attractive by developing and implementing business expansion, attraction and retention strategies. These strategies contain a number of incentives meant to lure and retain business. In order to maximise on these efforts, this research makes the following recommendation:

i) Widely and regularly promote business attraction and retention strategy offerings.

The research findings show that the business attraction and retention strategies of the two municipalities, with their number of incentives, are known by mostly big businesses and a small group of Small, Medium and Micro Enterprises (SMMEs), with the latter being mostly members of the SMEE indaba. As discussed in section 6.2.2.1, lack of proper marketing (strategies) could have led to restricted impact of these strategies.

From this report, it is recommended that marketing efforts be improved to raise awareness of available business attraction and retention incentives. Investment conferences could be used to bring businesses to the attention of these incentives or

distribute newsletters directly to business and investors via email or by simply posting on respective municipal websites.

ii) Establish a single economic development website.

Rather than only relying on the established one-stop-shops, each municipality needs a web-based point of interaction where businesses, inter-governmental, international bodies, civil society and non-governmental organisation can access the information they need in an expeditious manner. However, the usefulness of these websites resides on how regularly they are maintained and updated in order to provide real time information.

iii) Increase the number of point infrastructure – informal trading stalls.

The discussion in section 6.2.2.2 shows that while there are a number of informal vendors' stalls or trading facilities in the two metropolitan municipalities, most respondents felt that there is need for these facilities to be constructed, especially in the townships where none exist. The researcher feels that there is need for the two municipalities to construct more of such facilities in the areas that are needy e.g. townships and rural villages.

7.4.4. Community development

Section 6.2.3 presents proof that efforts have been made by the two metropolitan municipalities to help members of marginalized communities to enter the mainstream economy through initiatives such as business plan development, joint opportunity identification, amongst others. However, sector department officials interviewed during the in-depth interviews felt that these noble efforts need to be intensified, considering the huge numbers of community members living outside the mainstream economy.

7.4.5 LED Governance

The results discussed in section 6.2.6 reveal that the two municipalities have a number of functional LED Governance structures in place. The same discussions show that the existing LED structures are used to discuss: innovation, LED

challenges, Enhancement of clusters and localities, continuous learning, benchmarking and SMME promotion, among other matters. It is germane to make the following recommendation:

i) Ensure fully functional LED Governance structures.

Although the two municipalities have a number of operational LED governance structures in place, the researcher feels that these structures need to be kept fully functional if their benefits are to be maximised. Failure to maintain these structures will lead to the reversal of the benefits already accrued by these structures. Sector department officials who participated in the in-depth interviews recommended that the Nelson Mandela Bay Municipality should jealously guard these structures for the overall good of the local development efforts of their region.

On the other hand, Buffalo City Metropolitan Municipality needs to revive some of its dysfunctional LED governance structures. The research results reveal that one such collapsed structure is the DST. Since these LED governance structures are useful in learning, networking and information sharing platforms, the collapse of these structures puts Buffalo City Metropolitan Municipality at a disadvantage as it deprives the municipality of a chance to share and learn from other municipalities who form part of the District Support Team (DST). In light of the aforementioned, the researcher recommends that the DST be revived in Buffalo City Metropolitan Municipality while robustly maintaining the existing LED governance structures in Nelson Mandela Bay Municipality.

7.4.6 Workforce development

The survey results displayed in section 6.2.5 revealed that the two metropolitan municipalities were rolling out various workforce development programmes in partnership with a number of stakeholders. The same results show that similar workforce development initiatives are rolled out across the two municipalities. These initiatives included participating in Extended Public Works Programmed (EPWP) and Community Works Programme (CWP). A number of internal workforce development programmes, namely, internships, apprenticeships and various community training

programmes (skilling cooperative members) are evident in the two municipalities. However, the following is key:

i) Make concerted efforts to produce workforce ready to participate in the mainstream economy.

The socio-economic profiling of the two municipalities depicted in Chapter 5 show two municipalities besieged by high numbers of unemployed, regardless of the two metropolitan municipalities boosting sophisticated economies, built around the automotive industry and agro-processing. While this research perceives high levels of unemployment in the two metros from a number of factors, mismatch of skills has been identified as one of those. This research feels that it is important to create workforce that is capable of meeting the evolving needs of the economy.

This task requires a multi-stakeholder approach involving economic development practitioners, champions of industry, politicians, leaders of basic education and tertiary institutions, non-governmental organisations as well as the government. It is important for LED practitioner to harness the efforts of various stakeholders in order to provide their respective economies with a skilled workforce.

7.4.7 Livelihood Development

The results discussed in section 6.2.4.1 revealed that there was limited work being done by municipalities with regards to formation of joint ventures and public-private partnerships. In light of the huge roles that these two initiatives can play in bringing the majority of individuals into the mainstream economy, this research recommends that the two municipalities ensure formation of joint ventures and public-private partnership in most of their huge projects in order to safeguard the beneficiation of locals. Results in section 6.2.4.2 reveal that the two municipalities fail to facilitate the integration of their local businesses into their value chain process leading to exportation of various business opportunities to other regions. There is need for coherent value chain integration models that goes beyond tokenism to ensure participation of locals beyond extraction into production of final products and beyond.

7.5 Areas of further research

There is no general consensus on how to measure the level at which respective municipalities LED practices are embedded in LED theory. Since LED is a multifaceted concept, various proxies can be utilized to measure embedded (ness) of LED practice in theory. Like all the other measures, the LED embedded (ness) measure employed in this study might have limitations. Thus, in future, other alternative measures of LED embedded (ness) could be employed.

The most pertinent question raised by a compelling number of respondents on the Local Economic Development subject was on the impact of the local economic development concept on the communities that have implemented it - impact versus budget approach. This research certainly agrees with the need to conduct such research, more so in the two metros where very limited research on “impact” of LED has been conducted. However, the challenge may lie in pursuing data on how much budget has been spent on LED, as most data on government or municipal expenditure is hard to find due to the perceived sensitivity of such data by politicians and civil servants alike.

The other area that emerged during the research as an area of interest was on tracking the expenditure patterns of municipalities with regards to how much was spend and on what. This includes tracking the final destination of any goods and services procured by the municipalities to see the level of local municipal funds leakages. Such research would demonstrate whether respective municipalities retain money locally or have huge leaks directed to other economies, thereby restricting the local economic development prospects of the “leaking municipality”.

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Annexure A: Informed Consent to Participate

Informed Consent to Participate

This questionnaire is being administered on behalf of Mr M. Ngatiane, Department of Economics, Nelson Mandela Metropolitan University. The supervisor, Dr N. Dyubhele can be contacted at 041-5041141 or through the e-mail address, NoluntuStella.Dyubhele@nmmu.ac.za or at Nelson Mandela Metropolitan University, PO Box 77000, Port Elizabeth, 6130.

This research is on Local Economic Development in Nelson Mandela and Buffalo city Metropolitan Municipalities. The research seeks to demystify different facets of local economic development and provide answers on how Local Economic Developed is being implemented. The purpose of this visit is to collect relevant information on how local economic development is being implemented in your municipality and its impacts. The interviews will be conducted from August to October 2014. All recorded material will be used solely for the sake of comparing notes with information collected in the semi-structures interviews. Thereafter data collected will be destroyed in two to five years after completion of research and such data will not be used for any purpose besides for this study.

The project will be submitted, for approval, to the Ethics Committee of the Faculty of Business Management and Economic Sciences of the Nelson Mandela Metropolitan University (NMMU). About 30 - 40 minutes of your time will be needed to conduct this interview. We will now explain the study briefly and will then request your participation:

Ethical considerations to inform your consent

- There is no obligation to participate in the study. If you feel that you do not want to be part of the study you are free to withdraw at any time and your information will not be included in the results of the study;
- All information that is requested from you will be kept confidential at all times and not be referred to individually;
- You have the right to ask questions about this study. If any questions arise while I am explaining this form, please ask them whenever you are ready. I will also give you time to think – please indicate if you want this time;
- No monetary compensation is offered for your participation;
- After the study is completed and all the data has been analysed, results will be circulated electronically to those who participated on request availed hard copy to those with no access to electronic This will be done in such a way that you and your institution will not be identified;
- The final results may be disseminated to your local and regional authorities, provincial and the national government. The final results might also be published in national and international science journals.

We now request you to participate in this study. Respondent's response:

- I have heard the proposed activities of the project. The activities are clear to me;
- I was provided the opportunity and time to think about the issue and ask questions ;
- I have not been pressurised to participate in any way;
- I understand that participation in this research project is completely voluntary;
- I understand that I will not receive any monetary compensation for my participation;
- I understand that I may withdraw from it at any time without supplying reasons;
- I understand that this research project will be approved by the relevant committees of the Nelson Mandela Metropolitan University;

- I am fully aware that the results of this project will be used for scientific purposes and may be published. I agree to this, provided my privacy is guaranteed;
- I hereby consent to participate in this project and to have my interview recorded in case of structured in-depth interview.
- If you are unable to sign, please make a mark.

_____	_____	_____	_____
Name of respondent	**Signature**	**Place**	**Date**

Statement by Interviewer

I have provided verbal information regarding this research project. I agree to answer any questions from the respondent concerning the project as best as I can. I will adhere to the approved research protocol.

_____	_____	_____	_____
Name of Interviewer	**Signature**	**Place**	**Date**

Questionnaire No.	001

Annexure B: Survey Questionnaire

Nelson Mandela Metropolitan University
for tomorrow

The aim of this survey questionnaire is to collect information on the way Local Economic development (LED) is being carried out in your Municipality. The information you provide will be used for academic purposes **ONLY** and the usual confidentiality clause applies. Under no circumstances will your identity be revealed.

Please kindly read the statements carefully and answer as accurately as possible. Mark with an "X", in the appropriate box, the statement that best suits the situation at your respective municipality and for questions that require explanations make use of the spaces provided. About 30 - 40 minutes of your time will be needed to conduct this interview. For more information and clarity please contact the researcher M. Ngatiane on 073 377 7414 or 076 834 2627.

Thanks you

A. Background Information

1. Municipality	Buffalo City		Nelson Mandela Bay	
2. Years of Experience in Local Economic Development (LED) Function				
less than 1yr	1-2yrs	3-5yrs	more than 5 yrs	
3. Do you have an LED Strategy/ Plan?			**Yes**	**No**
4. How often do you review your LED strategy/plan?				
Annually		**After 5 years**		
After 2 years		**After 10 Years**		
other (Specify)				
5. What informs your municipality to review its LED strategy/plan				
When the plan/strategy run its course (e.g. 2009-2013, so review comes in 2013)		When all that is on the implementation plan is implemented.		
When there is proof that the strategy/plan is not implementable		End of every political term		
other (specify)				
6. What other plans/strateg(ies) do you have in your municipality that aid LED				
Tourism Master Plan		Business Retention, Expansion and Attraction Strategy		
SMME Strategy		Procurement Policies		
Industrial Development Plan				
other(s) specify				
7. All units /directorates of the municipality are to some extent involved in Local Economic Development Process-not only LED unit	YES		NO	
8. Explain your answer in Question 7.				
9. What percentage of the budget was allocated for LED in 2013/14				

0 percent		51-75 percent	
1-25 percent		76-100 percent (all municipal activities are LED)	
26-50 percent			
Provide details			
10. How much of that Budget was spend i.e. in question 9			
0 percent		51-75 percent	
1-25 percent		76-100 percent	
26-50 percent			
Provide Details			
11. What was the average percentage of budget spent from 2009/10 financial year to 2013/14 . i.e. 5 year period			
0 percent		51-75 percent	
1-25 percent		76-100 percent (all municipal activities are LED)	
26-50 percent			
Provide Details			
12. Of that budget, On average how much was spend (with reference to questions 11)			
0 percent		51-75 percent	
1-25 percent		76-100 percent	
26-50 percent			

B. Enterprise Development

13. Is Enterprise development one of the spheres of your LED?	**Yes**		**No**	
14. Does your municipality offer Business Development Services (BDS) *(if your answer is YES continue to question 15, if not skip to questions 16)*	**Yes**		**No**	

15. Which Business Development Services (BDS) does your municipality offer?			
Business Advice and Research		Offer Business Incubators	
Business Development Grants		Assist with Business Registration	
Business Counselling		Sourcing of Business Opportunities	
Business Training		Business Information Dissemination	
Special Economic Zones			
Other (Please specify)			

16. Does your Municipality provide any business finance? (*if your answer is YES continue to question 17, if not skip to question 18*)	Yes		No	

17. Specify the type of finance and eligibility

18. The Municipality researches for markets for local products and where possible negotiates deals			
YES		**NO**	

19. Explain your answer in 18

20. The Municipality facilitates business organisation formations where needed (e.g. taxi association or citrus famers association)	**YES**		**NO**	
21. Specify where these associations have been facilitated?				

22. The Municipality encourages and support institutions that provide support services to SMMEs in its locality	**YES**		**NO**	
23. Does your municipality offer Special Economic Zones (SEZ)	**YES**		**NO**	
24. If yes, does the SEZ offer anything different from other industrial Parks	**YES**		**NO**	
25. Explain your answer				

C. Locality

26. Is Locality development one of the Spheres of LED in your Municipality?	**YES**		**NO**	
27. The municipality improves the business environment through reforms streamlining regime for business activity	**YES**		**NO**	
28. If yes, Specify regulations put in place to make the municipality a favourable investment hub.				
29.The municipality prioritises Business attraction and Retention	**YES**		**NO**	
30. If yes, Specify how business attraction and investment is ensured (e.g. by implementing BRE strategy)				
31. Municipal procurement of goods and services is done to minimise leakages and promote local businesses.	**YES**		**NO**	
32. The municipality prioritise both point infrastructure (e.g. land, building) and network infrastructure (e.g. roads, rail, and telecommunication) as important driver for LED.	**YES**		**NO**	
33. Substantiate the response in question 32.				

34. There is infrastructure for which informal business can work from (e.g. vendor stalls)	**YES**		**NO**	
35.There is market infrastructure for agricultural produce	**YES**		**NO**	
36. The municipality regularly updates the community (imbizo, community meeting newsletters) on the economic initiatives it is supporting.	**YES**		**NO**	
37.There is an SMME desk within the municipality (one stop shop)	**YES**		**NO**	
38. The LED directorate maintain an economic database that informs decision and act as "an early warning system" for the municipality.	**YES**		**NO**	
39. If yes, how often is the database updated				
Once a Year		**Once in 5 Years**		
Once in two Years		**Not sure**		

D Community Development

40. Is Community Development one of the Spheres of LED in your Municipality?	**YES**		**NO**	
41. The municipality fosters the participation of marginalised groups (women and disabled) in economic activities	**YES**		**No**	
42. Explain how the participation of marginalised groups is ensured?				
43. Are there circumstances where LED programmes are biased towards poor communities	**YES**		**No**	

E. Livelihoods Development

44. Is Livelihoods development one of the spheres of LED in Municipality?	YES		No	
45. The Municipality promotes schemes(including joint ventures and PPP) to fund the development and maintenance of economic infrastructure	YES		No	
46. Specify how the municipality promotes joint ventures and PPP				
47. Does your Municipality facilitate cluster and value chain development	YES		NO	
48. Specify where clusters and value chains were facilitated				

F. Work Force Development

49. Is Workforce Development one of the spheres of LED in your Municipality	YES		NO	
50. Does your Municipality enforce the employment of locals in Local projects funded by its resources	YES		NO	
51. Specify how the employment of locals is enforced or encouraged				
52. Does the municipality have any database for unemployed people	YES		NO	
53. If yes How often is the database updated				
once a Year		Once every 5 Years		
Once after every two years		Not sure		
54. Is the database for unemployed people utilised for hiring	YES		N	

personnel for projects			**O**	
55. Does your Municipality have any skilling initiatives for youth, women, disabled and unemployed	**YES**		**N O**	
56. Specify these initiatives of skilling the youth, women, disabled and unemployed				
57. Does your municipality participate in the Community Works Programme (CWP)	**YES**		**NO**	
58. Does your municipality participate in Extended Public Works Programme	**YES**		**No**	
59. Does your municipality offer internship programme to Youth	**YES**		**No**	

D. LED Governance

60. LED Partnerships and Networks are facilitated in your municipality	**YE S**		**NO**	
61. If yes, specify which LED partnerships and networks LED have been established				
62. Does the established network have a meeting schedule?	**YES**		**NO**	
63. Does the established network have a proper work plan with an M&E plan?	**YES**		**NO**	
64. If not, how often does the group meet and how does the group keep track on work done and outstanding?				
65. What does the group (mentioned in question 64) discuss?				
Continuous learning		Enhancement of clusters and localities		
Innovation		LED Challenges		
Other (specify)		Unknown		
66. Does your Municipality have a LED Agency (LEDA)	**Yes**		**No**	
67. If yes. What role does your LEDA play?				
Help to implement the LED		Raise funds for Economic		

Strategy		development	
Offer technical expertise to the LED Directorate		Unknown	
Other *(Please specify)*			

68. Local stakeholders are encouraged by municipality to organise themselves into networks for information exchange and dialogue with the municipality around LED	**YES**		**NO**	
69. Does your municipality have an LED Forum?	**YES**		**NO**	

70. If Yes, Who constitutes your LED Forum?			
Community		Organised Business	
Government		Informal Traders	
Municipal LED officials		Non Governmental Organisation (NGO)	
Other *(Please specify)*			

71. The private sector is actively involved in the planning of economic initiatives by the municipality	**YES**		**NO**	
72.The municipality has a structured LED monitoring and evaluation (M&E) system which is used to monitor and evaluate its economic projects and initiatives	**YES**		**NO**	

73.How does the municipality ensure that the information generated by M&E feeds into the broader knowledge management system

74. Is the M&E reports supported by Information Technology system	**YES**		**NO**	

75. If so, how does the municipality ensure that the reports are accessible for knowledge management purposes?

76. Is your municipality a member of the LED Provincial Working group (highest provincial LED body)	**YES**		**NO**	

77. If not, how does the municipality ensure that it stays abreast with ever changing LED dynamics?

Thank you for your Co-operation.

Annexure C: In-depth Semi Structured Schedule.

1. Introduction

a) What is your work experience in Local Economic Development with bias towards BCMM or NMBM?

b) What is your understanding of LED Concept, successes and challenges?

c) What kind of Support do you offer to municipalities on LED?

2. Prioritisation of LED (Embeddedness)

a) What are the main functions and strategic direction of your department/ organisation with main focus on the two municipalities?

Respondents to choose from:

- *Facilitation of the LED agenda - what to do as priorities and who must do what.*
- *Development of LED capacities, networks and processes to establish effective LED systems - to leverage capacities to think better and implement on a larger scale.*
- *Project manage implementation of LED initiatives.*
- *Facilitating execution of municipal LED initiatives.*
- *Facilitating public sector responses to continuous improvement request from clusters and sectors.*
- *Provide guidance to ensure that the municipal budget is fully informed by and supportive of the economic rationale for the locality.*
- *Monitoring, evaluation and facilitation of learning.*

b) Once an LED initiative has been selected, how is the idea converted into action?

c) What are LED challenges with respect to the two metros?

d) What general opportunities exist for members of public to participate in LED decision making?

e) What is being done to improve the business environment? How does the department or organisation decide on these priorities?

What to look for:

- *Level of insight and sound approach to improving the (enabling) business environment.*
- *Clear insight into the scope of key constraints for key sectors.*
- *Method for identifying best potentials to reduce constraints.*

f) Which organisations are the main drivers of improvement in enterprise- and cluster-level competitiveness? How do you contribute towards this? (Give example)

What to look for:

- *Sound approach to supporting sector & cluster development.*
- *Cognisance and awareness of factors affecting sector clustering and joint initiatives such as:*
  - *ISO 9000 : Levels of quality certification in main industries*
  - *Benchmarking: Level of systematic benchmarking in main industries*
  - *Specialisation: degree of specialisation between companies, both in terms of final products and in terms of production steps along the value chain*
  - *Informal collaboration: degree of informal collaboration between companies e.g. mutual support after a key machine broke down, constant exchange about new trends in technology and markets*
  - *Formal collaboration: degree of formal collaboration, e.g. joint visits to foreign fairs, joint purchasing / sales, export consortia, technology alliances*.

g) What are the main functions/activities of LED Governance?

Typical activities entail:

- *Verify annual performance & good governance audit completed satisfactorily.*
- *Ensure appropriately skilled people are employed in key positions.*
- *Gain agreement (in principle) from relevant stakeholders/partners to support LED.*
- *Monitor progress (quarterly).*
- *Respond to remove stakeholder blockages (negotiate change).*
- *Communicate progress quarterly to stakeholders.*

- *Build the LED brand.*
- *Sustain and grow the intellectual capital and institutional memory required for LED.*

h) What has been achieved to date by various role players with regard to LED governance?

What to look for:

- *Mutual respect and trust amongst stakeholders towards cooperation.*
- *A clear understanding of sound LED practices.*
- *An accurate understanding of LED system performance.*
- *Sustained competency in the key roles of LED.*
- *Effective patterns of public / private dialogue exist.*
- *Ensure the LED systems are resourced appropriately.*
- *Absence of corruption in LED.*

i) What is being done to improve learning and skill development for LED practitioners?

***What to look for**:*

- *Development of a climate conducive to economic learning and innovation.*
- *Accurate assessment of progress, every quarter.*
- *Reflection on what worked and what did not, learning and adapting activities.*
- *Annual evaluation of impact.*
- *Facilitating benchmarking and cross-learning amongst municipalities.*
- *Constant dialogue with good LED practice networks.*
- *Training in LED practices and supporting skills.*
- *Attract and recruit the best talent affordable.*

3. The Existing LED Facets

a. What are the existing LED facets and their prioritisation
b. How do you strategise and plan for these LED facets? How do you select, prioritise and plan for these facets?
c. Your final thoughts on the future of LED as a concept.

Annexure D: Survey Questionnaire Score Sheet

(This score sheet is used strictly to measure the level of LED embeddedness)

Question #	Question	Notes for Interviewer	Score/ weight
1.	**Municipality**	This questions is not accorded a mark regardless of the answer.	0
2.	**Years of Experience in Local Economic Development (LED) Function**	This question is not accorded a mark regardless of the answer.	0
3.	**Do you have an LED Strategy/ Plan?**	If the respondent answers "Yes" they receive 4 points, if "No" 0 points	4
4.	**How often do you review your LED strategy/plan?**	The respondent is NOT given all choices. If the respondent answers "unknown" they receive 0 points, if they choose any other answer they receive 3 points.	3
5.	**What informs your municipality to review its LED strategy/plan**	The respondent is NOT given all choices. If the respondent answers "unknown" they receive 0 points, if they choose EITHER "End of every political term or other' they only receive 1 point, only if the respondent answers "when the existing LED plan /strategy runs its course; when all that is on the implementation plan has been implemented or when there is proof that the plan is not implementable do they receive 3 points for a maximum of 3 points.	3
6.	**What other plans/strateg(ies) do you have in your municipality that aid LED**	The respondent is NOT given all choices. If the respondent answers "no other plans" they receive 0 points, if they choose any other answer they receive 3 points.	3
7.	**All units /directorates of the municipality are to some extent involved in Local Economic Development Planning Process-not only LED unit**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1

8.	**Explain your answer in question 7.**	This question is not accorded a mark regardless of the answer	0
9.	**What percentage of the budget was allocated for LED in 2013/14**	If the respondent answers "0 percent" they receive 0 points, anything else is 1 point for a maximum of 1 point.	1
10.	**How much of that Budget was spent i.e. in question 9**	If the respondent answers "76-100 percent' they receive 1 point, anything else is 0 point.	1
11.	**What was the average percentage of municipal budget allocated for LED from 2009/10 financial year to 2013/14 . i.e 5 year period**	If the respondent answers "0 percent" they receive 0 points, anything else is 1 point for a maximum of 1 point.	1
12.	**Of that budget, On average how much was spent (with reference to question 11)**	If the respondent answers "76-100 percent' they receive 1 points, anything else is 0 point.	1
TOTAL			14
Enterprise Development			
13.	**Is Enterprise development one of the spheres of your LED?**	If the respondent answers "Yes" they receive 3 points, if "No" 0 points	3
14.	**Does your municipality offer Business Development Services (BDS)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
15.	**Which Business Development Services (BDS) does your municipality offer?**	The respondent is given all choices. If the respondent answers "unknown" they receive 0 points, if they choose any 5 or less of the given, they only receive 2 point and if the respondent chooses more than 5 of the given they receive 3 points for a maximum of 3 points.	3
16.	**Does your Municipality provide any business finance**	This question is not accorded a mark regardless of the answer.	0
17.	**Specify the type of finance and eligibility**	This question is not accorded a mark regardless of the answer.	0
18.	**The Municipality researches for markets for local products and where possible negotiates deals**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	2
19.	**Explain your answer in 18**	If the respondent explains with examples, they receive 1, if Not "0".	1
20.	**The Municipality facilitates**	If the respondent answers "Yes"	1

	business organisation formations where needed (e.g. taxi association or citrus famers association)	they receive 1 point, if "No" 0 points	
21.	**Specify where these associations have been facilitated?**	If the respondent specifies examples, they receive 1, if Not "0".	1
22.	**The Municipality encourages and support institutions that provide support services to SMMEs in its locality**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
23.	**Does your municipality offer Special Economic Zones (SEZ)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
24.	**If yes, does the SEZ offer anything different from other industrial Parks**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
25.	**Explain your answer in questions 24**	If the respondent explains with examples, they receive 2, if Not "0".	2
TOTAL			17
Locality Development			
26.	**Is Locality development one of the Spheres of LED in your Municipality?**	If the respondent answers "Yes" they receive 3 point, if "No" 0 points	3
27.	**The municipality improves the business environment through reforms streamlining regime for business activity**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
28.	**If yes, Specify regulations put in place to make the municipality a favourable investment hub.**	If the respondent explains with examples, they receive 2, if Not "0".	2
29.	**The municipality prioritises Business attraction and Retention**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
30	**If yes, Specify how business attraction and investment is ensured (e.g. by implementing BRE strategy)**	If the respondent specifies examples, they receive 1, if Not "0".	2
31.	**Municipal procurement of goods and services is done to minimise leakages and promote local businesses.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
32.	**The municipality prioritise both point infrastructure (e.g. land, building) and**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1

	network infrastructure (e.g. roads, rail, and telecommunication) as important driver for LED.		
33.	**Substantiate the response in question 32.**	If the respondent provides examples for Q32, they receive 1, if Not "0".	1
34.	**There is infrastructure for which informal business can work from (e.g. vendor stalls)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
35.	**There is market infrastructure for agricultural produce**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
36.	**The municipality regularly updates the community (imbizo, community meeting newsletters) on the economic initiatives it is supporting.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
37.	**There is an SMME desk within the municipality (one stop shop)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
38.	**The LED directorate maintains an economic database that informs decision and act as "an early warning system" for the municipality.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
39.	**If yes, how often is the database updated**	The respondent is NOT given all choices. If the respondent answers "Not Sure" they receive 0 points, if they choose "monthly" they receive 3 points any other answer they receive 2 points.	3
TOTAL			20
Community Development			
40.	**Is Community Development one of the Spheres of LED in your Municipality?**	If the respondent answers "Yes" they receive 3 point, if "No" 0 points	3
41.	**The municipality fosters the participation of marginalised groups (women and disabled) in economic activities**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
42.	**Explain how the participation of marginalised groups is**	If the respondent explains with examples, they receive 2, if Not "0".	2

	ensured?		
43.	**Are there circumstances where LED programmes are biased towards poor communities**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
TOTAL			7
Livelihoods Development			
44.	**Is Livelihoods development one of the spheres of LED in your Municipality?**	If the respondent answers “Yes” they receive 3 points, if “No” 0 points	3
45.	**The Municipality promotes schemes(including joint ventures and PPP) to maintain the economic infrastructure.**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
46.	**Specify how the municipality promotes joint ventures and PPP**	If the respondent explains with examples, they receive 2, if Not “0”.	2
47.	**Does your Municipality facilitate cluster and value chain development**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
48	**Specify where clusters and value chains were facilitated**	If the respondent explains with examples, they receive 2, if Not “0”.	2
TOTAL			9
Workforce Development			
49.	**Is Workforce Development one of the spheres of LED in your Municipality**	If the respondent answers “Yes” they receive 3 points, if “No” 0 points	3
50.	**Does your Municipality enforce the employment of locals in Local projects funded by its resources**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
51.	**Specify how the employment of locals is enforced or encouraged**	If the respondent explains with examples, they receive 2, if Not “0”.	2
52.	**Does the municipality have any database for unemployed people**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
53.	**If yes, How often is the database updated**	The respondent is NOT given all choices. If the respondent answers “Not sure” they receive 0 points, if they choose “once a quarter” they receive 2 points, any other answer they receive 1	2

		points.	
54.	**Is the database for unemployed people utilised for hiring personnel for projects or programmes**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
55.	**Does your Municipality have any skilling initiatives for youth, women, disabled and unemployed**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
56.	**Specify these initiatives of skilling the youth, women, disabled and unemployed**	If the respondent explains with examples they receive 2 points	2
57.	**Does your municipality participate in the Community Works Programme (CWP)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
58.	**Does your municipality participate in Extended Public Works Programme**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
59.	**Does your municipality offer internship programmes to Youth**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
TOTAL			16
LED Governance			
60.	**LED Partnerships and Networks are facilitated in your municipality**	If the respondent answers "Yes" they receive 3 points, if "No" 0 points	3
61.	**If yes, specify which LED partnerships and networks have been established**	If the respondent explains with examples they receive 2 points	2
62.	**Does the established network have an annual meeting schedule?**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
63.	**Does the established network have a proper work plan with a proper M&E plan?**	If the respondent answers "Yes" they receive 1 points, if "No" 0 points	1
64.	**If not, how often does the group meet and how does the group keep track on work done and outstanding?**	This question is not accorded a mark regardless of the answer.	0
65.	**What does the group (mentioned in question 64) discuss ?**	The respondent is given all choices. If the respondent answers "unknown" they receive 0 points, if they choose one of the given only they receive 1 point, only if the respondent chooses	2

		more than one of the given options do they receive 2 points for a maximum of 2 points.	
66.	**Does your Municipality have a LED Agency (LEDA)**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
67.	**If yes. What role does your LEDA play?**	The respondent is NOT given all choices. If the respondent answers “unknown” they receive 0 points, if they choose any other answer they receive 2 points.	2
68.	**Local stakeholders are encouraged by municipality to organise themselves into networks for information exchange and dialogue with the municipality around LED**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
69.	**Does your municipality have an LED Forum?**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
70.	**If Yes, Who constitutes your LED Forum?**	The respondent is given all choices. If the respondent chooses all the given choices, they receive 3 points, if they choose any other answer they receive 2 points.	3
71.	**The private sector and community are actively involved in the planning of economic initiatives by the municipality**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
72.	**The municipality has a structured LED monitoring and evaluation (M&E) system which is used to monitor and evaluate its economic projects and initiatives**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1
73.	**How does the municipality ensure that the information generated by LED M&E tool feeds into the broader knowledge management system**	If the respondent explains with examples, they receive 2, if Not “0”.	2
74.	**Is the M&E reports supported by Information Technology system**	If the respondent answers “Yes” they receive 1 point, if “No” 0 points	1

75.	**If so, how does the municipality ensure that the reports are accessible to other role players for knowledge management purposes?**	If the respondent explains with examples, they receive 2, if Not "0".	2
76.	**Is your municipality a member of the LED Provincial Working group (highest provincial LED body)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1
77.	**If not, how does the municipality ensure that it stays abreast with ever changing LED dynamics?**	This question is not accorded a mark regardless of the answer.	0
TOTAL			25
The no marks allocated questions serves for informative purposes only.			

Annexure E: Embeddedness Scoresheet results

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
1	**Municipality**	This question is not accorded a mark regardless of the answer.	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	
2	**Years of Experience in Local Economic Development (LED) Function**	This question is not accorded a mark regardless of the answer.	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	
3	**Do you have an LED Strategy/ Plan?**	If the respondent answers "Yes" they receive 4 points, if "No" 0 points	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
4	**How often do you review your LED strategy/plan?**	The respondent is NOT given all choices. If the respondent answers "unknown" they receive 0 points, if they choose any other answer they receive 3 points.	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
5	**What informs your municipality to review its LED strategy/plan**	The respondent is NOT given all choices. If the respondent answers "unknown" they receive 0 points, if they choose EITHER "End of every political term or other' they only receive 1 point, only if the respondent answers "when the existing LED plan /strategy runs its course; when all that is on the implementation plan has been implemented or when there	3	3	0	3	3	3	3	3	3	3	3	3	3	0	3	3	0	3	2

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
		is proof that the plan is not implementable do they receive 3 points for a maximum of 3 points.																			

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
6	**What other plans/strateg(ies) do you have in your municipality that aid LED**	The respondent is NOT given all choices. If the respondent answers "no other plans" they receive 0 points, if they choose any other answer they receive 3 points.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
7	**All units /directorates of the municipality are to some extent involved in Local Economic Development Planning Process-not only LED unit**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
8	**Explain your answer in question 7.**	This question is not accorded a mark regardless of	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
		the answer																			
9	**What percentage of the budget was allocated for LED in 2013/14**	If the respondent answers "0 percent" they receive 0 points, anything else is 1 point for a maximum of 1 point.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
10	**How much of that Budget was spent i.e. in question 9**	If the respondent answers "76-100 percent' they receive 1 point, anything else is 0 point.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
11	**What was the average percentage of municipal budget allocated for LED from 2009/10 financial year to 2013/14 . i.e 5 year period**	If the respondent answers "0 percent" they receive 0 points, anything else is 1 point for a maximum of 1 point.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
12	**Of that budget, On average how much was spent (with reference to question 11)**	If the respondent answers "76-100 percent' they receive 1 points, anything else is 0 point.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
TOTAL			18	18	12	18	18	18	18	18	18	17	18	18	18	15	18	18	15	18	17
0																					
13	**Is Enterprise development one of the spheres of your LED?**	If the respondent answers "Yes" they receive 3 points, if "No" 0 points	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
14	**Does your municipality offer Business Development Services (BDS)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
15	**Which Business Development Services (BDS) does your municipality offer?**	The respondent is given all choices. If the respondent answers "unknown" they receive 0 points, if they choose any 5 or less of the given, they only receive 2 point and if the respondent chooses more than 5 of the given they receive 3 points for a maximum of 3 points.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
16	**Does your Municipality provide any business finance**	This question is not accorded a mark regardless of the answer.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	**Specify the type of finance and eligibility**	This question is not accorded a mark regardless of the answer.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	**The Municipality researches for markets for local products and where possible negotiates deals**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
19	**Explain your answer in 18**	If the respondent explains with examples, they receive 1, if Not "0".	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
20	**The Municipality facilitates business organisation formations where needed (e.g. taxi association or citrus famers association)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
21	**Specify where these associations have been facilitated?**	If the respondent specifies examples, they receive 1, if Not "0".	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
22	**The Municipality encourages and support institutions that provide support services to SMMEs in its locality**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
23	**Does your municipality offer Special Economic Zones (SEZ)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
24	**If yes, does the SEZ offer anything different from other industrial Parks**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	**Explain your answer in question 24**	If the respondent explains with examples, they receive 2, if Not "0".	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL			17	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
26	**Is Locality development one of the Spheres of LED in your Municipality?**	If the respondent answers "Yes" they receive 3 point, if "No" 0 points	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
27	**The municipality improves the business environment through reforms streamlining regime for business activity**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
28	**If yes, Specify regulations put in place to make the municipality a favourable investment hub.**	If the respondent explains with examples, they receive 2, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
29	**The municipality prioritises Business attraction and Retention**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
30	**If yes, Specify how business attraction and investment is ensured (e.g. by implementing BRE strategy)**	If the respondent specifies examples, they receive 1, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
31	**Municipal procurement of goods and services is done to minimise leakages and promote local businesses.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
32	**The municipality prioritise both point infrastructure (e.g. land, building) and network infrastructure (e.g. roads, rail, and telecommunication) as important driver for LED.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
33	**Substantiate the response in question 32.**	If the respondent provides examples for Q32, they receive 1, if Not "0".	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
34	**There is infrastructure for which informal business can work from (e.g vendor stalls)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
35	**There is market infrastructure for agricultural produce**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1
36	**The municipality regularly updates the community (imbizo, community meeting newsletters) on the economic initiatives it is supporting.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
37	**There is an SMME desk within the municipality (one stop shop)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
38	**The LED directorate maintains an economic database that informs decision and act as "an early warning system" for the municipality.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
39	**If yes, how often is the database updated**	The respondent is NOT given all choices. If the respondent answers "Not Sure" they receive 0 points, if they choose "monthly" they receive 3 points any other answer they receive 2 points.	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL			20	15	15	15	15	15	15	15	15	15	16	16	16	16	16	16	16	16	16

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
40	**Is Community Development one of the Spheres of LED in your Municipality?**	If the respondent answers "Yes" they receive 3 point, if "No" 0 points	3	0	0	0	3	0	0	3	0	1	3	3	3	0	0	0	3	3	2
41	**The municipality fosters the participation of marginalised groups (women and disabled) in economic activities**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
42	**Explain how the participation of marginalised groups is ensured?**	If the respondent explains with examples, they receive 2, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
43	**Are there circumstances where LED programmes are biased towards poor communities**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
TOTAL			7	4	4	4	7	4	4	7	4	5	7	7	7	4	4	4	7	7	6
44	**Is Livelihoods development one of the spheres of LED in your Municipality**	If the respondent answers "Yes" they receive 3 points, if "No" 0 points	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
45	**The Municipality promotes schemes(including joint ventures and PPP) to maintain the economic infrastructure.**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
46	**Specify how the municipality promotes joint ventures and PPP**	If the respondent explains with examples, they receive 2, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
47	**Does your Municipality facilitate cluster and value chain development**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
48	**Specify where clusters and value chains were facilitated**	If the respondent explains with examples, they receive 2, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
TOTAL			**9**	**9**	**9**	**9**	**9**	**9**	**9**	**9**	**9**	9	**9**	**9**	**9**	**9**	**9**	**9**	**9**	**9**	9
49	**Is Workforce Development one of the spheres of LED in your Municipality**	If the respondent answers "Yes" they receive 3 points, if "No" 0 points	3	0	0	3	3	3	3	3	0	2	3	3	3	3	3	3	3	3	3

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
50	**Does your Municipality enforce the employment of locals in Local projects**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
51	**Specify how the employment of locals is enforced or encouraged**	If the respondent explains with examples, they receive 2, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
52	**Does the municipality have any database for unemployed people**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
53	**If yes, How often is the database updated**	The respondent is NOT given all choices. If the respondent answers "Not sure" they receive 0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
		points, if they choose "once a quarter" they receive 2 points, any other answer they receive 1 points.										0									0
54	**Is the database for unemployed people utilised for hiring personnel for projects or programmes**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
55	**Does your Municipality have any skilling initiatives for youth, women, disabled and unemployed**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
56	**Specify these initiatives of skilling the youth, women, disabled and unemployed**	If the respondent explains with examples they receive 2 points	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
57	**Does your municipality participate in the Community Works Programme (CWP)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
58	**Does your municipality participate in Extended Public Works Programme**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
59	**Does your municipality offer internship programmes to Youth**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
TOTAL			16	11	11	14	14	14	14	14	11	13	14	14	14	14	14	14	14	14	14

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
60	**LED Partnerships and Networks are facilitated in your municipality**	If the respondent answers "Yes" they receive 3 points, if "No" 0 points	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
61	**If yes, specify which LED partnerships and networks have been established**	If the respondent explains with examples they receive 2 points	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
62	**Does the established network have an annual meeting schedule?**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
63	**Does the established network have a proper work plan with a proper M&E plan?**	If the respondent answers "Yes" they receive 1 points, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
64	**If not, how often does the group meet and how does the group keep track on work done and outstanding?**	This question is not accorded a mark regardless of the answer.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
65	**What does the group (mentioned in question 64) discuss?**	The respondent is given all choices. If the respondent answers "unknown" they receive 0 points, if they choose one of the given only they receive 1 point, only if the respondent chooses more than one of the given options do they receive 2 points for a	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
		maximum of 2 points.																			
66	**Does your Municipality have a LED Agency (LEDA)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
67	**If yes. What role does your LEDA play?**	The respondent is NOT given all choices. If the respondent answers "unknown" they receive 0 points, if they choose any other answer they receive 2 points.	2	0	0	0	0	0	0	0	0	0	2	2	2	2	2	2	2	2	2
												0									0
68	**Local stakeholders are encouraged by municipality to organise themselves into networks for information exchange and dialogue with the municipality around LED**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
69	**Does your municipality have an LED Forum?**	If the respondent answers "Yes" they receive 1 point, if "No"	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
		0 points																			
70	**If Yes, Who constitutes your LED Forum?**	The respondent is given all choices. If the respondent chooses all the given choices, they receive 3 points, if they choose any other answer they receive 2 points.	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
71	**The private sector and community are actively involved in the planning of economic initiatives by the municipality**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
72	**The municipality has a structured LED monitoring and evaluation (M&E) system which is used to monitor and evaluate its economic projects and initiatives**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
73	**How does the municipality ensure that the information generated by LED M&E tool feeds into the broader knowledge management system**	If the respondent explains with examples, they receive 2, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
74	**Is the M&E reports supported by Information Technology system**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
75	**If so, how does the municipality ensure that the reports are accessible to other role players for knowledge management purposes?**	If the respondent explains with examples, they receive 2, if Not "0".	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
76	**Is your municipality a member of the LED Provincial Working group (highest provincial LED body)**	If the respondent answers "Yes" they receive 1 point, if "No" 0 points	1	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1

Question #	Question	Notes for Interviewer	Score/weight	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
77	**If not, how does the municipality ensure that it stays abreast with ever changing LED dynamics?**	This question is not accorded a mark regardless of the answer.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL			25	21	21	21	21	21	21	21	21	21	25	25	25	25	25	25	25	25	25

Annexure F: Field Notes (Summary)

Question Under Consideration	Comment /Observation
The Municipality conducts markets for local products and where possible negotiates deals	The respondents from NMBM indicated that market research studies were conducted within their municipality, but the frequency of these researches and qualifying criteria were not clear.
Implementation of Community Development Facet	The in-depth semi-structured questionnaire respondents from sector departments believed that the reason why there was relatively little effort from municipality in implementing community development facets was based on the biased interpretation that “LED was not about poverty alleviation”.
How do municipalities promote joint venture and Public-Private Partnerships?	The interviewees from both municipalities stated that clauses are inserted in bids to ensure partnerships that are pro local SMMEs. The legality and enforceability of these clauses could not be ascertained. The respondents were not sure whether the clauses were legal or a mere encouragement.
Facilitation of Cluster and value Chains	There is evidence of number of clusters having been formed. However, a number of respondents highlighted that a number of challenges confronted these clusters as the coalitions were more of convenience than being informed through shared purpose.

Specify how the employment of locals is enforced or encouraged.	The respondents highlighted that the skilling initiatives were pro-poor community members. Respondents stated that although the initiatives were pro-poor, there was a challenge with selection of the most deserving amongst the poor. More often, the poor of the poorest were not benefiting either deliberately or unintentionally. Most deserving people are discouraged to participate or information on these initiatives does not reach them.
LED Governance structures	Sector department officials felt that the collapse of DST structure in BCMM was a product of poor Thina Sinako after care programme. Respondents from BCMM noted the municipality was part of other structures. However, the workability of these arrangements could not be explained, putting the functionality and efficiency of those structures in question.
LED Strategy Review Timelines	Respondents from the two municipalities had different LED strategy review timelines in mind. There was evident doubt among respondents on the rationale behind reviewing respective strategies. Sector department respondents blamed recruitment of unqualified personnel without requisite development studies or economic planning expertise.
Availability of Sector specific plans aiding	Respondents confidently agreed on the

LED Strategies	need for plans aiding LED strategy and their importance. However, respondents from BCMM could not explain why there was no Industrial Development Plan in place.
Available LED Budgets	Respondents from the two municipalities stated that the budgets, albeit huge, were not sufficient to service all the LED needs of the directorates. One interviewee from the sector department blamed municipality from raising enough resources on their inability to develop bankable business plans. The respondents noted that there were a number of funding agents with money available, yet municipalities fail to access these funds due to poor business case development skills.
Respondents displayed a high level of enthusiasm when responding to questions from general LED, Enterprise Development, Livelihoods Development, Workforce Development and LED Governance. In all these facets, interviewees were willing to back their responses with practical examples and motivation. The same level of enthusiasm could not be observed among most respondents when providing responses to questions on community and locality development facets.	